

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
NORTH STAR ACADEMY CHARTER  
SCHOOL OF NEWARK  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**JUNE 30, 2013**  
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# NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

September 20, 2013

Commissioner  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN 500  
Trenton, NJ 08625

Dear Commissioner:

The Comprehensive Annual Financial Report of the North Star Academy Charter School of Newark 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 school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U. S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** North Star Academy Charter School of Newark constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

North Star was chartered by The New Jersey Department of Education as one of the state's very first charter schools in January 1997. The school opened its doors to its first 72 students – 36 fifth graders and 36 sixth graders – in September 1997. Since that time, the school has served 108 students from the fifth to seventh grade in September 1998, 144 students from the fifth to eighth grade in September 1999, and 180 students from the fifth to the ninth grade in September 2000, in accordance with its amended charter. In the 2001-2002 school year, North Star served 216 students and in the 2002-2003 school year, served 240 students from the 5<sup>th</sup> to the 11<sup>th</sup> grades. In the 2003-2004 school year, North Star served 270 students from the 5<sup>th</sup> to the 12<sup>th</sup> grades. In 2004-2005 North Star served 300 students. In 2005-06, North Star served 379 students. In 2006-2007 North Star served 445 students. In 2007-2008, North Star served 78 students in kindergarten and 505 in grades 5-12. In 2008-09, North Star served 760 students in grades K-1 and 5-12. In 2008-09, North Star served 902 students in grades K-2 and 5-12. In 2010-11, North Star served 1,255 students in grades K-3 and 5-12. In 2011-12, North Star served 1,677 students in grades K-12. In the 2012-13 school year, North Star served 2,203 students in grades K-12.

North Star operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 25 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

- 2) **ENROLLMENT OUTLOOK:** North Star has enrolled 2,203 students, over nine campuses; one high school, four middle schools and four elementary schools for the 2012–2013 school year.
- 3) **MAJOR ACCOMPLISHMENTS** – In 2012–2013, North Star students maintained an attendance rate of 96%. Parents and students reported a high level of satisfaction in all areas. The 3<sup>rd</sup>, 5<sup>th</sup>-8<sup>th</sup> and 11<sup>th</sup> grade test scores were well above district averages in all areas: math, language arts, and science. Every member of the senior class graduated and planned to attend four year colleges. The school has more than 2,700 students on a waiting list. The school was the most widely visited charter school in the state.
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the school also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable

laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the school management.

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

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

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

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the school is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1.

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2013.

<b>Revenue</b>	<b>Amount</b>	<b>Percent of Total</b>
Local	\$ 4,363,898	10%
State	31,420,357	73%
Federal	2,899,178	8%
Philanthropic Support	1,912,594	7%
Enterprise Fund	1,254,950	2%
Other Misc Revenue	<u>345,049</u>	<u>1%</u>
Total	<u>\$42,196,026</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2013.

<b>Expenditures</b>	<b>Amount</b>	<b>Percent of Total</b>
Current - General Fund	\$ 36,049,946	87%
Special Revenue Fund	4,092,714	10%
Enterprise Fund	<u>1,254,950</u>	<u>3%</u>
Total	<u>\$ 41,397,610</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had 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 failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor’s report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Michael Ambriz  
 Chief Operating Officer  
 Lead Person

**ROSTER OF TRUSTEES AND OFFICERS  
JUNE 30, 2013**

<b><u>BOARD OF DIRECTORS</u></b>	<b><u>TERM EXPIRES</u></b>
Rick Rieder, Chair	6/2013
Micheal Lytle, Trustee	9/2014
Robert Howitt, Trustee	6/2013
Gia Rys, Trustee	6/2014
Nicole Albano, Trustee	6/2014
Crystal Wortham, Trustee	9/2013
Paul Bambrick-Santoyo, Secretary	6/2014
Trisha Scipio-Derrick, Trustee	9/2013
Ravi Bellur, Trustee	6/2013
Scott Sleyster, Trustee	6/2015

**Other Officers**

Carolyn Hack, Treasurer  
Kelly Dowling, Downtown Middle School Principal  
Yasmin Vargas, Vailsburg Elementary School Principal  
Michael Mann, High School Head of School  
Jesse Rector, Clinton Hill Middle School Principal  
Aja Settles, West Side Park Elementary School Principal  
Serena Savarirayan, Vailsburg Middle School Principal  
Juliana Worrell, Fairmount Elementary School Principal  
Keith Burnam, West Side Middle School Principal  
Lauren Moyle, ES#4 Principal  
Michael Ambriz, Chief Operating Officer/Lead Person & Vice-President

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Scott J. Loeffler, CPA  
7 Cleveland Street  
Caldwell, New Jersey 07006

**ATTORNEYS**

Nicole Bearce, Esq.  
Lowenstein Sandler  
65 Livingston Avenue  
Roseland, NJ 07068

**OFFICIAL DEPOSITORY**

Sovereign Bank  
905 Broad Street  
Newark, New Jersey 07102

## **FINANCIAL SECTION**

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CERTIFIED PUBLIC ACCOUNTANT  
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**UNMODIFIED OPINION ON BASIC FINANCIAL  
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION  
AND SUPPLEMENTARY SCHEDULE OF  
FEDERAL AND STATE AWARDS AND OTHER SUPPLEMENTARY INFORMATION -  
GOVERNMENT ENTITY**

**Independent Auditor's Report**

The Honorable Chairman and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the North Star Academy Charter School of Newark, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Star Academy Charter School of Newark'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.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of

the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Star Academy Charter School of Newark's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual fund financial statements and statistical tables are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates 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 my opinion, the information is fairly presented, in all material respects, in relation to the basis 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, I do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 20, 2013 on my consideration of the North Star Academy Charter School of Newark's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Star Academy Charter School of Newark's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 870

A handwritten signature in cursive script that reads "Scott J. Loeffler CPA". The signature is written in black ink and is positioned above the typed name and date.

Scott J. Loeffler CPA  
September 20, 2013

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

This section of North Star Academy Charter School of Newark annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012-13 fiscal year include the following:

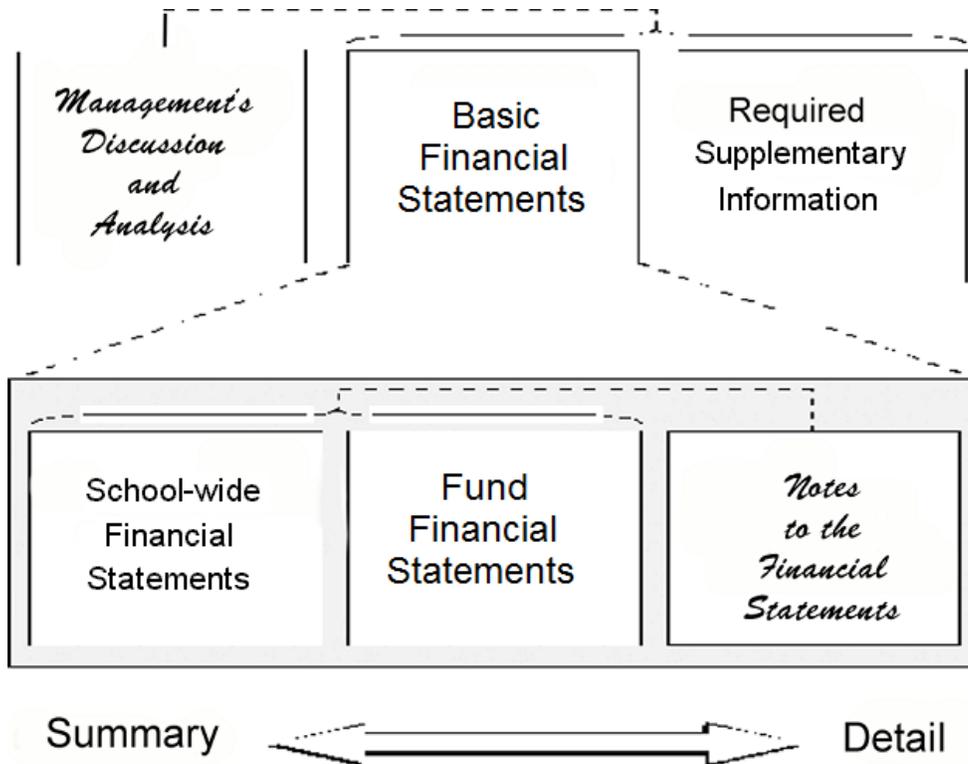
- Total Net Position was \$11,823,980.
- Total Net Position increased by \$3,025,790 from July 1, 2012 to June 30, 2013.
- The General Fund balance at June 30, 2013 is \$4,563,973, an increase of \$798,416 when compared with the beginning balance at July 1, 2012.
- The Enterprise Fund balance at June 30, 2013 is \$8,467, the same fund balance when compared with the beginning at July 1, 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the North Star Academy Charter School of Newark.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

**Figure A-1. Required Components of the Board's Annual Financial Report**



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the North Star Academy Charter School of Newark's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the North Star Academy Charter School of Newark, reporting the North Star Academy Charter School of Newark's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the Food Service activities the North Star Academy Charter School of Newark operates like businesses, per government definition.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the North Star Academy Charter School of Newark's financial statements, including the portion of the North Star Academy Charter School of Newark's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2 - Major Features of the School-Wide and Financial Statements**

	<b><u>School-wide Statements</u></b>	<b><u>Fund Financial Statements</u></b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire school (except fiduciary funds)	The activities of the North Star Academy Charter School of Newark that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the North Star Academy Charter School of Newark operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position  Statement of activities	Balance sheet  Statement of revenue expenditures and changes in fund balances	Statement of net position  Statement of revenue, expenses, and changes in fund net position  Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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 revenues and expenses during the year, regardless of when cash is received or paid

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

**School-wide Statements**

The school-wide statements report information about the North Star Academy Charter School of Newark as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the North Star Academy Charter School of Newark'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 school-wide statements report the North Star Academy Charter School of Newark's net position and how they have changed. Net position – the difference between the North Star Academy Charter School of Newark's assets and liabilities – are one way to measure the North Star Academy Charter School of Newark's financial health or position.

