

**CENTRAL JERSEY ARTS CHARTER SCHOOL**

**Central Jersey Arts Charter School  
Plainfield, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013**

**Comprehensive Annual  
Financial Report**

**of the**

**Central Jersey Arts Charter School**

**Plainfield, New Jersey**

**For the Fiscal Year Ended June 30, 2013**

**Prepared by**

**Central Jersey Arts Charter School**

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INTRODUCTORY SECTION

# CENTRAL JERSEY ARTS CHARTER SCHOOL

*K-8 school that utilizes creative teaching strategies to reach each learner.*

November 27, 2013

The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
Plainfield, New Jersey

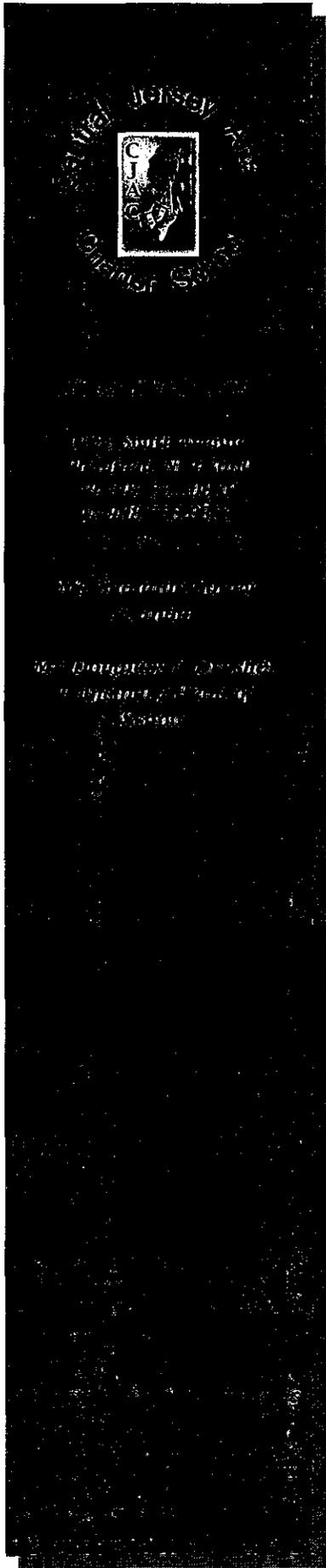
Dear Board Members:

The comprehensive annual financial report of the Central Jersey Arts Charter School (the "Charter School") for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, a roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the Charter School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial trends and the fiscal capacity of the Charter School, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

### 1) REPORTING ENTITY AND ITS SERVICES:

The Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. The Central Jersey Arts Charter School constitutes the Charter School's reporting entity.



The Honorable President and Members  
of the Board of Trustees  
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### 1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The Charter School provides a full range of educational services appropriate to grade levels Kindergarten through 8. These services include enhancing the academic learning opportunities through the integrated use of available technologies. The program is structured around small class size, a dynamic and integrated curriculum which has been aligned with the New Jersey Core Curriculum Content Standards and the infusion of technology to stimulate student enthusiasm and interest in the learning process.

The Charter School completed the 2012-2013 fiscal year; its seventh year of operation, with an average daily enrollment of 377.4 students, an increase of 41.9 students from the previous year's enrollment.

### 2) ECONOMIC CONDITION AND OUTLOOK:

School funding is somewhat constrained in the current economic climate. Even more problematic is the fact that Charter School funding under New Jersey law has been inequitable in that charter schools only receive approximately 90% of the per pupil funding available to traditional public school students. Central Jersey Arts Charter School ("CJACS") has a largely inactive allied foundation – Friends of CJACS, which the Charter School hopes to mobilize in the year ahead to become a greater fund raiser and contributor to the CJACS community, albeit in a challenging environment for non-profit fundraising. The Charter School's new management company, Renaissance School Services, intends to fully examine the Charter School's providers, structures, and processes in order to reduce expenses and maximize revenue.

### 3) MAJOR INITIATIVES:

The Charter School's most significant initiative was the engagement of Renaissance School Services, one of the country's leading turnaround school operators, to manage the Charter School effective October 15, 2012. Renaissance is restructuring virtually all of the Charter School's operations – academic and non-academic. In addition, Renaissance is leading the effort to satisfy the conditions to remove the Charter School from New Jersey Department of Education's probation. This includes working with the Board of Trustees to restructure how the Charter School's Board of Trustees operates and to assist in recruiting new Board members.

On the business front, Renaissance is revamping all of the Charter School's internal control systems and procedures and is bringing in a new school business administrator. Organizationally, Renaissance has restructured positions and duties to better align them to work flow and compliance requirements. Academically, Renaissance is working with the Charter School's achievement specialist and faculty to make more rigorous classroom instruction at CJACS and to align the Charter School's curriculum more closely to the State's core curriculum standards.

### 4) INTERNAL ACCOUNTING CONTROLS:

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

The Honorable President and Members  
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Central Jersey Arts Charter School  
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November 27, 2013

#### 4) INTERNAL ACCOUNTING CONTROLS: (Cont'd)

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

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

#### 5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the General and Special Revenue Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2013.

#### 6) ACCOUNTING SYSTEM AND REPORTS:

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

#### 7) CASH MANAGEMENT:

The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The Charter School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

#### 8) RISK MANAGEMENT:

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

#### 9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP was selected by the Board of Trustees.

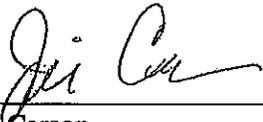
The Honorable President and Members  
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November 27, 2013

9) OTHER INFORMATION:

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

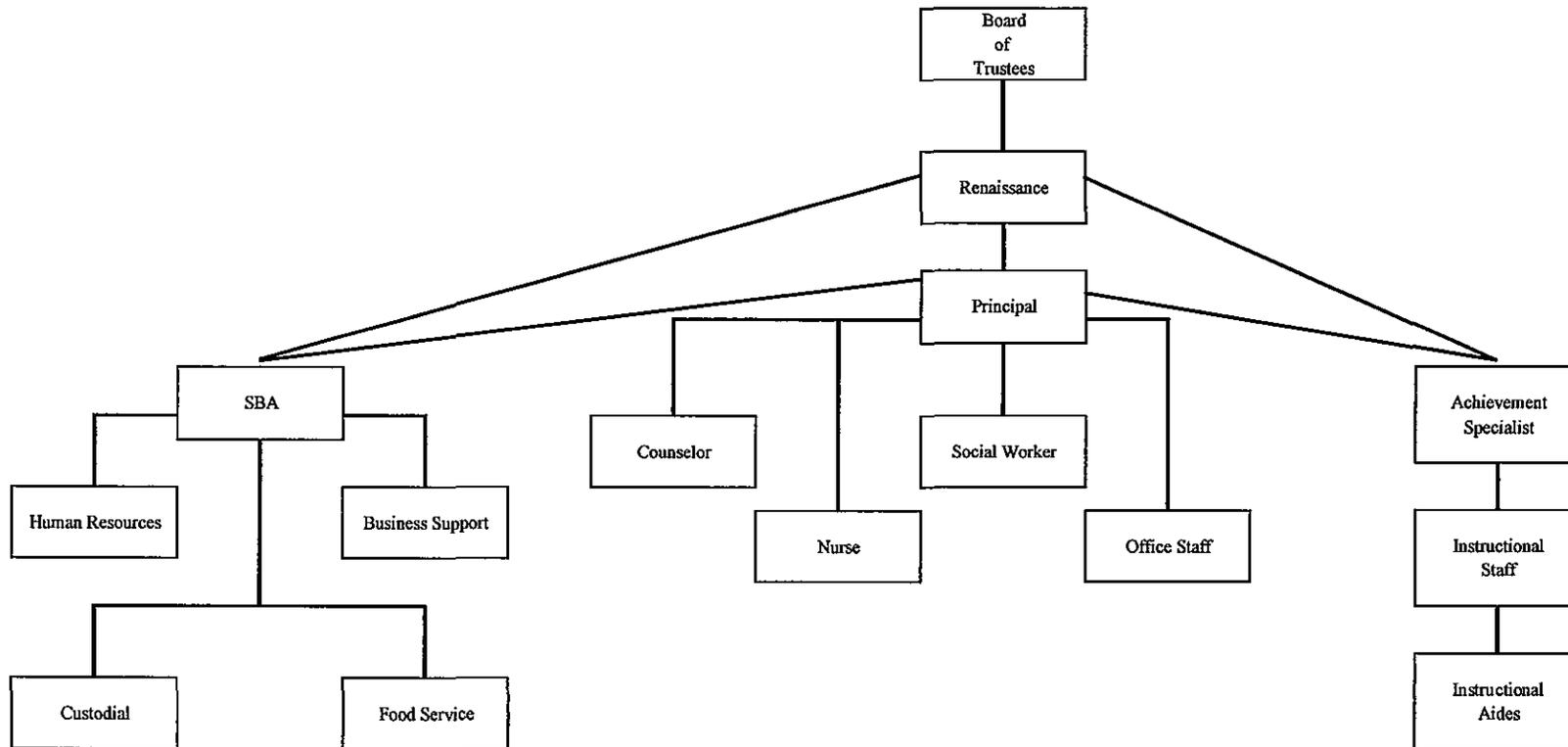
We would like to express our appreciation to the members of the Board of Trustees of the Central Jersey Arts Charter School for their concern in providing fiscal accountability to the citizens and participating Charter Schools of the Charter School and thereby contributing their full support to the development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



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Jill Carson  
Business Administrator

CENTRAL JERSEY ARTS CHARTER SCHOOL  
2013 ORGANIZATIONAL CHART



**CENTRAL JERSEY ARTS CHARTER SCHOOL**

**ROSTER OF OFFICIALS  
JUNE 30, 2013**

<u>MEMBERS OF THE BOARD OF TRUSTEES</u>		<u>TERM EXPIRES</u>
Dawn Armstrong, President		2015
Andrea Booth, Vice President		2015
Meghan Bernard		2015
Aamira Garba		2015
Ruby Simmons		2015
Craig Jackson		2015
Cora Coney	resigned Dec. 2012	
Steven Cooper	resigned Oct. 2012	
Katheryn Moore	resigned Aug. 2012	
Paulette Blow	resigned Oct. 2012	

<u>OTHER OFFICIALS</u>	<u>TITLE</u>
Douglass Dresher	Principal and Lead Person
Shamida Coney	Lead Person (resigned Dec. 2012)
Anthony Novembre	Business Administrator (July 2012 to Sept. 2012)
Kathy Mone	Business Administrator (December 2012 through February 2013)
Jill Carson	Business Administrator (from March 2013)
Christopher Lessard	Treasurer
Donna Cephas	Recording Secretary
Marlene Figueroa	Interim Board Secretary (Nov. 2012 to Dec. 2012)
Maria Hizon	Achievement Specialist (May 2013 to present)
Veronica Gerald	Achievement Specialist (July 2012 to April 2013)

**CENTRAL JERSEY ARTS CHARTER SCHOOL**

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Nisivoccia LLP  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ, 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**ATTORNEYS**

Fogarty & Hara, Esqs.  
16-00 Route 208 South  
Fair Lawn, NJ 07410

Barger Law Group  
299 Market Street  
Saddle Brook, NJ 07663

**OFFICIAL DEPOSITORY**

Wells Fargo Bank, NA  
274 Somerset Street  
North Plainfield, NJ 07062

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 Central Jersey Arts Charter School  
 Plainfield, New Jersey

### **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 Central Jersey Arts Charter School (the "Charter School") in the County of Union, 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***

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.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Charter School'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 Charter School'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on governmental activities, business-type activities and the aggregate remaining funds-proprietary funds and unmodified audit opinions on the major funds and aggregate remaining fund information not affected by the qualification.

The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
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***Basis for Qualified Opinion on Governmental Activities, Business-type Activities and the Aggregate Remaining Fund Information - Proprietary Funds***

As discussed in Note 1K to the financial statements, management has not recorded the Charter School's capital assets in the governmental activities, the business-type activities, and the aggregate remaining fund information - proprietary funds and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net position and expenses of the governmental activities, the business-type activities, and the aggregate remaining fund information - proprietary funds. The amount by which this departure would affect the assets, net position and expenses of the governmental activities, the business-type activities, and the aggregate remaining fund information - proprietary funds is not reasonably determinable.