- Over time, increases or decreases in the North Star Academy Charter School of Newark's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

In the school-wide financial statements, the North Star Academy Charter School of Newark's activities are shown in two categories:

- *Governmental activities*- Most of the North Star Academy Charter School of Newark's basic services are included here, such as regular and special education, transportation, administration, food services, and community education.
- *Business-type activities*- The North Star Academy Charter School of Newark's Food Service Fund is included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the North Star Academy Charter School of Newark's funds – focusing on its most significant or “major” funds – not the North Star Academy Charter School of Newark as a whole.

Funds are accounting devices the North Star Academy Charter School of Newark uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

The North Star Academy Charter School of Newark uses other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The North Star Academy Charter School of Newark has three kinds of funds:

- **Governmental funds-** Most of the North Star Academy Charter School of Newark'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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the North Star Academy Charter School of Newark's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. I exclude these activities from the North Star Academy Charter School of Newark's government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL AS A WHOLE**

**Net position.** The North Star Academy Charter School of Newark's net position are \$11,823,980 on June 30, 2013. (See Table A-1).

Governmental	\$11,815,513
Business Activities Food Service	<u>8,467</u>
Total	<u>\$ 11,823,980</u>

The Statement of Net Position of \$11,823,980 reflects total capital assets at net of assumed depreciation from inception.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

The North Star Academy Charter School of Newark's financial position is the product of these factors:

- Total revenues during the 2012-13 school year were \$42,196,026.
- Total expenditures during the 2012-13 school year were \$41,397,610.

**Table A-1**  
**The North Star Academy Charter School**  
**Statement of Net Position**  
**As of June 30, 2013**

	<u><b>Total</b></u>
Current and Other Assets	\$5,554,760
Capital Assets (Including Business Activities)	7,251,540
<b>Total Assets</b>	<u><b>\$12,806,300</b></u>
Long-Term Liabilities	-
Other Liabilities	982,320
<b>Total Liabilities</b>	<u><b>\$982,320</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	7,251,540
Unrestricted Enterprise Fund	8,467
General Fund	4,563,973
<b>Total Net Position</b>	<u><u><b>\$11,823,980</b></u></u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net position of \$11,823,980 on June 30, 2013.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

**Table A-2**  
**The North Star Academy Charter School**  
**Changes in Net Position - School Wide**  
**For the Fiscal Year Ended June 30, 2013**

<u>Revenues</u>	<u>Total</u>
Program revenues	
Charges for services	
Operating grants and contributions	
General revenues	
Local Share	\$ 4,363,898
State Aid-Unrestricted	31,420,357
Federal Aid-Restricted	2,899,178
Philanthropic Support	1,912,594
Other Revenue	345,049
Enterprise Fund	1,254,950
Increase in Net Capital Outlay	2,227,374
<b>Total revenues</b>	<b>\$ 44,423,400</b>
<b>Expenses</b>	
Regular Instruction	18,661,363
General Administrative	10,944,715
School Administrative	6,105,589
On-behalf TPAF Social Security and Pension	1,887,819
Capital Outlay	2,543,174
Food Service	1,254,950
<b>Total expenses</b>	<b>\$ 41,397,610</b>
Increase (Decrease) in net position	3,025,790
Net Position, Beginning July 1	8,798,190
Net Position, End of Year June 30	<b>\$ 11,823,980</b>

**Changes in Net Position.** The North Star Academy Charter School of Newark's total revenues were \$42,196,026. Local shares of \$4,363,898 represented 10% of revenues. The state aid of \$31,420,357 represented 74% of revenues. The philanthropic support and miscellaneous revenues of \$2,257,643 represented 6% of revenues. The Special Revenue Fund and Federal Aid revenues total \$2,899,178 and the Proprietary Fund (food service) total \$1,254,950. The revenues represent 7% and 3% respectfully.

The North Star Academy Charter School of Newark's expenses of \$41,397,610 are predominantly related to instruction and support services. Instruction expenditures totaled \$18,661,363 (45%) (of total expenditures.) Support services, are \$18,938,123 (45%) of total expenditures), Capital outlay \$2,543,174 (6% of total expenditures) and Food Service Enterprise Expenditure is \$1,254,950 (3%).

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

Total revenues exceeded expenditures, increasing net position \$798,416 in the General Fund.

**Table A-3 (See Exhibit A-2)**  
**The North Star Academy Charter School**  
**Changes in Net Position - School Wide**  
**For the Fiscal Year Ended June 30, 2013**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	\$ 18,661,363	\$ 18,661,363
<b>Support Services</b>			
General Administrative Services	B-2	10,944,715	10,944,715
School Administrative Services	B-2	6,105,589	6,105,589
On-behalf TPAF Social Security and Pension	B-2	1,887,819	1,887,819
Capital Outlay	B-2	2,543,174	2,543,174
Food Service		1,254,950	1,254,950
<b>Total Governmental Activities</b>		<u>\$ 41,397,610</u>	<u>\$ 41,397,610</u>

**FINANCIAL ANALYSIS OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK'S FUNDS**

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit A-2. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$4,563,973.

The business activities net position at June 30, 2013 is \$8,467.

Revenues for the North Star Academy Charter School of Newark's business activities were \$991,750 and \$190,548 in private subsidy while total expenses were \$1,254,950. (Table A-2) (Exhibit A-2)

**GENERAL FUND**

The General Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten through grade 12.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

The following schedule presents a summary of General Fund Revenues. The summary reflects the dollar increase (decrease) from the prior year.

**Table A-4 (See Exhibit B-2)**  
**The North Star Academy Charter School**  
**Changes in Net Position - School Wide**  
**For the Years Ended June 30, 2013 and 2012**

<b>General Fund Revenues</b>	<b>Year Ended June 30, 2013</b>	<b>Year Ended June 30, 2012</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	\$ 4,363,898	\$ 3,046,200	\$ 1,317,698
Other Local Revenue	2,520,843	2,234,821	286,022
<b>Total Local Sources</b>	<b>\$ 6,884,741</b>	<b>\$ 5,281,021</b>	<b>\$ 1,603,720</b>
<b>Intergovernmental</b>			
State Sources	31,436,235	23,070,322	8,365,913
Federal Sources	3,875,050	3,336,120	538,930
<b>Total Intergovernmental Sources</b>	<b>\$ 35,311,285</b>	<b>\$ 26,406,442</b>	<b>\$ 8,904,843</b>
<b>Total Revenue</b>	<b>\$ 42,196,026</b>	<b>\$ 31,687,463</b>	<b>\$ 10,508,563</b>

The following schedule presents a summary of General Fund expenditures. The summary reflects the dollar increase (decrease) from the prior year.

**Table A-5 (See Exhibit B-2)**  
**The North Star Academy Charter School**  
**Changes in Net Position - School Wide**  
**For the Years Ended June 30, 2013 and 2012**

<b>General Fund Expenditures</b>	<b>Year Ended 06/30/2013</b>	<b>Year Ended 06/30/2012</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	\$ 18,661,363	\$ 13,319,253	\$ 5,342,110
General Administrative Services	10,944,715	8,008,480	2,936,235
School Administration	6,105,589	5,218,176	887,413
On-behalf TPAF Social Security and Pension	1,887,819	1,274,360	613,459
Capital outlay	2,543,174	2,315,040	228,134
Food Service	1,254,950	934,288	320,662
<b>Total Expenditures</b>	<b>\$ 41,397,610</b>	<b>\$ 31,069,597</b>	<b>\$ 10,328,013</b>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2013**  
**(Unaudited)**

**UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES**

The following table shows the General Fund unreserved-undesignated fund balance.

**Table A-6**  
**The North Star Academy Charter School**  
**Changes in Net Position - School Wide**  
**For the Fiscal Year Ended June 30, 2013**

<b>General Fund</b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Unreserved-Undesignated Fund Balance	4,563,973	3,765,557	3,148,080	2,806,380	1,643,876	1,036,458
Expenditures	41,397,610	31,069,597	21,454,050	14,910,846	11,266,211	7,866,483
Percentage	11%	12%	15%	19%	15%	13%

The North Star Academy Charter School of Newark values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year.

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

At the time these financial statements were prepared and audited, the North Star Academy Charter School of Newark was aware of these existing circumstances that could significantly affect its financial health in the future:

- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and contributors with a general overview of the North Star Academy Charter School of Newark's finances and to demonstrate the North Star Academy Charter School of Newark's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, North Star Academy Charter School of Newark, 10 Washington Place, Newark, New Jersey 07102.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the North Star Academy Charter School of Newark's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2013.