***Qualified Opinion on Governmental Activities, Business-type Activities and on the Aggregate Remaining Fund Information - Proprietary Funds***

In our opinion, except for the matter described in the Basis for Qualified Opinion Governmental Activities, Business-type Activities and the Aggregate Remaining Funds - Proprietary Funds paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information - proprietary funds of the Central Jersey Arts Charter School, in the County of Union, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions on the Major Funds and Aggregate Remaining Fund Information not Affected by the Qualification***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and the aggregate remaining fund information not affected by the qualification of the Central Jersey Arts Charter School, in the County of Union, as of June 30, 2013, and the respective changes in financial position thereof for the fiscal 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, which follows this report, and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
Page 3

*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 supplementary information such as the combining and individual non-major fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the 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*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has 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 27, 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 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.

*Nisivoccia, LLP*

November 27, 2013  
Mount Arlington, New Jersey

NISIVOCCIA, LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

This section of Central Jersey Arts Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance for the fiscal year ended June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

**Financial Highlights**

- The financial position of the Charter School improved by 24.75% over the course of the year.
- Overall revenue was \$5,871,041 and overall expenses were \$5,811,653.

**Overview of the Financial Statements**

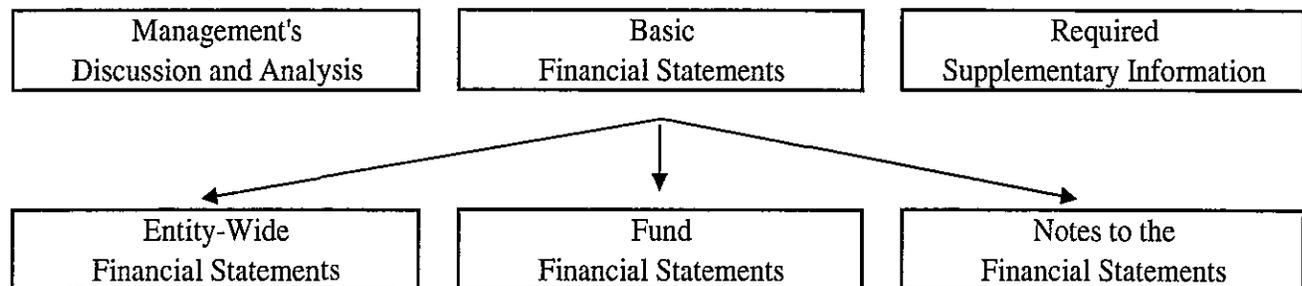
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

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

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

**Figure A-1**

**Organization of The Central Jersey Arts Charter School's Financial Report**



**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Figure A-2

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

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

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

***Charter School-wide Statements***

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

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

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

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

- *Governmental activities:* Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. State and local Charter School Aid finance most of these activities.
- *Business-type activities:* The Charter School charges fees to help it cover the costs of certain services it provides.

***Fund Financial Statements***

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

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

The Charter School has three kinds of funds:

- *Governmental funds:* Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

***Fund Financial Statements (Cont'd)***

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as payroll agency funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

*Notes to the Basic Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the Charter School as a Whole**

*Net Position.* The Charter School's *combined* net position were \$299,365 on June 30, 2013, \$59,388 or 24.75% more than it was the year before. (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total Charter School		Percent Change
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013
Current & Other Assets	\$ 589,559	\$ 1,000,355	\$ 31,339	\$ 13,933	\$ 620,898	\$ 1,014,288	-38.78%
Total Assets	589,559	1,000,355	31,339	13,933	620,898	1,014,288	-38.78%
Other Liabilities	290,194	760,378	31,339	13,933	321,533	774,311	-58.47%
Total Liabilities	290,194	760,378	31,339	13,933	321,533	774,311	-58.47%
Net Position/(Deficit):							
Unrestricted/(Deficit)	299,365	239,977			299,365	239,977	24.75%
Total Net Position (Deficit)	\$ 299,365	\$ 239,977	\$ - 0 -	\$ - 0 -	\$ 299,365	\$ 239,977	24.75%

*Changes in Net Position.* The Charter School's net position for Governmental activities increased \$59,388 during the year and net position for Business-type activities remained constant for the year. The increase in Unrestricted net position from Governmental activities was attributable to the reduction in anticipated costs, particularly for health benefits and other administrative costs and offset by an increase in the transfers made to cover deficits in the Business-type activities. The Unrestricted net position from Business-type activities was due to decreases in fees collected in the Charter School's Food Service Fund and After School Program and significant increase in expenses incurred by the Food Service Fund which was offset by transfers from the General Fund to cover deficits in the Business-type activities.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Figure A-4  
Change in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total Charter School		Percent Change 2012/2013
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	
Revenue:							
Program Revenue:							
Charges for Services			\$ 10,005	\$ 25,811	\$ 10,005	\$ 25,811	-61.24%
Operating Grants and Contributions	\$ 838,905	\$ 756,255	24,768	78,411	863,673	834,666	3.48%
General Revenue:							
Local Charter School Aid	900,781	948,988			900,781	948,988	-5.08%
Unrestricted Federal and State Aid	4,030,344	4,148,734			4,030,344	4,148,734	-2.85%
Other	66,238	128,888			66,238	128,888	-48.61%
Total Revenue	<u>5,836,268</u>	<u>5,982,865</u>	<u>34,773</u>	<u>104,222</u>	<u>5,871,041</u>	<u>6,087,087</u>	-3.55%
Expenses:							
Instruction	3,054,914	2,797,733			3,054,914	2,797,733	9.19%
General and School Administration	677,736	868,787			677,736	868,787	-21.99%
Support Services	1,830,224	1,656,224			1,830,224	1,656,224	10.51%
Other	28,093		220,686	264,363	248,779	264,363	-5.89%
Total Expenses	<u>5,590,967</u>	<u>5,322,744</u>	<u>220,686</u>	<u>264,363</u>	<u>5,811,653</u>	<u>5,587,107</u>	4.02%
Transfers	(185,913)	(166,934)	185,913	166,934			100.00%
Increase/(Decrease) in Net Position	<u>\$ 59,388</u>	<u>\$ 493,187</u>	<u>\$ - 0 -</u>	<u>\$ 6,793</u>	<u>\$ 59,388</u>	<u>\$ 499,980</u>	-88.12%

*Revenue Sources.* The Charter School's total revenue for the 2012-2013 school year was \$5,871,041. (See Figure A-5). Local and State Charter School Aid and other unrestricted Federal and State Aid accounted for most of the Charter School's revenue (83.99%) (See Figure A-5). Another 14.71 percent came from state and federal aid and Operating grants and contributions and the remaining 1.30% came from charges for services and other sources.

**Figure A-5  
Sources of Charter School Revenue - Fiscal Year 2013 and 2012**

Sources of Income	2013		2012	
	Amount	Percentage	Amount	Percentage
Local Charter School Aid	\$ 900,781	15.34%	\$ 948,988	15.59%
Unrestricted Federal and State Aid	4,030,344	68.65%	4,148,734	68.16%
Operating Grants and Contributions	863,673	14.71%	834,666	13.71%
Charges for Services	10,005	0.17%	25,811	0.42%
Other	66,238	1.13%	128,888	2.12%
	<u>\$ 5,871,041</u>	<u>100.00%</u>	<u>\$ 6,087,087</u>	<u>100.00%</u>

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

*Expenses.* The total cost of all programs and services was \$5,811,653. The Charter School's expenses are predominantly related to student instruction (52.57%). (See Figure A-6). The Charter School's general and school administration expenses accounted for 11.66% of total costs and support services accounted for 31.49% of total costs. The remaining 4.28% of expenses were other expenses attributable to uncapitalized capital outlay and the Charter School's business-type activities (food service and after school programs).

**Figure A-6**

**Sources of Charter School Expenses - Fiscal Year 2013 and 2012**

Expense Category	2013		2012	
	Amount	Percentage	Amount	Percentage
Instruction	\$ 3,054,914	52.57%	\$ 2,797,733	50.08%
General/School Administration	677,736	11.66%	868,787	15.55%
Support Services	1,830,224	31.49%	1,656,224	29.64%
Other Expenses	248,779	4.28%	264,363	4.73%
Total	<u>\$ 5,811,653</u>	<u>100.00%</u>	<u>\$ 5,587,107</u>	<u>100.00%</u>

**Governmental Activities**

The financial position of the Charter School improved considerably over the course of the year, primarily due to conservative financial management. Through careful budgeting, the Charter School has managed to maintain programs. Careful management of expenses remains essential for the Charter School to sustain its financial health.

Figure A-7 presents the cost of four major categories: instruction, general and school administration, support services and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

**Figure A-7**

**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2012/2013	2011/2012	2012/2013	2011/2012
Instruction	\$ 3,054,914	\$ 2,797,733	\$ 2,473,755	\$ 2,224,307
General Administration Services	677,736	868,787	677,736	868,787
School Administration Services	1,830,224	1,656,224	1,572,478	1,473,395
Other	28,093		28,093	
Total	<u>\$ 5,590,967</u>	<u>\$ 5,322,744</u>	<u>\$ 4,752,062</u>	<u>\$ 4,566,489</u>

- The cost of all governmental activities this year was \$5,590,967.
- A significant portion (\$900,781) of the Charter School's activities was financed through amounts raised by local school district tax levies and transferred to the Charter School in the form of Local Charter School Aid.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

***Governmental Activities (Cont'd)***

- The federal and state governments subsidized certain programs with \$4,869,249 in grants and State Charter School Aid.
- The remaining \$66,238 of funding came from miscellaneous revenue.

***Business-Type Activities***

Net position from the Charter School's Business-type activities remained constant which is primarily attributable to decreases in fees collected in the Charter School's Food Service Fund and After School Enterprise Fund offset by transfers from the General Fund to the Business-type activities (Refer to Figure A-4).

**Financial Analysis of the Charter School's Funds**

The Charter School's financial position improved significantly on a fund basis through tight budgetary control on expenses. Faculty costs have increased slightly with the addition of new staff. Fringe benefit costs for all staff continue to increase.

**General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

***Capital Assets***

The Charter School has not fully implemented a system for reporting Capital Assets at June 30, 2013.

***Long-term Liabilities***

The Charter School has no Long Term Debt at June 30, 2013 other than Compensated Absences of \$6,931.

**Factors Bearing on the Charter School's Future**

At the time these financial statements were prepared and audited, Central Jersey Arts Charter School was aware of existing circumstances that could significantly affect its financial health in the future:

- The School continues to restructure itself financially to become more efficient. The school is addressing the issues in the food service operations and the after school program that will allow it to receive reimbursements from various sources such as the Free & Reduced Lunch program, on a more timely basis. The School in the 13-14 year is in compliance to be eligible to receive federal meal reimbursements.
- The Board of Trustees contracted with Renaissance School Services in October 2012 to manage the school. Renaissance is charged with improving the School's compliance, financial, operating, and academic performance. The School has made significant improvements in all these areas and will continue to do so.
- The School faces two events that will affect its financial health in the short term: 1) the repayment of tuitions to school districts due to an enrollment loss during the 12-13 year, and 2) the payment of an \$82,500 property tax bill imposed on the school by the City of Plainfield. Both events will cause a diminishment in the School's cash, but management is managing the school to address these issues.

**CENTRAL JERSEY ARTS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

**Contacting the District's Financial Management**

This financial report is designed to provide the Charter School's students, parents, sending school districts, customers and investors and creditors with a general overview of the Charter School's finances and to demonstrate the Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Central Jersey Arts Charter School office, 1225 South Avenue, Plainfield, New Jersey 07062.