**SCHOOL-WIDE FINANCIAL STATEMENTS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**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	\$ 4,963,036	\$ (173,327)	\$ 4,789,709
Investments	-	-	-
Receivables, net	583,257	181,794	765,051
Inventory	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	<u>7,251,540</u>	<u>-</u>	<u>7,251,540</u>
Total Assets	<u>12,797,833</u>	<u>8,467</u>	<u>12,806,300</u>
<b>LIABILITIES</b>			
Cash Overdraft		0	-
Accounts payable	245,145	-	245,145
Due to Newark Board of Ed.	712,036	-	712,036
Deposits payable	-	-	-
Payable to federal government	-	-	-
Payable to state government	-	-	-
Deferred revenue	25,139	-	25,139
Noncurrent liabilities (Note 3):			
Due within one year	-	-	-
Due beyond one year	-	-	-
Total liabilities	<u>982,320</u>	<u>-</u>	<u>982,320</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	7,251,540	-	7,251,540
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	<u>4,563,973</u>	<u>8,467</u>	<u>4,572,440</u>
Total net position	<u>\$ 11,815,513</u>	<u>\$ 8,467</u>	<u>\$ 11,823,980</u>

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Position**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$ (18,661,363)	\$ -	\$ (3,128,486)	\$ -	(15,532,877)	\$ -	\$ (15,532,877)
Support services:							
General administratiron	(10,944,715)	-	(964,228)	-	(9,980,487)	-	(9,980,487)
School administrative services/ operations plant serv.	(6,105,589)	-	-	-	(6,105,589)	-	(6,105,589)
On - behalf TPAF Social Security	(1,887,819)	-	-	-	(1,887,819)	-	(1,887,819)
Capital Outlay	(2,543,174)	-	-	-	(2,543,174)	-	(2,543,174)
Total governmental activities	<u>(40,142,660)</u>	<u>-</u>	<u>(4,092,714)</u>	<u>-</u>	<u>(36,049,946)</u>	<u>-</u>	<u>(36,049,946)</u>
Business-type activities:							
Food Service	-	(1,254,950)	-	-	-	(1,254,950)	(1,254,950)
Total business-type activities	<u>-</u>	<u>(1,254,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,254,950)</u>	<u>(1,254,950)</u>
Total primary government	<u>\$ (40,142,660)</u>	<u>\$ 0</u>	<u>\$ (4,092,714)</u>	<u>\$ -</u>	<u>\$ (36,049,946)</u>	<u>\$ (1,254,950)</u>	<u>\$ (37,304,896)</u>
General revenues:							
Local Share					4,363,898		4,363,898
State Share					27,930,177	15,878	27,946,055
Federal Aid						975,872	975,872
State Aid					3,490,180		3,490,180
Miscellaneous Income					1,064,107	263,200	1,327,307
Increase in net Capital Outlay					2,227,374	0	2,227,374
Total general revenues, special items, extraordinary					<u>39,075,736</u>	<u>1,254,950</u>	<u>40,330,686</u>
Change in Net Assets					3,025,790	0	3,025,790
Net Position - beginning					8,789,723	8,467	8,798,190
Net Position - ending					<u>\$ 11,815,513</u>	<u>\$ 8,467</u>	<u>\$ 11,823,980</u>

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

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,120,699	\$ (157,663)		\$ -	\$ 4,963,036
Investments					
Receivables, net	400,455	182,802	-		583,257
Inventory					
Restricted cash and cash equivalents					
Total assets	<u>\$ 5,521,154</u>	<u>\$ 25,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,546,293</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Cash Overdraft		-	-		0
Accounts payable	245,145				245,145
Due to Newark Board of Ed.	712,036				712,036
Payable to federal government	-				
Payable to state government	-				
Deferred revenue	-	25,139			25,139
Total liabilities	<u>957,181</u>	<u>25,139</u>	<u>-</u>		<u>982,320</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	4,563,973		-		4,563,973
Capital projects fund					
Permanent fund					
Total Fund balances	<u>4,563,973</u>				<u>4,563,973</u>
Total liabilities and fund balances	<u>\$ 5,521,154</u>	<u>\$ 25,139</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$ 8,171,865 and the accumulated depreciation is (\$920,325)

7,251,540

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2)

Net position of governmental activities

\$ 11,815,513

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local sources:					
Local share	\$ 4,363,898	\$ -	\$ -		\$ 4,363,898
State Share	27,930,177	-	-	-	27,930,177
Other Restricted Miscellaneous Revenues	345,049				345,049
Philanthropic Support	719,058	1,193,536		-	1,912,594
Total - Local Sources	<u>33,358,182</u>	<u>1,193,536</u>	<u>-</u>	<u>-</u>	<u>34,551,718</u>
State sources	3,490,180			-	3,490,180
Federal sources	-	2,899,178	-	-	2,899,178
Total revenues	<u>36,848,362</u>	<u>4,092,714</u>	<u>-</u>	<u>-</u>	<u>40,941,076</u>
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 15,532,877	\$ 3,128,486	\$ -	\$ -	\$ 18,661,363
Support services- General Administrative	9,980,487	964,228	-	-	10,944,715
Support Services- School Admin/ operations plant se	6,105,589				6,105,589
On-behalf TPAF Social Security and Pension	1,887,819				1,887,819
Capital outlay	2,543,174			-	2,543,174
Total expenditures	<u>36,049,946</u>	<u>4,092,714</u>	<u>-</u>	<u>-</u>	<u>40,142,660</u>
Excess (Deficiency) of revenues over expenditures	<u>798,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>798,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>SPECIAL ITEM</b>					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	798,416	-	-	-	798,416
Fund balance—July 1	3,765,557	-	-	-	3,765,557
Fund balance—June 30	<u>\$ 4,563,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,563,973</u>

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
 Reconciliation of the Statement of Revenues, Expenditures,  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2013**

**Total net change in fund balances - governmental funds (from B-2)** \$ 798,416

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

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

Depreciation expense	\$ (315,800)	
Capital outlays	<u>2,543,174</u>	2,227,374

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

-

**Change in net position of governmental activities** \$ 3,025,790

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

## **PROPRIETARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

		<b>Business-type Activities</b>	<b>Enterprise funds</b>
			<b>Food Service</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$	-	
Investments			
Accounts receivable - Federal Aid		178,106	
Accounts receivables - State Aid		2,711	
Other receivables		977	
Total current assets		181,794	
Noncurrent assets:			
Restricted cash and cash equivalents		-	
Furniture, machinery & equipment		-	
Less accumulated depreciation		-	
Total noncurrent assets		-	
Total assets		181,794	
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft		173,327	
Deposits payable		-	
Compensated absences		-	
Total current liabilities		173,327	
Total liabilities		173,327	
<b>NET POSITION</b>			
Invested in capital assets net of related debt		-	
Restricted for:			
Capital projects		-	
Unrestricted		8,467	
Total net position	\$	8,467	

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

Exhibit B-5

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

		<b>Business-type Activities Enterprise Fund</b>
		<b>Food Service</b>
		<hr/> <hr/>
Operating revenues:		
Charges for services:		
Daily sales - Reimbursable programs and Special Lunch Program	\$	72,652
Special functions		-
Total operating revenues		<hr/> 72,652 <hr/>
Operating expenses:		
Cost of sales		(1,254,950)
Salaries and Benefits		-
Professional Fees		-
Supplies, Materials and Other Expenses		-
Depreciation		-
Total Operating Expenses		<hr/> (1,254,950) <hr/>
Operating income (loss)		<hr/> (1,182,298) <hr/>
Nonoperating revenues (expenses):		
Private Grants		190,548
State sources:		
State Breakfast Program		-
State school lunch program		15,878
Federal sources:		
National school breakfast program		171,911
National school lunch program		744,276
National snack program		59,685
Total nonoperating revenues (expenses)		<hr/> 1,182,298 <hr/>
Income (loss) before contributions & transfers		-
Capital contributions		-
Transfers in (out)		-
Change in net position		-
Total net position - beginning		8,467
Total net position - ending	\$	<hr/> 8,467 <hr/>

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

Exhibit B-6

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

		<b>Business-type</b>
		<b>Activities</b>
		<b>Enterprise Funds</b>
		<b>Food</b>
		<b>Service</b>
		<hr/> <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 71,675	
Payments to employees and benefits	-	
Payments to suppliers	(1,254,950)	
Net cash provided by (used for) operating activities	<hr/> <hr/> (1,183,275)	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and Federal Sources	997,853	
Operating subsidies and transfers to other funds	190,548	
Net cash provided by (used for) non-capital financing activities	<hr/> <hr/> 1,188,401	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase In Fixed Assets	-	
Proceeds from sale/maturities of investments	-	
Net cash provided by (used for) investing activities	-	
Net increase (decrease) in cash and cash equivalents	5,126	
Cash Balances—beginning of year	(178,453)	
Cash Balances—end of year	<hr/> <hr/> \$ (173,327)	
<b>Reconciliation of operating income (loss) to net cash provided</b>		
<b>(used) by operating activities:</b>		
Operating income (loss)	\$ -	
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net	(5,126)	
(Increase) decrease in inventories	-	
(Increase) decrease in USDA Commonities	-	
Increase (decrease) in accounts payable	-	
Increase (decrease) in accrued compensated absences	-	
Total adjustments	<hr/> <hr/> (5,126)	
Net cash provided by (used for) operating activities	<hr/> <hr/> \$ (5,126)	