**BASIC FINANCIAL STATEMENTS**

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 323,376	\$ 41,784	\$ 365,160
Internal Balances	46,224	(46,224)	
Interfund Accounts Receivable	30,371		30,371
Receivable from State Government	26,983	430	27,413
Receivable from Federal Government	68,230	16,967	85,197
Receivable from Local Governments	64,315		64,315
Other Accounts Receivable	30,060		30,060
Total Assets	<u>589,559</u>	<u>12,957</u>	<u>602,516</u>
<b>LIABILITIES</b>			
Accounts Payable - Vendors	87,935	12,537	100,472
Interfund Payable		420	420
Payable to Local Governments	190,328		190,328
Unearned Revenue	5,000		5,000
Non-Current Liabilities - Due Beyond One Year	6,931		6,931
Total Liabilities	<u>290,194</u>	<u>12,957</u>	<u>303,151</u>
<b>NET POSITION</b>			
Unrestricted	<u>299,365</u>	<u>- 0 -</u>	<u>299,365</u>
Total Net Position	<u>\$ 299,365</u>	<u>\$ - 0 -</u>	<u>\$ 299,365</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
Instruction	\$ 2,943,988		\$ 581,159	\$ (2,362,829)		\$ (2,362,829)
General/School Administration	660,761			(660,761)		(660,761)
Support Services	1,958,125		257,746	(1,700,379)		(1,700,379)
Capital Outlay	28,093			(28,093)		(28,093)
<b>Total Governmental Activities</b>	<b>5,590,967</b>		<b>838,905</b>	<b>(4,752,062)</b>		<b>(4,752,062)</b>
<b>Business-Type Activities:</b>						
Food Service	164,919	\$ 975	24,768		\$ (139,176)	(139,176)
After School Program	55,767	9,030			(46,737)	(46,737)
<b>Total Business-Type Activities</b>	<b>220,686</b>	<b>10,005</b>	<b>24,768</b>		<b>(185,913)</b>	<b>(185,913)</b>
<b>Total Charter School</b>	<b>\$ 5,811,653</b>	<b>\$ 10,005</b>	<b>\$ 863,673</b>	<b>(4,752,062)</b>	<b>(185,913)</b>	<b>(4,937,975)</b>
<b>General Revenue:</b>						
Local Charter School Aid				900,781		900,781
Unrestricted Federal and State Aid				4,030,344		4,030,344
Miscellaneous Income				66,238		66,238
Transfers				(185,913)	185,913	
<b>Total General Revenue and Transfers</b>				<b>4,811,450</b>	<b>185,913</b>	<b>4,997,363</b>
Change in Net Position				59,388		59,388
Net Position - Beginning				239,977		239,977
Net Position - Ending				\$ 299,365	\$ -0-	\$ 299,365

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 323,376		\$ 323,376
Interfund Receivable	134,824		134,824
Intergovernmental Receivable:			
Local	64,315		64,315
State	26,983		26,983
Federal		\$ 68,230	68,230
Other Accounts Receivable	30,060		30,060
<b>Total Assets</b>	<b>\$ 579,558</b>	<b>\$ 68,230</b>	<b>\$ 647,788</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Accounts Payable - Vendors	\$ 82,934	\$ 5,001	\$ 87,935
Intergovernmental Payable:			
Local	190,328		190,328
Interfund Payable		58,229	58,229
Unearned Revenue		5,000	5,000
<b>Total Liabilities</b>	<b>273,262</b>	<b>63,230</b>	<b>336,492</b>
<b>Fund Balances:</b>			
Unassigned	306,296		306,296
<b>Total Fund Balances</b>	<b>306,296</b>		<b>306,296</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 579,558</b>	<b>\$ 63,230</b>	<b>\$ 642,788</b>

Amounts Reported for *Governmental Activities* in the *Statement of Net Position* (Exhibit A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 306,296
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds.	(6,931)
<b>Net Position of Governmental Activities</b>	<b>\$ 299,365</b>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-2

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUE:</b>			
Local Sources:			
Charter School Aid - Local Share	\$ 900,781		\$ 900,781
Miscellaneous	66,238		66,238
Total - Local Sources	967,019		967,019
State Sources	4,446,409		4,446,409
Federal Sources	6,254	\$ 416,586	422,840
Total Revenue	5,419,682	416,586	5,836,268
<b>EXPENDITURES:</b>			
Current:			
Instruction	2,013,891	158,840	2,172,731
Support Services and Undistributed Costs:			
Administration Services	586,673		586,673
Support Services	1,677,032	253,361	1,930,393
Unallocated Benefits	863,017	4,385	867,402
Capital Outlay	28,093		28,093
Total Expenditures	5,168,706	416,586	5,585,292
Excess of Revenue over Expenditures	250,976		250,976
Other Financing Uses:			
Operating Transfer Out:			
Food Service Program - Enterprise Fund	(139,176)		(139,176)
After School Program - Enterprise Fund	(46,737)		(46,737)
Total Other Financing Uses	(185,913)		(185,913)
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	65,063		65,063
Fund Balance — July 1	241,233		241,233
Fund Balance—June 30	\$ 306,296	\$ - 0 -	\$ 306,296

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

CENTRAL JERSEY ARTS CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)	\$	65,063
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Amounts Reported for *Governmental Activities* in the *Statement of Activities* (Exhibit A-2) are Different Because:

In the *Statement of Activities*, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

		(5,675)
Change in Net Position (from Exhibit A-2)	\$	59,388

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds Non-Major Funds</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 41,784
Accounts Receivable:	
State	430
Federal	<u>16,967</u>
Total Current Assets	<u>59,181</u>
Total Assets	<u>59,181</u>
 <u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable:	
General Fund	46,224
Student Activities Fund	420
Accounts Payable - Vendors	<u>12,537</u>
Total Current Liabilities	<u>59,181</u>
 <u>NET POSITION:</u>	
Unrestricted	<u>- 0 -</u>
Total Net Position	<u>\$ - 0 -</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities - Enterprise Funds Non-Major Funds</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 975
After School Program Fees	9,030
	10,005
Total Operating Revenue	10,005
Operating Expenses:	
Cost of Sales	103,146
Salaries and Wages	87,277
Supplies and Materials	8,772
Purchased Services	21,491
	220,686
Total Operating Expenses	220,686
Operating Income/(Loss)	(210,681)
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	610
Federal Sources:	
National School Breakfast Program	6,165
National School Lunch Program	17,631
Child and Adult Care Food Program	362
	24,768
Total Non-Operating Revenue	24,768
Net Loss Before Transfers	(185,913)
Operating Transfer In - General Fund	185,913
Change in Net Position	
Net Position - Beginning of Year	- 0 -
Net Position - End of Year	\$ - 0 -

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

## Exhibit B-6

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - <u>Enterprise Funds</u> <u>Non-Major Funds</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 93,617
Payments to Food Service Vendor	(215,855)
Payments to Suppliers	<u>(10,078)</u>
Net Cash (Used for) Operating Activities	<u>(132,316)</u>
Cash Flows from Noncapital Financing Activities:	
Cash Received from State and Federal Reimbursements	26,361
Cash Received for Transfers	<u>139,176</u>
Net Cash Provided by Noncapital Financing Activities	<u>165,537</u>
Net Increase in Cash and Cash Equivalents	33,221
Cash and Cash Equivalents, July 1	<u>8,563</u>
Cash and Cash Equivalents, June 30	<u>\$ 41,784</u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (210,681)
Adjustment to Reconcile Operating (Loss) to Cash (Used for) Operating Activities:	
Operating Transfer In - General Fund	46,737
Changes in Assets and Liabilities:	
Decrease in Interfund Accounts Receivable	59,421
Increase in Interfund Accounts Payable	(26,487)
(Decrease) in Accounts Payable	<u>(1,306)</u>
Net Cash (Used for) Operating Activities	<u>\$ (132,316)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

## Exhibit B-7

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	Agency	Unemployment Compensation Trust
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 75,643	\$ 20,337
Interfund Receivable:		
Food Service Fund	420	
Total Assets	\$ 76,063	\$ 20,337
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	\$ 35,335	
Interfund Payable - General Fund	30,371	
Due to Student Groups	10,357	
Total Liabilities	76,063	- 0 -
<u>NET POSITION:</u>		
Held in Trust for Unemployment Claims		\$ 20,337
Total Net Position	\$ - 0 -	\$ 20,337

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

## Exhibit B-8

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust Fund</u>
ADDITIONS:	
Contributions:	
Employee Contributions	<u>\$          4,284</u>
Total Contributions	<u>                  4,284</u>
Total Additions	<u>                  4,284</u>
Change in Net Position	4,284
Net Position - Beginning of the Year	<u>                 16,053</u>
Net Position - End of the Year	<u><u>                 \$      20,337</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and schools by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operations of the Charter School include one school which is situated in the Township of Plainfield. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

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

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The Charter School reports the following Governmental Funds:

General Fund: The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources not accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

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

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

The Charter School reports the following Proprietary Funds:

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Additionally, the Charter School reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

It is the Charter School's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,419,682	\$ 416,586
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 5,419,682</u>	<u>\$ 416,586</u>
<b>Uses/Outflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,168,706	\$ 416,586
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,168,706</u>	<u>\$ 416,586</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenue/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between Governmental and Business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as restricted, committed and/or assigned of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the Charter School has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances:

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) methods. Prepaid expenses in the Enterprise Funds represent payments made to vendors for services that will benefit periods beyond June 30, 2013.

K. Capital Assets:

As of June 30, 2013 the Charter School had not implemented a capital asset recording and reporting system and did not maintain a formal inventory of capital assets. However, the Charter School has subsequently begun to implement a capital asset recording and reporting system and maintain a formal inventory of capital assets.

A formal system of accounting for its capital assets is required to be established. Capital assets acquired or constructed are to be recorded at historical cost including ancillary charges necessary to place the asset into service, donated capital assets are to be valued at their estimated fair market value on the date received, and capital assets are to be reviewed for impairment. The cost of normal maintenance and repairs would not be capitalized.

The Charter School does not possess any infrastructure. The capitalization threshold established by the New Jersey Department of Education (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line, and the estimated useful lives of capital assets that would be reported in the Charter School-Wide and Proprietary Funds statements are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities:

In the Charter School-Wide and Enterprise Funds Statements of Net Position, long-term debt and other long-term obligations are reported as liabilities in the applicable Governmental activities, Business-type activities, or Enterprise Funds.

M. Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2013.

N. Compensated Absences:

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

Employees are granted varying amounts of vacation and personal leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused personal days which will be paid, with certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

In the Charter School-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due beyond one year.

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: The \$306,296 of General Fund balance at June 30, 2013 is unassigned.

Q. Net Position:

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position: (Cont'd)

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School did not have any deferred inflows or outflows of resources at June 30, 2013.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned. The Charter School has not established any fund balance restrictions as of June 30, 2013.

The Charter School Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2013.

The assignment of resources is generally made by the Charter School Board of Trustees through a motion or a resolution passed by a majority of the Members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources in the General Fund at June 30, 2013.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Revenue - Exchange and Non-exchange Transactions:

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

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

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

T. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activities of the Enterprise Funds. For the Charter School, these revenues are sales for Food Service and After School Care. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

U. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Deposits:

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

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

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% 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%.

Deposits:

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.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments:

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

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

As of June 30, 2013, cash and cash equivalents and investments of the Charter School consisted of the following:

	Cash and Cash Equivalents
	\$ 461,140
Checking & Savings Accounts	

During the period ended June 30, 2013, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents and investments at June 30, 2013, was \$461,140 and the bank balance was \$661,396.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 4. OPERATING LEASE

The Charter School entered into a five (5) year lease commencing May 20, 2010 and ending May 19, 2015 to lease classroom and office space at 1225 South Avenue, Plainfield, New Jersey. Lease payments commenced on July 1, 2011 in the amount of \$64,417 per month, and the Charter School negotiated annual increases beginning on January 1, 2012 at a rate equal to the lessor of 3% or the year over year change in the US Department of Labor Consumer Price Index. Total lease payments made during the year ended June 30, 2013 amounted to \$808,133. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013-2014	\$ 832,377
2014-2015	<u>784,847</u>
	<u>\$ 1,617,224</u>

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2013, the following changes occurred in liabilities reported in the Charter School-Wide financial statements:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2013</u>
Compensated Absences Payable	\$ 1,256	\$ 8,566	2,891	\$ 6,931
	<u>\$ 1,256</u>	<u>\$ 8,566</u>	<u>\$ 2,891</u>	<u>\$ 6,931</u>

A. Compensated Absences:

The Charter School's compensated absences payable of its Governmental activities will be liquidated through the General Fund. There is no current portion payable; therefore, the entire balance of \$6,931 as of June 30, 2013 is included in the long-term portion of long-term liabilities. The Charter School has no accrued compensated absences payable in its Proprietary Funds.