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

## **FIDUCIARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	<b>Unemployment Compensation Trust</b>	<b>Gear Up Scholarship Fund</b>	<b>Agency fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 236	\$ 82,719	\$ -
Investments, at fair value:			
U.S. government obligations	-	-	-
NJ municipal bonds	-	-	-
Total investments	-	-	-
Total assets	236	82,719	\$ -
<b>LIABILITIES</b>			
Accounts payable		-	-
Payable to district	-	-	-
Payable to student groups	-	-	-
Payroll deductions and withholdings	-	-	-
Total liabilities	-	-	\$ -
<b>NET ASSETS</b>			
Held in trust for unemployment claims and other purposes	\$ 236		
Reserved for scholarships		\$ 82,719	

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	Unemployment Compensation Trust	GEAR UP Scholarship Fund
<b>ADDITIONS</b>		
Contributions:		
Plan member		
Other	71,665	
Total Contributions	<u>71,665</u>	
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		10
Dividends		
Less investment expense		
Net investment earnings		<u>10</u>
Total additions	<u>71,665</u>	<u>10</u>
<b>DEDUCTIONS</b>		
Quarterly contribution reports		
Unemployment claims	77,246	-
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions	<u>77,246</u>	<u>-</u>
Change in net assets	(5,581)	10
Net position - beginning of the year	<u>5,818</u>	<u>82,709</u>
Net position - end of the year	<u>\$ 237</u>	<u>\$ 82,719</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**1. DESCRIPTION OF THE CHARTER SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. The North Star Academy Charter School of Newark is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of North Star Academy Charter School of Newark is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

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

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

**A. Basis of Presentation**

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

**Charter School Government-wide Financial Statements**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Fund Financial Statements**

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

**B**     **Fund Accounting**

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

**Governmental Funds**

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

**General Fund** - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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

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

***Capital Projects Fund*** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2013 there was no Capital Projects Fund.

**Proprietary Funds**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Fiduciary Funds**

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

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

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

**C Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Basis of Accounting**

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

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

**D Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year end.

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

**E Cash, Cash Equivalent and Investments**

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

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

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

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

**F Short-Term Interfund Receivables/Payables**

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

**H Capital Assets**

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

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

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Leasehold improvements	25
Equipment	10

**I Compensated Absences**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**J Accrued Liabilities and Long-Term Obligations**

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

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

**K Deferred Revenue**

Deferred Revenue represents funds which have been received but not yet earned.

There is no deferred revenue in the general fund.

Special Revenue – deferred revenue to be utilized in 2013-2014.

Gear Up	\$8,887
ACE Programs	<u>16,251</u>
Total:	<u>\$25,138</u>

**L Fund Balance and Equity**

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

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

**M Management Estimates**

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

**N On-Behalf Payments**

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

**O Net Position**

The North Star Academy Charter School of Newark 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.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**2**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A deferred outflow of resources is a consumption of net position by the North Star Academy Charter School of Newark that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the North Star Academy Charter School of Newark that is applicable to a future reporting period. The North Star Academy Charter School of Newark 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 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.

**3**     **DEPOSITS AND INVESTMENTS**

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**3 DEPOSITS AND INVESTMENTS (continued)**

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	<u>Agency</u>	<u>Total</u>
Operating A/C	\$5,120,699	(\$157,663)	(\$173,327)	\$50,078	\$4,839,787

Operating cash accounts are held in the Charter School’s name by one banking institution. At June 30, 2013, the Charter School’s bank balance was \$4,839,787.

Of the bank balance, \$250,000 of the Charter School’s cash deposits on June 30, 2013 were secured by federal deposit insurance and \$4,589,787 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit protection Act (“GUDPA”).

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

***Category 1***

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

***Category 2***

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

***Category 3***

Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School’s name.

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**3 DEPOSITS AND INVESTMENTS (continued)**

**Investments**

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal national Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

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

**4 CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>			
<b>Capital assets, being depreciated:</b>			
Leasehold improvements	\$ 4,997,033	\$2,480,193	\$7,477,226
Equipment	631,658	62,981	694,639
Total capital assets being depreciated	\$5,628,691	\$2,543,174	\$8,171,865
Less accumulated depreciation for:			
Leasehold improvements	\$337,683	\$249,485	\$587,068
Equipment	266,842	66,315	333,157
Furniture and fixtures			
Vehicle			
Total accumulated depreciation	\$604,525	\$315,800	\$920,225
Total capital assets net	\$5,024,166	\$2,227,374	\$7,251,540

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**5. RENTAL EXPENSE**

The school leases its premises under the terms of a non-cancelable lease from Uncommon Schools, Inc. and the Newark Board of Education. Rent expense for the year ended June 30, 2013 amounted to \$3,615,852. Future rent for year ended June 30, 2014 - \$3,824,995.

The renewal of leases after June 30, 2014 are currently being determined.

**6. RELATED PARTY AND MANAGEMENT AGREEMENT**

Uncommon Schools Inc. (USI), a nonprofit charter management organization, provided management services to the school during the school year. In addition, the school leases 6 facilities from USI. In the opinion of management the rental payments under the lease approximate the market.

**7 PENSION PLANS**

**Description of Plans**

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans).

Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**Teachers Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**7 PENSION PLANS (continued)**

**Public Employees' Retirement System (PERS)**

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

**Defined Contribution Retirement Program (DCRP)**

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

**Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**7 PENSION PLANS (continued)**

**Significant Legislation**

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

**Pension Plan Design Changes**

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

**Funding Changes**

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

**COLA Suspension**

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non contributory death benefits, and post-retirement medical premiums. Under current statute the North Star Academy Charter School of Newark is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts.)

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**7 PENSION PLANS (continued)**

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the school.

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

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$970,176 during the year ended June 30, 2013 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

**8 POST RETIREMENT BENEFITS**

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

As of June 30, 2012, there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contribution by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126 which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in fiscal year 2012.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**9 COMPENSATED ABSENCES**

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years.

Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days. The Board of the Charter School is currently reviewing the exiting compensated absences policies with the intent of addressing the issues of accumulation and payments upon termination.

As of June 30, 2013, Charter School-wide compensated absences amounted to \$-0-.

**10 DEFERRED COMPENSATION**

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

**11 ECONOMIC DEPENDENCY**

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

**12 CONTINGENT LIABILITIES**

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**12 CONTINGENT LIABILITIES (continued)**

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

**13 RISK MANAGEMENT**

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

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

**14 RECEIVABLES**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$400,455</u>	<u>\$182,802</u>	<u>\$181,794</u>	<u>\$765,051</u>
Gross Receivables	<u>\$400,455</u>	<u>\$182,802</u>	<u>\$181,794</u>	<u>\$765,051</u>

**15. LINE OF CREDIT**

The school had entered into a Revolving Line of Credit with Sovereign Bank in the amount of \$1,200,000 to finance cash flow during the school year. The Revolving Line of Credit was fully paid at June 30, 2013 thus the amount outstanding under the line of credit was zero. The term is not to exceed 12 months. Interest is payable at the prime rate plus 1.50% and interest expense amounted to \$10,417 for the period ended June 30, 2013. The loan is subject to certain guarantees and security interests on assets of the school.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2013**

**16. SUBSEQUENT EVENTS**

The school has evaluated subsequent events occurring after the balance sheet through the date of September 20, 2013, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2013**  
**(Unaudited)**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$ 25,334,881	\$ (20,970,983)	\$ 4,363,898	\$ 4,363,898	-
State Share	3,785,672	24,144,505	\$ 27,930,177	27,930,177	-
Other Restricted Miscellaneous Revenues	-	-	\$ -	-	-
Miscellaneous	2,179,423	(1,115,316)	1,064,107	1,064,107	-
Total - Local Sources	<u>31,299,976</u>	<u>2,058,206</u>	<u>33,358,182</u>	<u>33,358,182</u>	<u>-</u>
Categorical Aid					
Technology Aid Funds	-	-	-	-	-
Special Education Aid	551,645	59,305	610,950	610,950	-
Security Aid	913,912	77,499	991,411	991,411	-
T& E Gap	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
Non-Public Aid	-	-	-	-	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	917,643	(917,643)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	970,176	(970,176)
Total State Sources	<u>1,465,557</u>	<u>136,804</u>	<u>1,602,361</u>	<u>3,490,180</u>	<u>(1,887,819)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
<b>Total Revenues</b>	<u>32,765,533</u>	<u>2,195,010</u>	<u>34,960,543</u>	<u>36,848,362</u>	<u>(1,887,819)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	\$ 11,498,652	845,252	12,343,904	12,343,904	-
Other Salaries	-	-	-	-	-
Prof/Tech Services	775,505	(775,505)	-	-	-
Other Purchased Services	858,080	170,132	1,028,212	1,028,212	-
Prof/Tech Services	672,692	29,881	702,573	702,573	-
General Supplies	540,265	599,103	1,139,368	1,139,368	-
Textbooks	46,791	(40,670)	6,121	6,121	-
Other Objects	332,779	(20,080)	312,699	312,699	-
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>14,724,764</u>	<u>808,113</u>	<u>15,532,877</u>	<u>15,532,877</u>	<u>-</u>

**NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30, 2013**  
**(Unaudited)**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	2,365,752	79,274	2,445,026	2,445,026	-
Salaries of Secretarial and Clerical Assistants	739,230	72,538	811,768	811,768	-
Cost of Benefits	2,136,782	493,856	2,630,638	2,630,638	-
Other Purchased Services	90,488	2,998,520	3,089,008	3,089,008	-
Consultants	3,354,466	(3,289,628)	64,838	64,838	-
Purchased Professional and Technical Services	36,200	458,849	495,049	495,049	-
Communications/Telephone	64,228	247,326	311,554	311,554	-
Interest on Current Loans	-	-	-	-	-
Supplies and Materials	50,380	(5,489)	44,891	44,891	-
Other Objects	43,944	43,771	87,715	87,715	-
	<u>8,881,470</u>	<u>1,099,017</u>	<u>9,980,487</u>	<u>9,980,487</u>	<u>-</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	797,743	14,559	812,302	812,302	-
Purchased Professional and Technical Services	90,488	(90,488)	-	-	-
Other Purchased Services	1,064,859	(344,870)	719,989	719,989	-
Rental of Land and Building- other than Lease Purchase Agreements	3,656,884	(41,032)	3,615,852	3,615,852	-
Insurance	132,320	(29,195)	103,125	103,125	-
General Supplies	136,640	3,931	140,571	140,571	-
Transportation- Trips	380,240	(243,929)	136,311	136,311	-
Energy (Energy and Electricity)	558,635	8,387	567,022	567,022	-
Other Objects	73,573	(63,156)	10,417	10,417	-
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>6,891,382</u>	<u>(785,793)</u>	<u>6,105,589</u>	<u>6,105,589</u>	<u>-</u>
<b>Food Service</b>					
Board Subsidy		-	-	-	
Other Purchsed Services		-	-	-	
<b>Total Food Services</b>		<u>-</u>	<u>-</u>	<u>-</u>	
On-behalf TPAF Pension Contributions (non-budgeted)				917,643	(350,050)
Reimbursed TPAF Social Security Contributions (non-budgeted)				970,176	(970,176)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>-</u>		<u>-</u>	<u>1,887,819</u>	<u>1,887,819</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<u>15,772,852</u>	<u>313,224</u>	<u>16,086,076</u>	<u>17,973,895</u>	<u>(1,887,819)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>30,497,616</u>	<u>1,121,337</u>	<u>31,618,953</u>	<u>33,506,772</u>	<u>(1,887,819)</u>

**NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The 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>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	-	-	-	-	-
Non-Instructional Equipment	-	62,981	62,981	62,981	-
Miscellaneous	2,358,405	920,204	3,278,609	2,480,193	798,416
<b>Total Equipment</b>	<u>2,358,405</u>	<u>983,185</u>	<u>3,341,590</u>	<u>2,543,174</u>	<u>798,416</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	32,856,021	2,104,522	34,960,543	36,049,946	(1,089,403)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		90,488	-	798,416	(798,416)
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>	-	-	-	-	-
<b>Total Other Financing Sources:</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	-	-	-	798,416	(798,416)
<b>Fund Balance, July 1</b>	-	-	3,765,557	3,765,557	
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,765,557</u>	<u>\$ 4,563,973</u>	<u>\$ (798,416)</u>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the 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	\$ 1,193,536		\$ 1,193,536	\$ 1,193,536	
State Sources	-		-	-	
Federal Sources	2,899,178		2,899,178	2,899,178	
<b>Total Revenues</b>	<u>4,092,714</u>		<u>4,092,714</u>	<u>4,092,714</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	1,241,122		1,241,122	1,241,122	
Other Salaries for Instruction					
Purchased Professional -Educational Services	319,752		319,752	319,752	
Other Purchased Services	45,672		45,672	45,672	
Technical Supplies	9,995		9,995	9,995	
Instructional Supplies	1,146,253		1,146,253	1,146,253	
Textbooks	29,949		29,949	29,949	
General Supplies	-		-	-	
Personal Services- Employee Benefits	251,795		251,795	251,795	
Administrative Costs					
Instructional Supplies	83,948		83,948	83,948	
<b>Total Instruction</b>	<u>3,128,486</u>		<u>3,128,486</u>	<u>3,128,486</u>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction	66,060		66,060	66,060	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Staff Recruitment	404,950		404,950	404,950	
Transportation	162,976		162,976	162,976	
Communication	342		342	342	
Consultants	1,604		1,604	1,604	
Travel	1,079		1,079	1,079	
Sscholarship Aid	68,378		68,378	68,378	
Security					
Student Enrichment	-		-	-	
Graduation Expense	68,291		68,291	68,291	
Food Service Contribution	190,548		190,548	190,548	
<b>Total Support Services</b>	<u>964,228</u>		<u>964,228</u>	<u>964,228</u>	

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2013**  
**(Unaudited)**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer to Charter School</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Expenditures	4,092,714	-	4,092,714	4,092,714	-
<b>Other Financing Sources (Uses)</b>					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Outflows</b>	<b>4,092,714</b>	<b>-</b>	<b>4,092,714</b>	<b>4,092,714</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
Expenditures and Other Financing Sources (Uses)	\$ 4,092,714	\$ -	\$ 4,092,714	\$ 4,092,714	\$ -

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**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**

The general fund budget and the special revenue budget basis are GAAP, therefore no reconciliation is required

## **SPECIAL REVENUE FUND**

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures- Budgetary Basis**  
**For the Year Ended June 30, 2013**

	TOTAL	IDEA PART B-Basic Reg. Prog.	TITLE I	FEDERAL CSP	SEMI Grant	ACE Grant	Gear Up	Private Grants
<b>REVENUES</b>								
Intergovernmental								
State								
Federal	2,899,178	387,969	1,174,229	1,331,690	5,290			
Other Sources								
Miscellaneous	1,193,536					316,622	10,289	866,625
Total Revenues	<u>4,092,714</u>	<u>387,969</u>	<u>1,174,229</u>	<u>1,331,690</u>	<u>5,290</u>	<u>316,622</u>	<u>10,289</u>	<u>866,625</u>
<b>EXPENDITURES</b>								
Instruction								
Salaries	1,241,122	215,160	881,350			144,612		
Purchased Prof. and Tech. Services	319,752	52,582	23,692	220,328	5,290			17,860
Other Purchased Services	45,672		41,856			3,816		
Instructional Supplies	1,146,253		21,112	1,110,283		1,416		13,442
Technical Supplies	9,995	9,995						
Textbooks	29,949		29,949					
Personal Services - Employee Benefits	251,795	54,232	176,270			21,293		
Miscellaneous	83,948					20,346		63,602
Total Instruction	<u>3,128,486</u>	<u>331,969</u>	<u>1,174,229</u>	<u>1,330,611</u>	<u>5,290</u>	<u>191,483</u>	<u>0</u>	<u>94,904</u>
Support Services								
Salaries of Supervisors of Instruction	66,060	56,000					10,060	
Salaries of Program Directors	0							
Salaries of Other Prof. Staff	0							
Salaries of Secretarial and Clerical Ass't	0							
Staff Recruitment	404,950							404,950
Transportation	162,976					56,419		106,557
Communication	342					342		
Consultants	1,604						229	1,375
Travel	1,079			1,079				
Scholarships Aid	68,378					68,378		
Security	0							
Student Enrichment	0							
Graduation Events	68,291							68,291
Food Service Contribution	190,548							190,548
Total Support Services	<u>964,228</u>	<u>56,000</u>	<u>0</u>	<u>1,079</u>	<u>0</u>	<u>125,139</u>	<u>10,289</u>	<u>771,721</u>
<b>TOTAL EXPENDITURES</b>	<u><u>4,092,714</u></u>	<u><u>387,969</u></u>	<u><u>1,174,229</u></u>	<u><u>1,331,690</u></u>	<u><u>5,290</u></u>	<u><u>316,622</u></u>	<u><u>10,289</u></u>	<u><u>866,625</u></u>

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Food Service Fund** - The fund provides for the operation of food services in all schools.

Exhibit G-1

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Net Position**  
**JUNE 30, 2013**

	<b>Business-Type Activities</b>
	<u>Enterprise Fund</u> <u>Food Services</u>
<b>ASSETS</b>	
Current Assets	
Cash	\$0
Intergovernmental Receivable	
Federal	\$178,106
State	2,711
Accounts Receivable	977
Total Current Assets	<u>181,794</u>
Total Assets	<u><u>181,794</u></u>
<b>LIABILITIES</b>	173,327
Cash Overdraft	
Total Current Liabilities	<u>173,327</u>
Net Position	
Unrestricted	8,467
Invested in capital assets net of related debt	0
Total Net Position	<u><u>\$8,467</u></u>

Exhibit G-2

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year Ended June 30, 2013**

	<b>Business-Type</b> <u><b>Activities</b></u> Enterprise Fund Food Services
<b>OPERATING REVENUES</b>	
Local Sources	
Daily Sales - Reimbursable Programs	72,652
Special Lunch and Breakfast Program	
Special Functions	
Total Operating Revenues	72,652
<b>OPERATING EXPENSES</b>	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(1,254,950)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(1,254,950)
Income (Loss) From Operations	(1,182,298)
Nonoperating Revenues	
Private grants	190,548
State Sources	
National School Lunch	15,878
State Breakfast	---
Federal Sources	
School Breakfast Program	171,911
National School Lunch Program	744,276
National Snack Program	59,685
Total Nonoperating Revenues	1,182,298
Net Income (Loss)	0
Total Net Position- Beginning of Year	8,467
Total Net Position- End of Year	\$8,467

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended June 30, 2013**

	<u><b>2013</b></u>
Cash flows from operating activities	
Cash Received from Customers	71,675
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(1,254,950)
Net Cash (Used) by Operating Activities	<u>(1,183,275)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	190,548
Cash Received from State and Federal Subsidy Reimbursements	997,853
Net Cash Provided by Noncapital Financing Activities	<u>1,188,401</u>
 Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net Increase in Cash and Cash Equivalents	5,126
Cash and Cash Equivalents, Beginning of Year	(178,453)
Cash and Cash Equivalents, End of Year	<u>(\$173,327)</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	\$0
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	(5,126)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(5,126)</u>
 Net Cash Used by Operating Activities	<u>(\$5,126)</u>

## **FIDUCIARY FUNDS**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Combining Statement of Agency Fund Net Position**  
**Fiduciary Funds**  
**As of June 30, 2013**

	<u>Unemployment</u> <u>Insurance</u>	<u>Gear Up</u> <u>Scholarships</u>	<u>Parent</u> <u>Council</u>	<u>Payroll</u> <u>Account</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
<b>ASSETS</b>						
Cash	\$237	\$82,719	\$92,278	\$0	\$0	\$175,234
Total Assets	<u>\$237</u>	<u>\$82,719</u>	<u>\$92,278</u>	<u>\$0</u>	<u>\$0</u>	<u>\$175,234</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Intergovernmental Payable - State						
Payroll Deductions and Withholdings				0	0	0
College Trust Fund		82,719				82,719
Due to Student Groups			92,278			92,278
Total Liabilities	<u>0</u>	<u>82,719</u>	<u>92,278</u>	<u>0</u>	<u>0</u>	<u>174,997</u>
<b>Net Position</b>						
Reserve For Unemploy. Trust Fund	<u>237</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>237</u>
Total Net Position	<u>237</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>237</u>
Total Liabilities and Net Position	<u>\$237</u>	<u>\$82,719</u>	<u>\$92,278</u>	<u>\$0</u>	<u>\$0</u>	<u>\$175,234</u>

**Exhibit H-2**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
Nonexpendable Trust Fund  
Combining Statement of Agency Fund Net Position  
Fiduciary Funds  
As of June 30, 2013**

**NOT APPLICABLE**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Parent Council Funds**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Parent Council Fund	<u>\$68,389</u>	<u>\$156,416</u>	<u>(\$132,527)</u>	<u>\$92,278</u>
Total	<u><u>\$68,389</u></u>	<u><u>\$156,416</u></u>	<u><u>(\$132,527)</u></u>	<u><u>\$92,278</u></u>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the 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>ASSETS</b>				
Cash and Cash Equivalents	\$0	\$20,107,916	\$20,107,916	\$0
Total Liabilities	<u>0</u>	<u>20,107,916</u>	<u>20,107,916</u>	<u>0</u>
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings	0	7,538,735	7,538,735	
Accrued Salaries and Wages		12,569,181	12,569,181	
Total Liabilities	<u>\$0</u>	<u>\$20,107,916</u>	<u>\$20,107,916</u>	<u>\$0</u>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Unemployment Compensation Insurance Trust Fund**  
**Statement of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the 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>ASSETS</b>				
Cash and Cash Equivalents	\$5,818	\$71,665	\$77,246	\$237
Total Assets	<u>\$5,818</u>	<u>\$71,665</u>	<u>\$77,246</u>	<u>\$237</u>
<b>LIABILITIES</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FUND BALANCE</b>				
Reserve for Unemployment Compensation	<u>\$5,818</u>	<u>\$71,665</u>	<u>\$77,246</u>	<u>\$237</u>
Total Liabilities and Net Position	<u>\$5,818</u>	<u>\$71,665</u>	<u>\$77,246</u>	<u>\$237</u>

## **FINANCIAL TRENDS**

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**NET POSITION BY COMPONENT**  
**FOR THE YEARS ENDED JUNE 30**  
**(Unaudited)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 7,251,540	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164
Restricted						
Unrestricted	<u>4,563,973</u>	<u>3,765,557</u>	<u>3,148,080</u>	<u>2,806,380</u>	<u>1,643,876</u>	<u>1,036,458</u>
Total governmental activities net position	<u>\$ 11,815,513</u>	<u>\$ 8,789,723</u>	<u>\$ 6,002,770</u>	<u>\$ 4,817,193</u>	<u>\$ 3,261,685</u>	<u>\$ 2,712,622</u>
Business-type activities						
Invested in capital assets, net of related debt						
Restricted						
Unrestricted	<u>8,467</u>	<u>8,467</u>	<u>8,078</u>	<u>7,731</u>	<u>7,259</u>	<u>6,520</u>
Total business-type activities net position	<u>\$ 8,467</u>	<u>\$ 8,467</u>	<u>\$ 8,078</u>	<u>\$ 7,731</u>	<u>\$ 7,259</u>	<u>\$ 6,520</u>
School-wide						
Invested in capital assets, net of related debt	\$ 7,251,540	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164
Restricted						
Unrestricted	<u>4,572,440</u>	<u>3,774,024</u>	<u>3,156,158</u>	<u>2,814,111</u>	<u>1,651,135</u>	<u>1,042,978</u>
Total school net position	<u>\$ 11,823,980</u>	<u>\$ 8,798,190</u>	<u>\$ 6,010,848</u>	<u>\$ 4,824,924</u>	<u>\$ 3,268,944</u>	<u>\$ 2,719,142</u>

**NORTH STAR ACADEMY CHARTER SCHOOL  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2013  
(Unaudited)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Expenses</b>						
Governmental activities						
Instruction						
Regular	\$ 18,661,363	\$ 13,319,253	\$ 10,361,359	\$ 7,234,698	\$ 6,438,518	\$ 4,579,208
Support Services:						
General administration	10,944,715	8,008,480	5,506,704	3,983,827	2,693,473	1,916,395
School Administrative Services	6,105,589	5,218,176	3,150,008	2,272,879	1,708,473	1,032,856
On-behalf TPAF Social Security	1,887,819	1,274,360	824,460	475,850	406,037	332,818
Capital outlay	2,543,174	2,315,040	939,964	450,513	19,710	5,206
Unallocated depreciation	315,800	121,351	75,478	64,147	58,355	60,668
Total governmental activities expenses	<u>40,458,460</u>	<u>30,256,660</u>	<u>20,857,973</u>	<u>14,481,914</u>	<u>11,324,566</u>	<u>7,927,151</u>
Business-type activities:						
Food service	1,254,950	934,288	671,555	493,079	384,154	319,660
Child Care	-	-	-	-	-	-
Total business-type activities expense	<u>1,254,950</u>	<u>934,288</u>	<u>671,555</u>	<u>493,079</u>	<u>384,154</u>	<u>319,660</u>
Total school expenses	<u>\$ 41,713,410</u>	<u>\$ 31,190,948</u>	<u>\$ 21,529,528</u>	<u>\$ 14,974,993</u>	<u>\$ 11,708,720</u>	<u>\$ 8,246,811</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	4,092,714	3,627,756	1,964,866	1,451,693	689,664	822,440
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>4,092,714</u>	<u>3,627,756</u>	<u>1,964,866</u>	<u>1,451,693</u>	<u>689,664</u>	<u>822,440</u>
Business-type activities:						
Charges for services						
Food service	1,254,950	934,677	671,902	493,551	384,893	262,899
Child care	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	<u>1,254,950</u>	<u>934,677</u>	<u>671,902</u>	<u>493,551</u>	<u>384,893</u>	<u>262,899</u>
Total school program revenues	<u>\$ 5,347,664</u>	<u>\$ 4,562,433</u>	<u>\$ 2,636,768</u>	<u>\$ 1,945,244</u>	<u>\$ 1,074,557</u>	<u>\$ 1,085,339</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	\$ (36,365,746)	\$ (26,628,904)	\$ (19,564,662)	\$ (13,523,300)	\$ (11,019,056)	\$ (7,424,371)
Business-type activities	-	389	347	472	739	(56,761)
Total school-wide net expense	<u>\$ (36,365,746)</u>	<u>\$ (26,628,515)</u>	<u>\$ (19,564,315)</u>	<u>\$ (13,522,828)</u>	<u>\$ (11,018,317)</u>	<u>\$ (7,481,132)</u>