NOTE 6. DEFERRED COMPENSATION

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

NOTE 7. ECONOMIC DEPENDENCY

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through 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 eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, 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.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School for 2013 were not available and were estimated at \$135,816 based on the average percentage increase experienced in other similar Charter Schools. The State's on behalf Post-Retirement Medical Contributions to TPAF for the Charter School were \$104,474, and \$102,752 for 2012, and 2011, respectively.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF 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 Board and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at a specified age according to the relevant tier category for that employee are entitled to a retirement benefit based upon a formula which takes "final average salary" during years of creditable service. Vesting occurs after 8 to 10 years of service.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Effective July 1, 2012, the employee contribution for PERS and TPAF went from 6.5% to 6.64% of employees' annual compensation, as defined. Subsequent increases are being phased in over 7 years effective each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in the TPAF and PERS.

Charter School contributions to PERS amounted to \$10,334, \$59,664, and \$57,059 for the fiscal years ended June 30, 2013, 2012, and 2011, respectively.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

During the fiscal years ended June 30, 2013, 2012, and 2011 the State of New Jersey contributed \$103,940, \$51,970, and \$0-, respectively, to the TPAF for pension benefits on-behalf of the Charter School.

NOTE 10. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health benefits coverage is provided through the State of New Jersey Health Benefits Program.

Property and Liability Insurance

The District is a member of the New Jersey School Boards Association Insurance Group (the "NJSBAIG"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSBAIG is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSBAIG are elected.

As a member of the NJSBAIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSBAIG were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected summarized information for the Group as of June 30, 2013 is as follows:

	NJ School Board's Association Insurance Group
Total Assets	\$ 267,924,509
Net Position	\$ 64,143,384
Total Revenue	\$ 85,639,095
Total Expenses	\$ 84,297,968
Change in Net Position	\$ 1,341,127
Member Dividends	\$ -0-

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

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

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method" effective January 1, 2013. Under this plan, the Charter School is required to remit employee withholdings to the State of New Jersey on a quarterly basis. All of the Charter School's claims are paid by the State. Below is a summary of the Charter School contributions, employees' contributions, interest earnings, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current year and previous two years when the Charter School utilized the "Benefit Reimbursement Method".

<u>Fiscal Year</u>	<u>Employer/ Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$ 4,284	\$ - 0 -	\$ - 0 -	\$ 20,337
2011-2012	6,243	- 0 -	139	16,053
2010-2011	8,414	- 0 -	1,989	9,949

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2013.

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 134,824	
Special Revenue Fund		\$ 58,229
Food Service Fund		4,860
After Care Program Fund		41,784
Student Activities Fund	420	
Payroll Agency Fund		30,371
	<u>\$ 135,244</u>	<u>\$ 135,244</u>

The interfund receivable between the General Fund and Special Revenue Fund represents the cash deficit advanced to the Special Revenue Fund while awaiting federal grant reimbursements. The interfunds between the General Fund and Food Service and After Care Programs represents the net of expenditures made from the General Fund on behalf of the Food Service Fund offset by the subsidies received by the General Fund which have not been remitted to the Food Service Fund at June 30, expenditures made from the General Fund on behalf of the After Care Program Fund. The interfund between the General Fund and Payroll Agency Fund represents prior year and current year unallocated balances in the Payroll Agency Fund that are being cancelled and returned to the General Fund. The interfund receivable in the Student Activities Fund due from the Food Service Fund represents a Student Activities Fund deposit made to the Food Service Fund in error.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 12. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

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

Encumbrances

At June 30, 2013, the Charter School had no encumbrances payable.

BUDGETARY COMPARISON SCHEDULES

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Equalization Aid - Local Share	\$ 900,781		\$ 900,781	\$ 900,781	
Miscellaneous				66,238	\$ 66,238
<b>Total - Local Sources</b>	<b>900,781</b>		<b>900,781</b>	<b>967,019</b>	<b>66,238</b>
State Sources:					
Equalization Aid - State Share - Charter School Aid	3,953,761		3,953,761	3,883,453	(70,308)
Special Education Aid - Charter School Aid	125,703		125,703	98,142	(27,561)
Categorical Security Aid - Charter School Aid	154,662		154,662	140,553	(14,109)
Nonpublic Aid				84	84
Non-Budgeted:					
On-Behalf TPAF Pension Contributions				103,940	103,940
On-Behalf TPAF Post Retirement Medical Benefits				135,816	135,816
Reimbursed TPAF Social Security Contributions				84,421	84,421
<b>Total State Sources</b>	<b>4,234,126</b>		<b>4,234,126</b>	<b>4,446,409</b>	<b>212,283</b>
Federal Sources:					
Special Education Medicaid Initiative (SEMI)				6,254	6,254
<b>Total Federal Sources</b>				<b>6,254</b>	<b>6,254</b>
<b>TOTAL REVENUES</b>	<b>5,134,907</b>		<b>5,134,907</b>	<b>5,419,682</b>	<b>284,775</b>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 136,900		\$ 136,900	\$ 134,497	\$ 2,403
Grades 1-5 - Salaries of Teachers	678,250		678,250	670,754	7,496
Grades 6-8 - Salaries of Teachers	359,300		359,300	358,575	725
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	861,630		861,630	565,523	296,107
Purchased Professional - Educational Services	52,900		52,900	1,200	51,700
Other Purchased Services (400-500 Series)	20,000		20,000	9,848	10,152
General Supplies	38,200		38,200	157	38,043
Textbooks	40,000		40,000		40,000
Other Objects	6,800		6,800	472	6,328
<b>Total Regular Programs - Instruction</b>	<b>2,193,980</b>		<b>2,193,980</b>	<b>1,741,026</b>	<b>452,954</b>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	10,000		10,000	272,377	(262,377)
Purchased Services (300-500 Series)	2,500	\$ (38)	2,462		2,462
Supplies and Materials	1,500	38	1,538	488	1,050
<b>Total School-Sponsored Cocurricular Activities</b>	<b>14,000</b>		<b>14,000</b>	<b>272,865</b>	<b>(258,865)</b>
<b>Total Instruction</b>	<b>2,207,980</b>		<b>2,207,980</b>	<b>2,013,891</b>	<b>194,089</b>
Health Services:					
Salaries	125,000		125,000	45,901	79,099
Purchased Professional and Technical Services	5,000		5,000	13,520	(8,520)
Supplies and Materials				502	(502)
<b>Total Health Services</b>	<b>130,000</b>		<b>130,000</b>	<b>59,923</b>	<b>70,077</b>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Other Support Services - Child Study Team:					
Salaries of Other Professional Staff	\$ 61,868		\$ 61,868	\$ 48,650	\$ 13,218
Purchased Professional - Educational Services	8,400		8,400	2,219	6,181
Supplies and Materials				105	(105)
<b>Total Other Support Services - Child Study Team</b>	<u>70,268</u>		<u>70,268</u>	<u>50,974</u>	<u>19,294</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	92,700		92,700	31,209	61,491
<b>Total Improvement of Instructional Services</b>	<u>92,700</u>		<u>92,700</u>	<u>31,209</u>	<u>61,491</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	9,500		9,500	430	9,070
Other Purchased Professional and Technical Services	3,500		3,500	77	3,423
<b>Total Instructional Staff Training Services</b>	<u>13,000</u>		<u>13,000</u>	<u>507</u>	<u>12,493</u>
General Administration:					
Legal Services	40,000		40,000	42,186	(2,186)
Audit Fees	25,000	\$ (867)	24,133	54,100	(29,967)
Other Purchased Professional Services				5,651	(5,651)
Communications/Telephone	20,000	523	20,523	6,863	13,660
BOE Other Purchased Services	9,217	(1,785)	7,432	7,919	(487)
General Supplies	13,579	(399)	13,180	9,179	4,001
Miscellaneous Expenditures	6,000	2,528	8,528	39,642	(31,114)
BOE Membership Dues and Fees	3,500		3,500	2,000	1,500
<b>Total General Administration</b>	<u>117,296</u>		<u>117,296</u>	<u>167,540</u>	<u>(50,244)</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 181,936		\$ 181,936	\$ 65,211	\$ 116,725
Salaries of Other Professional Staff	50,000		50,000	2,380	47,620
Salaries of Secretarial and Clerical Assistants	167,300		167,300	208,929	(41,629)
<b>Total School Administration</b>	<b>399,236</b>		<b>399,236</b>	<b>276,520</b>	<b>122,716</b>
Central Services:					
Salaries	150,000	\$ (62,651)	87,349	35,079	52,270
Purchased Professional Services	24,000	63,651	87,651	472,810	(385,159)
<b>Total Central Services</b>	<b>174,000</b>	<b>1,000</b>	<b>175,000</b>	<b>507,889</b>	<b>(332,889)</b>
Administrative Information Technology:					
Purchased Technical Services	35,000	2,100	37,100	82,359	(45,259)
Supplies and Materials	700		700	700	
<b>Total Administrative Information Technology</b>	<b>35,700</b>	<b>2,100</b>	<b>37,800</b>	<b>83,059</b>	<b>(45,259)</b>
Custodial Services:					
Salaries	30,000		30,000	120	29,880
Cleaning, Repair and Maintenance Services	81,500	3,462	84,962	141,947	(56,985)
Rental of Land and Building	810,631	(1,295)	809,336	815,346	(6,010)
Insurance	33,552	2,326	35,878	35,612	266
General Supplies	10,000	(5,893)	4,107	3,564	543
Energy (Electricity)	71,000	(1,700)	69,300	89,495	(20,195)
<b>Total Custodial Services</b>	<b>1,036,683</b>	<b>(3,100)</b>	<b>1,033,583</b>	<b>1,086,084</b>	<b>(52,501)</b>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
<b>Transportation Services:</b>					
Contracted Services - Other Than Between Home and School - Vendors	\$ 11,200		\$ 11,200		\$ 11,200
<b>Total Transportation Services</b>	<b>11,200</b>		<b>11,200</b>		<b>11,200</b>
<b>Unallocated Benefits:</b>					
Social Security Contributions	90,224		90,224	\$ 96,670	(6,446)
Other Retirement Contribution - PERS	80,330		80,330	10,334	69,996
Unemployment Compensation	177,126		177,126	75,403	101,723
Workmen's Compensation	23,830		23,830	22,136	1,694
Health Benefits	333,000		333,000	334,297	(1,297)
<b>Total Unallocated Benefits</b>	<b>704,510</b>		<b>704,510</b>	<b>538,840</b>	<b>165,670</b>
<b>Unbudgeted:</b>					
On-Behalf TPAF Pension Contributions				103,940	(103,940)
On-Behalf TPAF Post Retirement Medical Benefits				135,816	(135,816)
Reimbursed TPAF Social Security Contributions				84,421	(84,421)
<b>Total On-Behalf and Reimbursed Contributions</b>				<b>324,177</b>	<b>(324,177)</b>
<b>Total Undistributed Expenditures</b>	<b>2,784,593</b>		<b>2,784,593</b>	<b>3,126,722</b>	<b>(342,129)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>4,992,573</b>		<b>4,992,573</b>	<b>5,140,613</b>	<b>(148,040)</b>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Instructional Equipment	\$ 13,500		\$ 13,500		\$ 13,500
Non-Instructional Equipment				\$ 28,093	(28,093)
TOTAL CAPITAL OUTLAY	<u>13,500</u>		<u>13,500</u>	<u>28,093</u>	<u>(14,593)</u>
TOTAL EXPENDITURES	<u>5,006,073</u>		<u>5,006,073</u>	<u>5,168,706</u>	<u>(162,633)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>128,834</u>		<u>128,834</u>	<u>250,976</u>	<u>122,142</u>
Other Financing Sources/(Uses):					
Operating Transfer Out:					
Transfer to Cover Deficit - Food Service Fund	(137,250)		(137,250)	(139,176)	(1,926)
Transfer to Cover Deficit - After School Program Fund				(46,737)	(46,737)
Total Other Financing Sources/(Uses):	<u>(137,250)</u>		<u>(137,250)</u>	<u>(185,913)</u>	<u>(48,663)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(8,416)		(8,416)	65,063	73,479
Fund Balance (Deficit), July 1	<u>241,233</u>		<u>241,233</u>	<u>241,233</u>	
Fund Balance, June 30	<u>\$ 232,817</u>	<u>\$ - 0 -</u>	<u>\$ 232,817</u>	<u>\$ 306,296</u>	<u>\$ 73,479</u>
Recapitulation:					
Unassigned				<u>\$ 306,296</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 306,296</u>	

CENTRAL JERSEY ARTS CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

Revenue:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Federal Sources	\$ 415,152	\$ 114,841	\$ 529,993	\$ 416,586	\$ (113,407)
<b>Total Revenue</b>	<b>415,152</b>	<b>114,841</b>	<b>529,993</b>	<b>416,586</b>	<b>(113,407)</b>
<b>Expenditures:</b>					
<b>Instruction:</b>					
Salaries of Teachers	21,600	(9,240)	12,360	34,565	(22,205)
Purchased Professional - Educational Services	150	(150)			
Other Purchased Services	1,000	(1,000)			
General Supplies	126,595	72,439	199,034	123,675	75,359
Other Objects		800	800	600	200
<b>Total Instruction</b>	<b>149,345</b>	<b>62,849</b>	<b>212,194</b>	<b>158,840</b>	<b>53,354</b>
<b>Support Services:</b>					
Salaries of Other Professional Staff	6,250	12,500	18,750	20,132	(1,382)
Personal Services - Employee Benefits	941	3,538	4,479	4,385	94
Purchased Professional and Technical Services	161,114	49,987	211,101	193,350	17,751
Other Purchased Services	23,256	(6,668)	16,588	6,376	10,212
Supplies and Materials	59,246	4,547	63,793	27,429	36,364
Other Objects	15,000	(11,912)	3,088	6,074	(2,986)
<b>Total Support Services</b>	<b>265,807</b>	<b>51,992</b>	<b>317,799</b>	<b>257,746</b>	<b>60,053</b>
<b>Total Expenditures</b>	<b>415,152</b>	<b>114,841</b>	<b>529,993</b>	<b>416,586</b>	<b>113,407</b>
<b>Excess of Revenue Over Expenditures</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>	<b>\$ - 0 -</b>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
	<u>                    </u>	<u>                    </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,419,682	\$ 416,586
Total Revenues as Reported on the Statement of Revenues, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,419,682</u>	<u>\$ 416,586</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,168,706	\$ 416,586
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,168,706</u>	<u>\$ 416,586</u>

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>IDEA Part B</u>	<u>No Child Left Behind</u>		<u>Totals</u>
	<u>Basic</u>	<u>Title I</u>	<u>Title I Carryover</u>	
<b>REVENUE:</b>				
Federal Sources	\$ 99,951	\$ 315,361	\$ 1,274	\$ 416,586
<b>Total Revenue</b>	<u>99,951</u>	<u>315,361</u>	<u>1,274</u>	<u>416,586</u>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Salaries of Teachers	6,300	28,265		34,565
General Supplies	8,307	114,094	1,274	123,675
Other Objects	600			600
<b>Total Instruction</b>	<u>15,207</u>	<u>142,359</u>	<u>1,274</u>	<u>158,840</u>
<b>Support Services:</b>				
Salaries of Other Professional Staff	15,625	4,507		20,132
Personal Services - Employee Benefits	4,385			4,385
Purchased Professional and Technical Services	58,568	134,782		193,350
Other Purchased Professional Services	863	5,513		6,376
Supplies and Materials	5,303	22,126		27,429
Other Objects		6,074		6,074
<b>Total Support Services</b>	<u>84,744</u>	<u>173,002</u>		<u>257,746</u>
<b>Total Expenditures</b>	<u>\$ 99,951</u>	<u>\$ 315,361</u>	<u>\$ 1,274</u>	<u>\$ 416,586</u>

CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

CENTRAL JERSEY ARTS CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Food Service Program</u>	<u>After School Program</u>	<u>Totals</u>
<b><u>ASSETS:</u></b>			
Current Assets:			
Cash and Cash Equivalents		\$ 41,784	\$ 41,784
Accounts Receivable:			
State	\$ 430		430
Federal	16,967		16,967
Total Current Assets	<u>17,397</u>	<u>41,784</u>	<u>59,181</u>
Total Assets	<u>17,397</u>	<u>41,784</u>	<u>59,181</u>
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Interfund Accounts Payable:			
General Fund	4,770	41,454	46,224
Student Activities Fund	90	330	420
Accounts Payable - Vendors	<u>12,537</u>		<u>12,537</u>
Total Current Liabilities	<u>17,397</u>	<u>41,784</u>	<u>59,181</u>
<b><u>NET POSITION:</u></b>			
Unrestricted	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

## Exhibit G-2

CENTRAL JERSEY ARTS CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Food Service Program</u>	<u>After School Program</u>	<u>Totals</u>
Operating Revenue:			
Local Sources:			
Daily Sales - Reimbursable Programs	\$ 975		\$ 975
After School Program Fees		\$ 9,030	9,030
Total Operating Revenue	<u>975</u>	<u>9,030</u>	<u>10,005</u>
Operating Expenses:			
Cost of Sales	103,146		103,146
Salaries and Wages	31,510	55,767	87,277
Supplies and Materials	8,772		8,772
Purchased Services	21,491		21,491
Total Operating Expenses	<u>164,919</u>	<u>55,767</u>	<u>220,686</u>
Operating Income/(Loss)	<u>(163,944)</u>	<u>(46,737)</u>	<u>(210,681)</u>
Non-Operating Revenue:			
State Sources:			
State School Lunch Program	610		610
Federal Sources:			
National School Breakfast Program	6,165		6,165
National School Lunch Program	17,631		17,631
Child and Adult Care Food Program	362		362
Total Non-Operating Revenue	<u>24,768</u>		<u>24,768</u>
Net Income Before Transfers	(139,176)	(46,737)	(185,913)
Operating Transfer In - General Fund	<u>139,176</u>	<u>46,737</u>	<u>185,913</u>
Change in Net Position	- 0 -	- 0 -	- 0 -
Net Position - Beginning of Year	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Net Position - End of Year	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

## Exhibit G-3

CENTRAL JERSEY ARTS CHARTER SCHOOL  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Food Service Program</u>	<u>After School Program</u>	<u>Totals</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 60,396	\$ 33,221	\$ 93,617
Payments to Food Service Vendor	(215,855)		(215,855)
Payments to Suppliers	(10,078)		(10,078)
<b>Net Cash Provided by /(Used for) Operating Activities</b>	<u>(165,537)</u>	<u>33,221</u>	<u>(132,316)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Cash Received from State and Federal Reimbursements	26,361		26,361
Cash Received from Other Funds	139,176		139,176
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>165,537</u>		<u>165,537</u>
<b>Net Increase in Cash and Cash Equivalents</b>		33,221	33,221
<b>Cash and Cash Equivalents, July 1</b>		<u>8,563</u>	<u>8,563</u>
<b>Cash and Cash Equivalents, June 30</b>	<u>\$ -0-</u>	<u>\$ 41,784</u>	<u>\$ 41,784</u>
<b>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>			
Operating Income/(Loss)	\$ (163,944)	\$ (46,737)	\$ (210,681)
<b>Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>			
Operating Transfer In - General Fund		46,737	46,737
<b>Changes in Assets and Liabilities:</b>			
(Increase) in Intrafund Accounts Receivable		20,613	20,613
Decrease in Interfund Accounts Receivable	59,421		59,421
(Decrease) in Intrafund Accounts Payable	(20,613)		(20,613)
(Decrease) in Interfund Accounts Payable	(39,095)	12,608	(26,487)
(Decrease) in Accounts Payable	(1,306)		(1,306)
<b>Net Cash Provided by/(Used for) Operating Activities</b>	<u>\$ (165,537)</u>	<u>\$ 33,221</u>	<u>\$ (132,316)</u>

FIDUCIARY FUNDS

## Exhibit H-1

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Agency Funds</u>		<u>Total Agency Funds</u>	<u>Unemployment Compensation Trust</u>
	<u>Payroll</u>	<u>Student Activity</u>		
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 61,931	\$ 13,712	\$ 75,643	\$ 20,337
Interfund Receivable:				
Food Service Fund		420	420	
<b>Total Assets</b>	<b>61,931</b>	<b>14,132</b>	<b>76,063</b>	<b>20,337</b>
<b><u>LIABILITIES:</u></b>				
Payroll Deductions and Withholdings	\$ 35,335		\$ 35,335	
Interfund Payable:				
General Fund	26,596	\$ 3,775	30,371	
Due to Student Groups		10,357	10,357	
<b>Total Liabilities</b>	<b>61,931</b>	<b>14,132</b>	<b>76,063</b>	
<b><u>NET POSITION:</u></b>				
Held in Trust for Unemployment Claims				\$ 20,337
<b>Total Net Position</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 20,337</b>

Exhibit H-2

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee Contributions	<u>\$ 4,284</u>
Total Contributions	<u>4,284</u>
Total Additions	<u>4,284</u>
Change in Net Position	4,284
Net Position - Beginning of the Year	<u>16,053</u>
Net Position - End of the Year	<u><u>\$ 20,337</u></u>

Exhibit H-3

CENTRAL JERSEY ARTS CHARTER SCHOOL  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 17,027	\$ 18,118	\$ 21,433	\$ 13,712
Interfund Receivable - Food Service Fund	90	330		420
Total Assets	<u>\$ 17,117</u>	<u>\$ 18,448</u>	<u>\$ 21,433</u>	<u>\$ 14,132</u>
<b><u>LIABILITIES:</u></b>				
Liabilities:				
Due to Student Groups	\$ 17,117	\$ 14,673	\$ 21,433	\$ 10,357
Interfund Payable - General Fund		3,775		3,775
Total Liabilities	<u>\$ 17,117</u>	<u>\$ 18,448</u>	<u>\$ 21,433</u>	<u>\$ 14,132</u>

Exhibit H-4

CENTRAL JERSEY ARTS CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b><u>ASSETS:</u></b>				
Cash and Cash Equivalents	\$ 26,596	\$ 2,874,097	\$ 2,838,762	\$ 61,931
Total Assets	<u>\$ 26,596</u>	<u>\$ 2,874,097</u>	<u>\$ 2,838,762</u>	<u>\$ 61,931</u>
<b><u>LIABILITIES:</u></b>				
Payroll Deductions and Withholdings		\$ 2,874,097	\$ 2,838,762	\$ 35,335
Interfund Payable - General Fund	\$ 26,596			26,596
Total Liabilities	<u>\$ 26,596</u>	<u>\$ 2,874,097</u>	<u>\$ 2,838,762</u>	<u>\$ 61,931</u>

LONG-TERM DEBT  
(NOT APPLICABLE)

STATISTICAL SECTION  
(UNAUDITED)

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the Charter School's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity (Not Applicable)</b></p> <p>These schedules contain information to help the reader assess the factors affecting the Charter School's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity (Not Applicable)</b></p> <p>These schedules present information to help the reader assess the affordability of the Charter School's current levels of outstanding debt and the Charter School's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information (Not Applicable)</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Charter School's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the Charter School's operations and resources to help the reader understand how the Charter School's financial information relates to the services the Charter School provides and the activities it performs.</p>	J-16 thru J-21

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The Charter School implemented GASB Statement 34 in a previous fiscal year. Schedules presenting Charter School-wide information include information beginning in the fiscal year ended June 30, 2007.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NET POSITION BY COMPONENT  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:							
Unrestricted/(Deficit)	\$ 357,286	\$ 307,166	\$ 353,253	\$ 664,510	\$ (253,210)	\$ 239,977	\$ 299,365
Total Governmental Activities Net Position/(Deficit)	<u>\$ 357,286</u>	<u>\$ 307,166</u>	<u>\$ 353,253</u>	<u>\$ 664,510</u>	<u>\$ (253,210)</u>	<u>\$ 239,977</u>	<u>\$ 299,365</u>
Business-Type Activities							
Unrestricted/(Deficit)	\$ 1,433	\$ (2,214)	\$ (45,758)	\$ (174,184)	\$ (6,793)		
Total Business-Type Activities Net Position/(Deficit)	<u>\$ 1,433</u>	<u>\$ (2,214)</u>	<u>\$ (45,758)</u>	<u>\$ (174,184)</u>	<u>\$ (6,793)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Entity-Wide:							
Unrestricted/(Deficit)	\$ 358,719	\$ 304,952	\$ 307,495	490,326	(260,003)	\$ 239,977	\$ 299,365
Total Charter School-wide Net Position/(Deficit)	<u>\$ 358,719</u>	<u>\$ 304,952</u>	<u>\$ 307,495</u>	<u>\$ 490,326</u>	<u>\$ (260,003)</u>	<u>\$ 239,977</u>	<u>\$ 299,365</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Financial Reports.