**NORTH STAR ACADEMY CHARTER SCHOOL  
CHANGES IN NET POSITION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2013  
(Unaudited)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Local share	\$ 4,363,898	\$ 3,046,200	\$ 2,178,570	\$ 1,610,416	\$ 1,338,553	\$ 1,331,527
State Share	27,930,177	20,400,537	14,493,444	10,557,444	8,269,897	3,259,946
State Aid	3,490,180	2,655,976	1,840,605	1,235,873	1,095,020	2,271,296
Philanthropic Support	1,064,107	1,022,317	646,615	724,688	480,110	646,086
Increase in Net Capital Outlay	2,543,174	2,290,827	919,355	457,151	-	-
Investment earnings	-	-	95	-	385	950
Miscellaneous income	-	-	-	157	-	-
Transfers	-	-	-	-	-	-
Total governmental activities	<u>39,391,536</u>	<u>29,415,857</u>	<u>20,078,684</u>	<u>14,585,729</u>	<u>11,183,965</u>	<u>7,509,805</u>
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total school-wide	<u>\$ 39,391,536</u>	<u>\$ 29,415,857</u>	<u>\$ 20,078,684</u>	<u>\$ 14,585,729</u>	<u>\$ 11,183,965</u>	<u>\$ 7,509,805</u>
<b>Change in Net Position</b>						
Governmental activities	\$ 3,025,790	\$ 2,786,953	\$ 514,022	\$ 1,062,429	\$ 164,909	\$ 85,434
Business-type activities	-	389	347	472	739	56,761
Total school	<u>\$ 3,025,790</u>	<u>\$ 2,787,342</u>	<u>\$ 514,369</u>	<u>\$ 1,062,901</u>	<u>\$ 165,648</u>	<u>\$ 142,195</u>

**NORTH STAR ACADEMY CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30  
(Unaudited)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund						
Reserved						
Unreserved	\$ 4,563,973	\$ 3,765,557	\$ 3,148,080	\$ 2,806,380	\$ 1,643,876	\$ 1,036,458
Total general fund	<u>\$ 4,563,973</u>	<u>\$ 3,765,557</u>	<u>\$ 3,148,080</u>	<u>\$ 2,806,380</u>	<u>\$ 1,643,876</u>	<u>\$ 1,036,458</u>
 All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u>                    </u>					

**NORTH STAR ACADEMY CHARTER SCHOOL  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Unaudited)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
Local tax Levy	\$4,363,898	\$3,046,200	\$2,178,570	\$1,610,416	\$1,338,553	\$1,331,527
Other local revenue	2,520,843	2,234,821	899,710	926,800	610,933	769,776
State sources	31,436,235	23,070,322	16,344,231	11,793,317	9,364,917	5,531,242
Federal sources	3,875,050	3,336,120	2,373,586	1,249,738	559,226	699,700
Total revenue	<u>42,196,026</u>	<u>31,687,463</u>	<u>21,796,097</u>	<u>15,580,271</u>	<u>11,873,629</u>	<u>8,332,245</u>
<b>Expenditures</b>						
Instruction						
Regular Instruction	15,532,877	9,279,438	7,660,203	5,261,755	4,777,831	3,484,927
Undistributed Instruction		-				
Support Services:						
General administration	9,980,487	8,420,539	6,242,454	4,505,077	3,664,496	2,188,236
School administrative services/Plant	6,105,589	5,218,176	3,150,008	2,272,879	1,708,473	1,032,856
TPAF Social Security	1,887,819	1,274,360	824,460	475,850	406,037	332,818
Food Service	1,254,950	934,288	671,555			
Capital outlay	2,543,174	2,315,040	939,964	450,513	19,710	5,206
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Special Revenue	4,092,714	3,627,756	1,964,866	1,451,693	689,664	822,440
Total expenditures	<u>41,397,610</u>	<u>31,069,597</u>	<u>21,453,510</u>	<u>14,417,767</u>	<u>11,266,211</u>	<u>7,866,483</u>
Excess (Deficiency) of revenues over (under) expenditures	798,416	617,866	342,587	1,162,504	607,418	465,762
<b>Other Financing sources (uses)</b>						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$798,416</u>	<u>\$617,866</u>	<u>\$342,587</u>	<u>\$1,162,504</u>	<u>\$607,418</u>	<u>\$465,762</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Source: School records**

## **REVENUE CAPACITY**

Exhibit J-5

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**General Fund - Other Local Revenue By Source**  
**For the Years Ended June 30**  
**(Unaudited)**

	<u>E-Rate</u>	<u>Donations</u>	<u>Other Local</u>	<u>Annual Totals</u>
2008		646,086	950	647,036
2009		480,110	385	480,495
2010		724,688	157	724,845
2011		646,618	92	646,710
2012		1,022,317	--	1,022,317
2013	345,049	719,058	--	1,064,107

Source: School records

**Exhibit J-6**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Assessed Value and Actual Value of Taxable Property  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-7**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Direct and Overlapping Property Tax Rates  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-8**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Principal Property Taxpayers  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Property Tax Levies and Collections  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-10**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Ratios of Outstanding Debt by Type  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-11**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Ratios of Net General Bonded Debt Outstanding  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**Exhibit J-12**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

**NORTH STAR ACADEMY CHARTER SCHOOL  
Legal Debt Margin Information  
For the Year Ended June 30, 2013  
(Unaudited)**

**NOT APPLICABLE**

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**Demographic and Economic Statistics**  
**For the Years Ended June 30**  
**(Unaudited)**

<b>Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b>	<b>County Per Capita Personal Income<sup>c</sup></b>	<b>Unemployment Rate<sup>d</sup></b>
2009	272,434	3,544,093,906	13,009	14.10%
2010	277,140	3,605,314,260	13,009	15.00%
2011	277,140	3,605,314,260	13,009	15.00%
2012	277,140	3,605,314,260	13,009	15.00%

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per

<sup>c</sup> Personal capital income by municipality estimated based upon the 2000 Census

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**OPERATING INFORMATION  
(UNAUDITED)**

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**Principal Employers**  
**For the Year Ended June 30, 2013**  
**(Unaudited)**

<u>Employer</u>	<u>2012</u>		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>Percentage of Total Municipal Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**Full-time Equivalent School Employees by Function/Program**  
**For the Years Ended June 30**  
**(Unaudited)**

<u>Function/Program</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Instruction						
Regular	226	160	123	99	75	50
Special education						
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						
General administration						
School administrative services						
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools						
Food Service						
Child Care						
Total	<u>226</u>	<u>160</u>	<u>123</u>	<u>99</u>	<u>75</u>	<u>50</u>

**Source:** School Personnel Records

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**Operating Statistics**  
**For the Years Ended June 30**  
**(Unaudited)**

Pupil/Teacher Ratio

<b>Fiscal Year</b>	<b>Enroll</b>	<b>Operating Expenditures</b>	<b>Cost Per Pupil</b>	<b>Percentage Change</b>	<b>Teaching Staff</b>	<b>Elementary</b>	<b>Middle School</b>	<b>Senior High School</b>	<b>Average Daily Enrollment (ADE)</b>	<b>Average Daily Attendance (ADA)</b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2008	583	7,044,043	12,082	10.76%	50	9	29	12	586.3	568	36.28%	96.90%
2009	758	11,584,365	15,283	26.49%	75	16	40	19	703.9	731	20.06%	96.50%
2010	902	14,460,330	16,031	4.90%	99	10	10	10	906.2	875	28.74%	96.60%
2011	1,247	20,110,036	16,127	0.59%	123	37	54	32	1256.8	1209	38.69%	96.20%
2012	1,677	30,421,990	18,141	12.49%	160	61	71	28	1671.0	1625	32.96%	96.90%
2013	2,203	40,326,665	18,305	0.91%	226	91	100	35	2187.0	2090	30.88%	95.60%

Sources: School records

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**School Building Information**  
**For the Years Ended June 30**  
**(Unaudited)**

<b><u>School Building</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
Downtown Campus (MS#1, HS and Network Office)						
Square Feet	109,200	104,900	43,000	25,220	25,220	25,220
Capacity (students)	900	900	500	300	300	300
Enrollment	624	539	465			284
Vailsburg Campus (ES#1, MS#3)						
Square Feet	81,000	81,000	80,000	9,000	9,000	9,000
Capacity (students)	800	735	800	230	230	230
Enrollment	673	576	473	221	221	221
Clinton Hill Campus (MS#2)						
Square Feet	40,000	40,000	40,000	40,000	40,000	-
Capacity (students)	400	400	400	300	300	-
Enrollment	293	300	308			-
West Side Park Campus (ES#2, MS#4)						
Square Feet	86,000	85,000	-	-	-	-
Capacity (students)	735	735	-	-	-	-
Enrollment	348	174	-	-	-	-
Fairmount Campus (ES#3, ES#4)						
Square Feet	118,888	12,637	-	-	-	-
Capacity (students)		87	-	-	-	-
Enrollment	265	87	-	-	-	-
Number of Schools at June 30						
Elementary = 4						
Middle School = 4						
Senior High School = 1						
Other = 0						

**Source:** School Office

**Exhibit J-19**

**NORTH STAR ACADEMY CHARTER SCHOOL  
General Fund - Schedule of Required Maintenance  
For the Year Ended June 30, 2013  
(Unaudited)**

**NON APPLICABLE**

**NORTH STAR ACADEMY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Year Ended June 30, 2013**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Property	\$ 37,112,500	\$ 5,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	16,000,000	-
School Board Legal Liability	6,000,000	
Umbrella	16,000,000	-
Workers' Compensation	2,000,000	-
Surety Bonds (3)		
School Board Legal Liability	50,000	
Public Official Bond	100,000	