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
**CHANGES IN NET POSITION**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

Expenses:	Fiscal Year Ending June 30,						
	2007	2008	2009	2010	2011	2012	2013
<b>Governmental Activities:</b>							
Instruction	\$ 1,368,546	\$ 1,595,661	\$ 2,020,542	\$ 2,130,047	\$ 2,558,497	\$ 2,797,733	\$ 3,054,914
General/School Administration	247,212	382,787	687,067	751,173	1,038,697	868,787	677,736
Support Services	865,613	1,081,597	1,153,796	1,319,711	1,973,497	1,656,224	1,830,224
Capital Outlay			19,865	10,927	120,801		28,093
<b>Total Governmental Activities Expenses</b>	<b>2,481,371</b>	<b>3,060,045</b>	<b>3,881,270</b>	<b>4,211,858</b>	<b>5,691,492</b>	<b>5,322,744</b>	<b>5,590,967</b>
<b>Business-type Activities:</b>							
Food Service	100,925	161,038	180,644	231,266	233,255	248,979	164,919
After School					17,050	15,384	55,767
<b>Total Business-type Activities Expense</b>	<b>100,925</b>	<b>161,038</b>	<b>180,644</b>	<b>231,266</b>	<b>250,305</b>	<b>264,363</b>	<b>220,686</b>
<b>Total Charter School-wide Expenses</b>	<b>\$ 2,582,296</b>	<b>\$ 3,221,083</b>	<b>\$ 4,061,914</b>	<b>\$ 4,443,124</b>	<b>\$ 5,941,797</b>	<b>\$ 5,587,107</b>	<b>\$ 5,811,653</b>
<b>Program Revenues:</b>							
<b>Governmental Activities:</b>							
Operating Grants and Contributions	\$ 34,375	\$ 49,431			\$ 610,095	\$ 756,255	\$ 838,905
<b>Total Governmental Activities Program Revenues</b>	<b>34,375</b>	<b>49,431</b>			<b>610,095</b>	<b>756,255</b>	<b>838,905</b>
<b>Business-type Activities:</b>							
<b>Charges for Services:</b>							
Food Service	42,681	68,501	\$ 40,184	\$ 10,364	7,335	6,892	975
After School					20,090	18,919	9,030
Operating Grants and Contributions	58,903	58,890	96,916	92,476	96,737	78,411	24,768
<b>Total Business-type Activities Program Revenues</b>	<b>101,584</b>	<b>127,391</b>	<b>137,100</b>	<b>102,840</b>	<b>124,162</b>	<b>104,222</b>	<b>34,773</b>
<b>Total Charter School-wide Program Revenues</b>	<b>\$ 135,959</b>	<b>\$ 176,822</b>	<b>\$ 137,100</b>	<b>\$ 102,840</b>	<b>\$ 734,257</b>	<b>\$ 860,477</b>	<b>\$ 873,678</b>

**CENTRAL JERSEY ARTS CHARTER SCHOOL**  
**CHANGES IN NET POSITION**  
**LAST SEVEN FISCAL YEARS**  
**UNAUDITED**  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue:							
Governmental Activities	\$ (2,446,996)	\$ (3,010,614)	\$ (3,881,270)	\$ (4,211,858)	\$ (5,081,397)	\$ (4,566,489)	\$ (4,752,062)
Business-type Activities	659	(33,647)	(43,544)	(128,426)	(126,143)	(160,141)	(185,913)
<b>Total Charter School-wide Net Expense/Revenues</b>	<b>\$ (2,446,337)</b>	<b>\$ (3,044,261)</b>	<b>\$ (3,924,814)</b>	<b>\$ (4,340,284)</b>	<b>\$ (5,207,540)</b>	<b>\$ (4,726,630)</b>	<b>\$ (4,937,975)</b>
General Revenues and Other Changes in Net Position:							
Governmental Activities:							
Charter School Aid - Local Share	\$ 417,241	\$ 710,601	\$ 608,984	\$ 764,227	\$ 856,180	\$ 948,988	\$ 900,781
Unrestricted Federal and State Aid	2,366,543	2,236,941	3,318,143	3,729,759	3,635,641	4,148,734	4,030,344
Miscellaneous Income	20,498	12,952	230		15,390	128,888	66,238
Transfers					(293,534)	(166,934)	(185,913)
<b>Total Governmental Activities</b>	<b>2,804,282</b>	<b>2,960,494</b>	<b>3,927,357</b>	<b>4,493,986</b>	<b>4,213,677</b>	<b>5,059,676</b>	<b>4,811,450</b>
Business-type Activities:							
Transfers	774	30,000			293,534	166,934	185,913
<b>Total Business-type Activities</b>	<b>774</b>	<b>30,000</b>			<b>293,534</b>	<b>166,934</b>	<b>185,913</b>
<b>Total Charter School -wide General Revenues and Other changes in Net Position</b>	<b>\$ 2,805,056</b>	<b>\$ 2,990,494</b>	<b>\$ 3,927,357</b>	<b>\$ 4,493,986</b>	<b>\$ 4,507,211</b>	<b>\$ 5,226,610</b>	<b>\$ 4,997,363</b>
Change in Net Position:							
Governmental Activities	\$ 357,286	\$ (50,120)	\$ 46,087	\$ 282,128	\$ (867,720)	\$ 493,187	\$ 59,388
Business-type Activities	1,433	(3,647)	(43,544)	(128,426)	167,391	6,793	
<b>Total Charter School-wide Change in Net Position</b>	<b>\$ 358,719</b>	<b>\$ (53,767)</b>	<b>\$ 2,543</b>	<b>\$ 153,702</b>	<b>\$ (700,329)</b>	<b>\$ 499,980</b>	<b>\$ 59,388</b>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund:							
Assigned						\$ 10,927	
Unassigned/(Deficit)	\$ 357,286	\$ 307,166	\$ 432,282	\$ 664,510	\$ (253,210)	230,306	\$ 306,296
Total General Fund/(Deficit)	<u>357,286</u>	<u>307,166</u>	<u>432,282</u>	<u>664,510</u>	<u>(253,210)</u>	<u>241,233</u>	<u>306,296</u>
Total All Governmental Funds/(Deficit)	<u>\$ 357,286</u>	<u>\$ 307,166</u>	<u>\$ 432,282</u>	<u>\$ 664,510</u>	<u>\$ (253,210)</u>	<u>\$ 241,233</u>	<u>\$ 306,296</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Financial Reports.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,						
	2007	2008	2009	2010	2011	2012	2013
Revenues:							
Local Sources	\$ 437,739	\$ 723,553	\$ 609,871	\$ 770,992	\$ 871,570	\$ 1,077,876	\$ 967,019
State Sources	2,378,188	2,134,241	3,070,369	3,615,389	3,964,994	4,514,355	4,446,409
Federal Sources	22,730	152,131	247,117	107,605	280,742	390,634	422,840
Total Revenue	<u>2,838,657</u>	<u>3,009,925</u>	<u>3,927,357</u>	<u>4,493,986</u>	<u>5,117,306</u>	<u>5,982,865</u>	<u>5,836,268</u>
Expenditures:							
Instruction	1,189,105	1,352,128	1,665,201	1,691,108	1,897,978	1,948,305	2,172,731
Administration	444,989	704,556	1,103,896	1,284,398	1,907,686	754,632	586,673
Support Services	847,277	1,003,361	1,092,308	1,225,425	2,058,561	1,528,687	1,930,393
Unallocated Benefits						1,089,864	867,402
Capital Outlay			19,865	60,927	170,801		28,093
Total Expenditures	<u>2,481,371</u>	<u>3,060,045</u>	<u>3,881,270</u>	<u>4,261,858</u>	<u>6,035,026</u>	<u>5,321,488</u>	<u>5,585,292</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	357,286	(50,120)	46,087	232,128	(917,720)	661,377	250,976
Other Financing Sources/(Uses):							
Operating Transfers Out						(166,934)	(185,913)
Total Other Financing Sources/(Uses)						<u>(166,934)</u>	<u>(185,913)</u>
Net Change In Fund Balances	<u>\$ 357,286</u>	<u>\$ (50,120)</u>	<u>\$ 46,087</u>	<u>\$ 232,128</u>	<u>\$ (917,720)</u>	<u>\$ 494,443</u>	<u>\$ 65,063</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Financial Reports.

## Exhibit J-5

CENTRAL JERSEY ARTS CHARTER SCHOOL  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST SEVEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ended June 30,	Interest Income	Other	Charter School Aid - Local Share	Cancellation Prior Year Accounts Payable	Total
2007	\$ 15,969	\$ 4,529			\$ 20,498
2008	8,734	4,218			12,952
2009	230	657			657
2010		17,440			17,440
2011		15,390			15,390
2012		69,473	\$ 948,988	\$ 59,415	1,018,461
2013		66,238	900,781		967,019

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ended June 30, 2007.

Source: Central Jersey Arts Charter School Financial Reports.

Exhibit J-16

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST SIX FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Instruction	39.0	47.0	47.0	46.0	47.0	41.0
Administration	4.0	4.0	4.0	3.0	2.0	1.0
Support	5.0	5.0	5.0	11.0	12.0	9.0
Food Service	2.0	1.0	2.0	3.0	2.0	2.5
Total	<u>50.0</u>	<u>57.0</u>	<u>58.0</u>	<u>63.0</u>	<u>63.0</u>	<u>53.5</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Personnel Records.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
OPERATING STATISTICS  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil<sup>b</sup></u>	<u>Percent Change</u>	<u>Teaching Staff<sup>c</sup></u>	<u>Pupil/Teacher Ratio</u>	<u>Average Daily Enrollment (ADE)<sup>d</sup></u>	<u>Average Daily Attendance (ADA)<sup>d</sup></u>	<u>% Change Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	223.0	\$ 1,902,007	\$ 8,529	0.00%	*	*	223.0	217.0	0.00%	97.31%
2008	282.0	2,838,938	10,067	18.03%	39.0	7.2:1	280.0	252.4	25.56%	90.14%
2009	330.0	3,614,388	10,953	8.80%	47.0	7.0:1	292.0	265.0	4.29%	90.75%
2010	297.0	4,104,001	13,818	26.16%	47.0	6.3:1	290.0	273.0	-0.68%	94.14%
2011	362.0	5,592,521	15,449	11.80%	46.0	7.9:1	359.0	334.0	23.79%	93.04%
2012	353.0	5,321,488	15,075	-2.42%	47.0	7.5:1	335.5	316.8	-6.54%	94.41%
2013	385.0	5,557,199	14,434	-4.25%	37.0	10.4:1	377.4	352.1	12.48%	93.30%

Note: Enrollment is based on the annual October Student count.

\* Information is not available.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Business Office.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST SEVEN FISCAL YEARS  
UNAUDITED

<u>Building</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>School:</u>							
Square Feet	25,000	25,000	35,000	35,000	37,282	37,282	37,282
Capacity (Students)	250	250	300	300	405	405	405
Enrollment	223	282	330	297	362	353	385

Number of Schools at June 30, 2013

Charter School (K-8) = 1

Note: Enrollment is based on the annual October student count.

\* Information is not available.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2007.

Source: Central Jersey Arts Charter School Business Office.

## Exhibit J-20

CENTRAL JERSEY ARTS CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2013  
UNAUDITED

School Package Policy - NJSBAIG:	<u>Coverage</u>	<u>Deductible</u>
Property:		
Buildings & Contents	\$ 8,950,200	\$ 1,000
Electronic Data Processing	25,000	1,000
Liability:		
Each Occurrence	11,000,000	
Employee Benefits	11,000,000	
Products/Completed Ops	11,000,000	
Personal & Adv. Injury	11,000,000	
Crime:		
Forgery & Alteration	50,000	500
Money Orders/Counterfeit	50,000	500
Employee Dishonesty	250,000	1,000
Money & Securities	100,000	1,000
Computer Fraud	100,000	1,000
Automobile:		
Liability Limit	11,000,000	
Workers' Compensation:		
Employers Liability	Each Accident 2,000,000	
	Each Employee 2,000,000	
	Policy Limit 2,000,000	
Environmental Policy:		
Each Incident	200,000	25,000
Educators Legal Liability:		
Limit	11,000,000	5,000
Supplemental Indemnity:		
Maximum Benefit Period	52 Weeks	
Maximum Weekly Benefit	2,500	
Public Official Bonds:		
School Business Administrator/ Board Secretary	330,000	
Treasurer	165,000	
Student Accident Insurance - Markel Insurance Company:		
Maximum Benefit	5,000,000	
Catastrophic Cash	1,000,000	

Source: Central Jersey Arts Charter School Business Office.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
FINANCIAL PERFORMANCE  
JUNE 30, 2013  
(UNAUDITED)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Cash	\$ 346,772	\$ 488,220	\$ 365,160	
Current Assets	464,669	526,068	273,626	
Capital Assets, Net	50,000			
Total Assets	<u>861,441</u>	<u>1,014,288</u>	<u>638,786</u>	
Current Liabilities	1,071,444	773,055	336,856	
Long Term Liabilities		1,256	6,931	
Total Liabilities	<u>1,071,444</u>	<u>774,311</u>	<u>343,787</u>	
Net Position	<u>\$ 681,805</u>	<u>\$ 910,319</u>	<u>\$ 1,286,588</u>	
Total Revenue	\$ 5,535,002	\$ 6,087,087	\$ 5,866,675	
Total Expenses	<u>6,235,331</u>	<u>5,587,107</u>	<u>5,811,653</u>	
Change in Net Position	<u>\$ (700,329)</u>	<u>\$ 499,980</u>	<u>\$ 55,022</u>	
Depreciation Expense	\$ - 0 -	\$ - 0 -	\$ - 0 -	
Interest Expense	- 0 -	- 0 -	- 0 -	
Principal Payments	- 0 -	- 0 -	- 0 -	
Interest Payments	- 0 -	- 0 -	- 0 -	
Final Average Daily Enrollment	359.00	335.50	358.00	
March 30th Budgeted Enrollment	361.00	373.00	403.00	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>3 Year Cumulative</u>
Near Term Indicators:				
Current Ratio	0.43	0.68	0.81	0.58
Unrestricted Days Cash	20.30	31.89	22.93	24.84
Enrollment Variance	99%	90%	89%	93%
Default	No	No	No	
Sustainability Indicators:				
Total Margin	-13%	8%	1%	-1%
Debt to Asset	1.24	0.76	0.54	0.87
Cash Flow	174,589	141,448	(123,060)	192,977
Debt Service Coverage Ratio	0.00	0.00	0.00	0.00

Source: Central Jersey Arts Charter School records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 Central Jersey Arts Charter School  
 Plainfield, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Trustees of the Central Jersey Arts Charter School in the County of Union (the "Charter School") 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, and have issued our report thereon dated November 27, 2013. That report was qualified as management has not recorded the Charter School's capital assets in the governmental activities, the business-type activities, and the aggregate remaining fund information - proprietary funds and, accordingly, has not recorded depreciation expense on those assets.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
Page 2

### Internal Control Over Financial Reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2013-03 and 2013-04 to be material weaknesses.

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. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2013-01 and 2013-02 to be significant deficiencies.

### 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*.

### The Charter School's Responses to the Findings

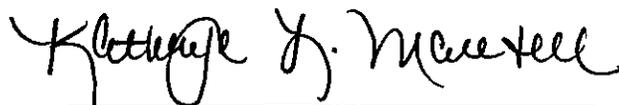
The Charter School's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 27, 2013  
Mount Arlington, New Jersey

NISIVOCIA, LLP



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



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Report on Compliance For Each Major State Program:  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey OMB's Circular 04-04

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Trustees  
 Central Jersey Arts Charter School  
 Plainfield, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the Board of Trustees of the Central Jersey Arts Charter School (the "Charter School") compliance 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 each of the Charter School's major state programs for the fiscal year ended June 30, 2013. The Charter School's major state programs are identified in the summary of auditors' 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 federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major 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.

The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
Page 2

***Basis for Qualified Opinion on the State Charter School Aid, Categorical Special Education Aid and Categorical Security Aid Major State Programs***

As described in the accompanying *Schedule of Findings and Questioned Costs*, the Charter School did not comply with requirements regarding the New Jersey Department of Education State Charter School Aid State Grant Number 13-495-034-5068-003, Categorical Special Education Aid State Grant Number 13-495-034-5068-089 and Categorical Security Aid State Grant Number 13-495-034-5068-084 Major State Programs, as described in Finding 2013-05 for eligibility. Compliance with such requirements is necessary, in our opinion, for the Charter School to comply with the requirements applicable to those programs.

***Qualified Opinion on the State Charter School Aid, Special Education Aid and Security Aid Major State Programs***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the State Charter School Aid, Special Education Aid and Security Aid Major State Programs for the fiscal year ended June 30, 2013.

The Charter School's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 of the major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state programs and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

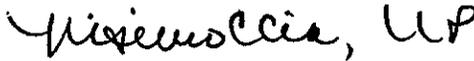
The Honorable President and Members  
of the Board of Trustees  
Central Jersey Arts Charter School  
Page 3

**Report on Internal Control Over Compliance**

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 federal or 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2013-05 to be a significant deficiency.

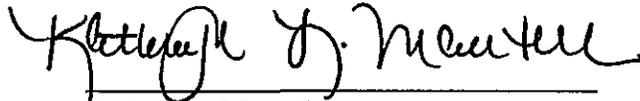
The Charter School's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133 and NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.



NISIVOCCIA, LLP

November 27, 2013  
Mount Arlington, New Jersey



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012			Repay Prior Year Balances	Balance June 30, 2013	
					Budgetary Accounts Receivable	Due to Grantor	Cash Received		Budgetary Expenditures	Budgetary Accounts Receivable
<u>U.S. Department of Agriculture:</u>										
Passed-through State Department of Agriculture:										
<u>Enterprise Fund</u>										
Child Nutrition Cluster:										
National School Lunch	10.555	N/A	7/1/12-6/30/13	\$ 17,631			\$ 5,167	\$ (17,631)		\$ (12,464)
National School Lunch	10.555	N/A	7/1/11-6/30/12	63,116	\$ (14,518)		14,518			
National School Breakfast	10.553	N/A	7/1/11-6/30/12	12,351	(3,717)		3,717			
National School Breakfast	10.553	N/A	7/1/12-6/30/13	6,165			1,997	(6,165)		(4,168)
Total Child Nutrition Cluster					(18,235)		25,399	(23,796)		(16,632)
Child and Adult Care Food Program:										
Child and Adult Care Food	10.558	N/A	7/1/11-6/30/12	1,397	(423)		423			
Child and Adult Care Food	10.558	N/A	7/1/12-6/30/13	362			27	(362)		(335)
Total Child and Adult Care Food Program					(423)		450	(362)		(335)
Total Enterprise Fund					(18,658)		25,849	(24,158)		(16,967)
<u>U.S. Department of Education:</u>										
Passed-through State Department of Education:										
<u>Special Revenue Fund</u>										
No Child Left Behind:										
Title I	84.010A	NCLB510012	9/1/11-8/31/12	382,938	(189,894)		191,168	(1,274)		
Title I	84.010A	NCLB510013	9/1/12-8/31/13	355,205			261,890	(315,361)		(53,471)
Title I - SIA	84.010A	NCLB 510012	9/1/11-8/31/12	15,694	(13,982)		13,982			
Title I - ARRA	84.389	NCLB510010	7/1/09-8/31/11	113,429	(45,486)	\$ 36,270	45,486		\$ (36,270)	
Total Title I					(249,362)	36,270	512,526	(316,635)	(36,270)	(53,471)
Title IID	84.318X	NCLB510012	9/1/11-8/31/12	372	(372)		372			
Total Title IID					(372)		372			

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012			Budgetary Expendi- tures	Repay Prior Year Balances	Balance June 30, 2013	
					Budgetary Accounts Receivable	Due to Grantor	Cash Received			Budgetary Accounts Receivable	Due to Grantor
<u>U.S. Department of Education:</u>											
Passed-through State Department of Education:											
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027A	IDEA 2012	9/1/11-8/31/12	\$ 119,389	\$ 33,314		\$ 33,314				
I.D.E.A. Part B, Basic	84.027A	IDEA 2013	9/1/12-8/31/13	174,788			85,192	\$ (99,951)		\$ (14,759)	
Total Special Education Cluster					33,314		118,506	(99,951)		(14,759)	
Total Special Revenue Fund					(216,420)	36,270	631,404	(416,586)	\$ (36,270)	(68,230)	
Total U.S. Department of Education					(216,420)	36,270	631,404	(416,586)	(36,270)	(68,230)	
<u>U.S. Department of Health and Human Services -</u>											
<u>General Fund</u>											
Medicaid Reimbursement	93.778	N/A	7/1/11-6/30/12	7,767	(906)		906				
Medicaid Reimbursement	93.778	N/A	7/1/12-6/30/13	6,254			6,254	(6,254)			
Total General Fund					(906)		7,160	(6,254)			
Total Federal Awards					\$ (235,984)	\$ 36,270	\$ 664,413	\$ (446,998)	\$ (36,270)	\$ (85,197)	\$ -0-

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2012			Budgetary Expenditures	Repay Prior Year Balances	Balance June 30, 2013		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received			GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
<b>State Department of Education:</b>												
<b>General Fund State Aid:</b>												
Charter School Aid - State Share	13-495-034-5120-071	7/1/12-6/30/13	\$3,883,453			\$3,883,453	\$ (3,883,453)					\$3,883,453
Categorical Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	98,142			98,142	(98,142)					98,142
Categorical Security Aid	13-495-034-5120-084	7/1/12-6/30/13	140,553			140,553	(140,553)					140,553
Nonpublic Aid	12-495-034-5120-071	7/1/11-6/30/12	46,616		\$4,366			\$ (4,366)				46,616
Nonpublic Aid	13-495-034-5120-071	7/1/12-6/30/13	84			84	(84)					84
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	7/1/11-6/30/12	125,107	\$ (60,458)		60,458						125,107
Reimbursed TPAF Social Security Contributions	13-495-034-5095-002	7/1/12-6/30/13	84,420			57,437	(84,421)		\$ (26,984)		\$ (26,984)	84,420
<b>Subtotal - General Fund</b>				<b>(60,458)</b>	<b>4,366</b>	<b>4,240,127</b>	<b>(4,206,653)</b>	<b>(4,366)</b>	<b>(26,984)</b>		<b>(26,984)</b>	<b>4,378,375</b>
<b>Enterprise Fund:</b>												
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	1,547	(332)		332						1,547
State School Lunch Program	13-100-010-3350-023	7/1/12-6/30/13	610			179	(610)		(431)		(431)	610
<b>Subtotal - Enterprise Fund</b>				<b>(332)</b>		<b>511</b>	<b>(610)</b>		<b>(431)</b>		<b>(431)</b>	<b>2,157</b>
<b>Total State Department of Education</b>				<b>(60,790)</b>	<b>4,366</b>	<b>4,240,638</b>	<b>(4,207,263)</b>	<b>(4,366)</b>	<b>(27,415)</b>		<b>(27,415)</b>	<b>4,380,532</b>
<b>Total State Awards</b>				<b>\$ (60,790)</b>	<b>\$ 4,366</b>	<b>\$ 4,240,638</b>	<b>\$ (4,207,263)</b>	<b>\$ (4,366)</b>	<b>\$ (27,415)</b>	<b>\$ -0-</b>	<b>\$ (27,415)</b>	<b>\$ 4,380,532</b>