**CHARTER SCHOOL PERFORMANCE  
FRAMEWORK FINANCIAL INDICATORS**

**NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**FINANCIAL PERFORMANCE - FINANCIAL RATIOS**  
**JUNE 30, 2013**  
**Unaudited**

**Charter School Performance Framework Financial Indicators**  
**Sustainability Indicators**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Cash	1,952,521	3,513,214	4,789,709	
<b>CURRENT ASSETS</b>	<u>3,425,882</u>	<u>4,647,671</u>	<u>5,554,760</u>	
Capital Assets-Net	2,854,690	5,024,166	7,251,540	
<b>Total Assets</b>	<u>6,280,572</u>	<u>9,671,837</u>	<u>12,806,300</u>	
Current Liabilities	269,724	873,647	982,320	
Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Total Liabilities</b>				
Net Position	<u>6,010,848</u>	<u>8,798,190</u>	<u>11,823,980</u>	
Total Revenue	21,769,097	31,687,463	42,196,026	
Total Expenses	<u>(21,454,050)</u>	<u>(31,069,597)</u>	<u>(41,397,610)</u>	
Change in Net Position	<u>315,047</u>	<u>617,866</u>	<u>798,416</u>	
Depreciation	75,478	121,351	315,800	
Principal Payments	0	0	0	
Interest payments	0	0	0	
Final average daily enrollment	1,209	1,625	2,090	
March 30th budgeted Enrollment	1,200	1,600	2,000	
Near term indicators	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Three Year Accumulative</u>
CURRENT RATIO	12.7	5.32	5.65	23.67
Unrestricted days cash	33.22	41.27	42.23	116.72
Enrollment variance	100%	100%	100%	100%
Default	N/A	N/A	N/A	N/A

**NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**FINANCIAL PERFORMANCE - FINANCIAL RATIOS**  
**JUNE 30, 2013**  
**Unaudited**

**Charter School Performance Framework Financial Indicators**  
**Sustainability Indicators**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	
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Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	
Total Liabilities				
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Depreciation	75,478	121,351	315,800	
Principal Payments	0	0	0	
Interest payments	0	0	0	
Final average daily enrollment	1,209	1,625	2,090	
March 30th budgeted Enrollment	1,200	1,600	2,000	
Sustainability Indicators	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Three Year Indicators</u>
Total margin	1%	2%	2%	5%
Debt to Asset cash flow	N/A	N/A	N/A	N/A
	(486,709)	1,506,693	1,276,495	2,296,479
Debt Service Coverage ratio	N/A	N/A	N/A	N/A

**SINGLE AUDIT SECTION K**

SCOTT J. LOEFFLER  
CERTIFIED PUBLIC ACCOUNTANT  
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**EXHIBIT K-1**

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

The Honorable President and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark ("the Charter School"), in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated September 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I 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 my 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, I do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

I also noted certain matters that I reported to management of the North Star Academy Charter School of Newark in a separate report entitled, "Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance" dated September 20, 2013.

### **Purpose of this Report**

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler, CPA". The signature is written in a cursive style with a horizontal line underlining the name.

Scott J Loeffler, CPA  
September 20, 2013

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## EXHIBIT K-2

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

The Honorable President and  
Members of the Board of Trustees  
North Star Academy Charter School of Newark  
County of Essex  
Newark, New Jersey

#### **Compliance**

I have audited the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey's ("the Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2013. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditors' Responsibility**

My responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and State of New Jersey Department of Treasury Circular 04-04-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal and state program. However, my audit does not provide a legal determination of the Charter School's compliance.

### **Opinion on Each Major Federal and State Program**

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

### **Report on Internal Control over Compliance**

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies

in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State of New Jersey Department of Treasury Circular 04-04-OMB. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler, CPA". The signature is written in a cursive style with a small "CPA" at the end.

Scott J. Loeffler, CPA  
September 20, 2013

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2013**

<b>Federal/Grantor Program Title</b>	<b>FEDERAL CFDA Number</b>	<b>Grant Period</b>	<b>Award Amount</b>	<b>Balance July 1, 2012</b>	<b>Prior Carry over</b>	<b>Cash Received</b>	<b>Budgetary Expenditures</b>	<b>Refund of Prior Years' Balances</b>	<b>Adjustment</b>	<b>Deferred Revenue/ (Accounts Receivable) June 30, 2013</b>	<b>Due to Grantor at June 30, 2013</b>
<b>Food Subsidy</b>											
Federal School Lunch	10.555	07/01/12-06/30/13	744,276	(108,867)		\$720,741	\$744,276			(132,402)	
Federal Breakfast	10.553	07/01/12-06/30/13	171,911	(34,997)		178,726	171,911			(28,182)	
National Snack Program	10.558	07/01/12-06/30/13	59,685	(2,640)		44,803	59,685			(17,522)	
<b>Special Revenue Fund</b>											
NCLB											
Title I PART A	84.010 A	09/01/12-08/31/13	1,174,229	(198,067)		1,291,741	1,174,229			(80,555)	
Medicaid Semi Grant	93.770	09/01/12-08/31/13	5,290			5,290	5,290				
Charter School Program	84.282	09/01/12-08/31/13	1,331,600	(286,370)		1,581,937	1,331,690			(36,123)	
IDEA PART B	84.027 A	09/01/12-08/31/13	387,969	(47,466)		370,357	387,969			(65,078)	
Total Special Revenue				(531,903)		3,249,325	2,899,178			(181,756)	---
				(\$678,407)		\$4,193,595	\$3,875,050			(\$359,862)	

See accompanying notes to schedules of expenditures of Federal and State awards.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**Schedule of Expenditures of State Awards**  
**For the Fiscal Year Ended June 30, 2013**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2012</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2013</u>
GENERAL FUND									
TPAF Social Security	13-495-034-5095-002	7/1/12-06/30/13	970,176		970,176	970,176			
On Behalf Pension	13-495-034-5095-001	7/1/12-06/30/13	917,643		917,643	917,643			
Charter School Aid - Local	13-495-034-5120-078	7/1/12-06/30/13	4,363,898		4,363,898	4,363,898			
Charter School Aid - State	13-495-034-5120-078	7/1/12-06/30/13	27,930,177		27,930,177	27,930,177			
Special Education	13-495-034-5120-089	7/1/12-06/30/13	610,950		361,740	361,740			
Security Aid	13-495-034-5120-084	7/1/12-06/30/13	991,411		991,411	991,411			
Total General Fund				--	35,535,045	35,535,045			
ENTERPRISE FUND									
State School Lunch	13-100-010-3350-023	7/1/12-06/30/13	13,809	(2,486)	15,653	15,878			(2,711)
Total Enterprise				(2,486)	15,653	15,878			(2,711)
GRAND TOTAL				(2,486)	35,550,698	35,550,923			(2,711)

See accompanying notes to schedules of expenditures of Federal and State Awards.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the school's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and NJOMB Circular 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

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

GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ ---	\$35,535,045	\$35,535,045
Special Revenue Fund	2,899,178	---	2,899,178
Food Service Fund	<u>975,872</u>	<u>15,878</u>	<u>991,750</u>
Total Awards and Financial Assistance	<u>\$3,875,050</u>	<u>\$35,550,923</u>	<u>\$39,425,973</u>

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

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

**NOTE 5. OTHER**

The amount paid as TPAF Pension Contributions represents the state on behalf of the Charter School for the year ended June 30, 2013 was \$917,643. TPAF Social Security Contributions represents the amount of \$970,176 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

**NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the schools basic financial statements and the amount subject to State single audit and major program determination.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

Type of auditor’s report issued:	Unmodified
	<b><u>YES</u></b> <b><u>NO</u></b>
Internal control over financial reporting:	
Material weakness(es) identified:	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Noncompliance material to financial statements noted?	X

**Federal Awards**

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X	

Identification of major programs:

CDFA Number(s)	Name of Federal Program	
84.010 A	No Child Left Behind – Title I Part A	
84.282	Charter School Program	
184.027 A	IDEA Part B	
10.555	Federal Lunch Program	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000
Auditee qualified as low risk auditee:		X

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS (Continued)**

<b>State Awards</b>	<b><u>YES</u></b>	<b><u>NO</u></b>	
Dollar threshold used to distinguish between type A and type B programs (.520)		\$300,000	
Auditee qualified as low risk auditee:	<b>X</b>		
Type of auditor’s report issued:		Unmodified	
Internal control over major programs:			
Material weakness(es) identified:		<b>X</b>	
Significant deficiencies identified not considered to be material weakness(es)?		<b>X</b>	None Reported
Type of auditor’s report on compliance for major programs:		Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		<b>X</b>	
Identification of major programs:			
<b>GMIS Number(s)</b>			<b>Name of State Program</b>
13-495-034-5120-078			Charter School Aid Local and State
13-495-034-5095-002			TPAF Social Security
13-495-034-5120-084			Security Aid
13-495-034-5120-089			Special Education

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2013**

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
COUNTY OF ESSEX, NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR YEAR ENDED JUNE 30, 2013**

**PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND  
QUESTIONED COSTS**

No federal and state award findings and questioned costs noted that are required to be reported in accordance of OMB Circular A-133 or with NJOMB Circular 04-04.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Status of Prior Year Findings**

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. There were no prior year findings.