SEE THE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards include federal and state grant activity of the Board of Trustees, Central Jersey Arts Charter School under programs of the federal and state governments for the fiscal year ended June 30, 2013. The information in these schedules is presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States and 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*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. BASIS OF ACCOUNTING

Expenditures reported in the accompanying Schedules of Expenditures of Federal and State Awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund. This basis of accounting is described in Note 1 to the Charter School's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is \$-0- for the General Fund and the Special Revenue Fund. See Exhibit C-3 for a reconciliation of revenue from the budgetary basis to the GAAP basis of accounting for the General and Special Revenue Funds. Additionally, the schedule of expenditures of state awards does not include the On-Behalf TPAF Pension and Post Retirement Medical Benefits contributions in the amount of \$103,940 and \$135,816, respectively. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 6,254	\$ 4,446,409	\$ 4,452,663
Special Revenue Fund	416,586		416,586
Food Service Fund	24,158	610	24,768
	<u>\$ 446,998</u>	<u>\$ 4,447,019</u>	<u>\$ 4,894,017</u>

CENTRAL JERSEY ARTS CHARTER SCHOOL  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2013.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Auditors' Results:

- A qualified report was issued on the Charter School's financial statements as a result of the omission of the capital assets and related depreciation of the governmental and business-type activities and the aggregate fund information for the proprietary funds.
- The audit disclosed material weaknesses and significant deficiencies in the Charter School's internal controls as detailed in Findings 2013-01 through 2013-04.
- The audit disclosed no noncompliance which is material to the Charter School's financial statements.
- The audit disclosed a significant deficiency in the internal controls of the Charter School's major State programs as detailed in Finding 2013-05.
- A qualified report was issued on the Charter School's compliance for the major State programs.
- The audit for Charter School Aid disclosed audit finding 2013-05 which is required to be reported in accordance with New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and Federal OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- The Charter School was not subject to the single audit provisions of Federal OMB Circular A-133 for federal programs for the fiscal year ended June 30, 2013 as Federal grant expenditures were less than the \$500,000 single audit threshold identified in the federal Circular.
- The Charter School's major State programs for the current fiscal year consisted of the following State aid:

<u>Program Title</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Share -				
Charter School Aid	13-495-034-5068-003	7/1/12-6/30/13	\$3,883,453	\$3,883,453
Categorical Special Education Aid	13-495-034-5068-089	7/1/12-6/30/13	98,142	98,142
Categorical Security Aid	13-495-034-5068-084	7/1/12-6/30/13	140,553	140,553

- The threshold used for distinguishing between Type A and Type B programs was \$300,000 for state awards.
- The Charter School did not qualify as a "low risk" auditee for State programs under the provisions of section 530 of the federal Circular.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following material weaknesses and significant deficiencies required to be reported under *Generally Accepted Government Auditing Standards*. (Cont'd)

Finding 2013-01: Capital Assets – Significant Deficiency

Criteria:

A capital asset recording and reporting system and formal capital assets inventory records are required to be maintained as required in the *Financial Accounting and Auditing for New Jersey School Districts and Charter Schools – the Audit Program* prepared by the NJ Department of Education.

Condition:

The Charter School has not implemented a capital asset recording and reporting system which includes depreciation of the capital assets and does not maintain a formal inventory of capital assets.

Effect or Potential Effect:

The Charter School is not in compliance with accounting principles generally accepted in the United States of America and New Jersey Department of Education financial reporting requirements. Also, assets could potentially be subject to theft and/or loss.

Cause:

The Charter School has not implemented a capital assets recording and reporting system which includes depreciation of the capital assets or prepared or maintained a formal inventory of capital assets.

Recommendation:

It is recommended that a capital asset recording and reporting system which includes depreciation of the capital assets is implemented and a formal inventory of capital assets is prepared and maintained.

Management Response:

The Charter School does not believe that it owns any capital assets over the capitalization threshold. However, the Charter School is currently in the process of reviewing its assets, preparing an official inventory of assets over the capitalization threshold together with adequate identification and related depreciation, and ensuring that capital expenditures are reviewed annually for capitalization.

Finding 2013-02: Approval/Oversight of Payroll – Significant Deficiency

Criteria:

The New Jersey Department of Education *1975 Payroll Guide for New Jersey School Districts* requires that each payroll register is approved by the Chief School Administrator and certified by the Board President, Chief School Administrator and School Business Administrator.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following material weaknesses and significant deficiencies required to be reported under *Generally Accepted Government Auditing Standards*. (Cont'd)

Finding 2013-02: Approval/Oversight of Payroll – Significant Deficiency (Cont'd)

Condition:

Payroll duties are primarily performed by one person, the Human Resource Coordinator, without any apparent approval or oversight.

Effect or Potential Effect:

Without approval and oversight, errors or irregularities in the preparation and payment of payroll could occur without being detected in a timely fashion.

Cause:

The Charter School has not implemented a policy and procedure regarding the signed approval and certification of each payroll register.

Recommendation:

It is recommended that a policy and procedure is implemented to ensure that all payrolls are signed as approved and certified by the Board President, School Business Administrator, and Board Secretary on a regular basis.

Management's Response:

The Charter School has implemented policies and procedures for reviewing and monitoring payroll; however, a policy and procedure is currently being developed to ensure that each payroll register is signed by the Board President, School Business Administrator, and Board Secretary to document their approval and certification on a regular basis.

Finding 2013-03: Inadequate Financial Management – Material Weakness

Criteria:

The Charter School is responsible for ensuring that accurate financial records are maintained for financial reporting as per N.J.S.A 18A-17-9 - *Monthly Reconciliation of Bank Account Statements; Report by Secretary* and N.J.S.A.18A-17-36 - *Accounting, Monthly and Annual Reports* (Treasurer).

Condition:

Certain transactions and journal entries were not accurately posted and in some cases not recorded in the financial records, the Board Secretary's and Treasurer's Reports were not prepared and reconciled on a monthly basis, and adequate documentation was not maintained on file to support and identify all transactions.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following material weaknesses and significant deficiencies required to be reported under *Generally Accepted Government Auditing Standards*. (Cont'd)

Finding 2013-03: Inadequate Financial Management – Material Weakness (Cont'd)

Cause:

There are not policies and procedures in place to ensure that transactions and journal entries are properly recorded and reviewed and financial reports are prepared and reviewed and that adequate documentation is maintained on file to support and identify all transactions.

Effect or Potential Effect:

Without policies and procedures in place to ensure that transactions and journal entries are properly recorded and reviewed and financial reports are prepared and reviewed and that adequate documentation is maintained on file to support and identify all transactions, there is an increased risk that errors and fraud related to financial transactions and reporting, including misappropriation of assets, could occur and not be detected in a timely fashion.

Recommendation:

It is recommended that policies and procedures are implemented to ensure that financial transactions and entries are accurately posted to the financial records and reviewed, the Board Secretary's and Treasurer's Reports are prepared and reconciled, and adequate documentation is maintained on file to support and identify all transactions.

Management Response:

Upon changes in staffing, transactions and entries were corrected late in the fiscal year in order to agree with the Treasurer's Report. However, the Charter School is in the process of implementing policies and procedures to ensure that financial transactions and journal entries are accurately posted to the financial records and reviewed, and that the Board Secretary and Treasurer's Reports are completed and reconciled on a monthly basis and that adequate documentation is maintained on file to support and identify all transactions.

Finding 2013-04: Lack of Timely Reporting – Material Weakness

Criteria:

Board Secretary's and Treasurer's Reports are required to be prepared each month and presented to the Board of Trustees for acceptance and approval as per N.J.S.A 18A-17-9 - *Monthly Reconciliation of Bank Account Statements; Report by Secretary* and N.J.S.A.18A-17-36 - *Accounting, Monthly and Annual Reports* (Treasurer).

Condition:

The Board Secretary's and Treasurer's Reports were not consistently prepared and presented to the Board of Trustees for acceptance and approval on a regular monthly basis.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

Findings Related to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards: (Cont'd)

- The audit disclosed the following material weaknesses and significant deficiencies required to be reported under *Generally Accepted Government Auditing Standards*. (Cont'd)

Finding 2013-04: Lack of Timely Reporting – Material Weakness

Cause:

Policies and procedures have not been implemented to ensure that the Board Secretary's and Treasurer's Reports are prepared on a monthly basis.

Effect or Potential Effect:

The Board of Trustees is not able to effectively monitor and review operations, detect possible errors or irregularities, or make informed financial decisions without monthly Board Secretary's and Treasurer's Reports.

Recommendation:

It is recommended that policies and procedures are implemented to ensure that the Board Secretary's and Treasurer's Reports are prepared and submitted to the Board for approval on a monthly basis.

Management's Response:

The reports are delayed for the period of time while the Treasurer and Business Administrator complete their internal reconciliations. Policies and procedures are in the process of being implemented to ensure that the monthly Board Secretary's and Treasurer's Reports are prepared and presented to the Board of Trustees on a monthly basis for review and approval.

Findings and Questioned Costs for Federal Awards:

- Not applicable since expenditures of Federal awards were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit disclosed the following finding for state awards as defined in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04.

Finding 2013-05: New Jersey Department of Education State Charter School Aid State Grant Number 13-495-034-5068-003, Categorical Special Education Aid State Grant Number 13-495-034-5068-089 and Categorical Security Aid State Grant Number 13-495-034-5068-084 – Material Non-Compliance - Eligibility and Significant Deficiency

Criteria:

The Charter School must maintain records supporting the enrollment counts reported in the Application for Charter School Aid as required by N.J.A.C 6A:23A-15 – *State Aid Calculations and Aid Adjustments for Charter Schools*.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

(Continued)

Findings and Questioned Costs for State Awards: (Cont'd)

- The audit disclosed the following finding for state awards as defined in Federal OMB Circular A-133 and New Jersey OMB's Circular 04-04. (Cont'd)

Finding 2013-05: New Jersey Department of Education State Charter School Aid State Grant Number 13-495-034-5068-003, Categorical Special Education Aid State Grant Number 13-495-034-5068-089 and Categorical Security Aid State Grant Number 13-495-034-5068-084 – Material Non-Compliance - Eligibility and Significant Deficiency (Cont'd)

Condition:

The Charter School did not maintain work papers to support the enrollments reported in the October 15, 2012 and June 30, 2013 Applications for Charter School Aid.

Cause:

The Charter School lacks written procedures for its enrollment counts, and due to turnover of staff, work papers supporting the enrollment counts were not maintained on file.

Effect or Potential Effect:

Due to the lack of written procedures and supporting work papers, enrollment counts could be inconsistently prepared and inaccurately reported.

Questioned Costs: Undetermined.

Recommendation:

It is recommended that written procedures are developed for the preparation of the Application for Charter School Aid and supporting work papers are retained on file for audit verification and testing.

Management's Response:

Written procedures are being developed for the preparation of enrollments reported in the Application for Charter School Aid and supporting work papers will be maintained on file.

CENTRAL JERSEY ARTS CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Status of Prior Year Findings and/or Questioned Costs:

The prior year findings regarding Capital Assets, Approval/Oversight of Payroll, Financial Management, Lack of Timely Reporting and State Charter School Aid have not been fully addressed and are included in the current year as Findings 2013-01, 2013-02, 2013-03, 2013-04 and 2013-05 respectively.