

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

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2013

PATERSON CHARTER SCHOOL
FOR
SCIENCE AND TECHNOLOGY

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

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**And
Barre & Company, CPAs**

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INTRODUCTORY SECTION



August 16, 2013

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Paterson Charter School for Science and Technology (Charter) for the fiscal year ended June 30, 2013. This CAFR includes the Charter's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

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

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

PCSST Executive Summary

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

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

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

Since its inception, PCSST has enjoyed broad-based support from parents, students and the Paterson community at-large. As a result, the school has had to wait-list students for all but the first few years of operation. Last year, there were only 120 spaces available for new students, yet 1,200 more students were interested in attending PCSST than could be accommodated.

PCSST is the only charter school in Paterson serving a secondary student population. As a result during the last three school years, PCSST has received over 1,300 applications for 100-120 available seats.

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

Paterson Charter School for Science and Technology provides a full range of educational services appropriate to Grades K – 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2012-2013 school year with an enrollment of 1,043 students. The following details the changes in the student enrollment of the Charter School over the last five years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2012-2013	1043.0	0.50%
2011-2012	1037.7	38.34%
2010-2011	750.1	32.92%
2009-2010	565.0	-0.53%
2008-2009	568.0	13.20%

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

3. MAJOR INITIATIVE: Paterson has one of the largest student populations in New Jersey yet continues to be one of the lowest performing public school districts in the state. Students at PCSST have outperformed district averages making it clear that the expansion of quality educational alternatives is much needed. PCSST operated its third charter term with its commitment to high student performance, well-structured programs, and academic, organizational and fiscal competence.

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

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

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

Curriculum

PCSST has continued to make progress toward completion of its Common Core implementation. PCSST is using a 5 year curriculum revision cycle. The entire English-Language Arts curriculum for grades 7-12 was rewritten in the summer of 2012. The curriculum was completely aligned to the Common Core State Standards. With the expansion of the school there was a need to bring the CCSS to the elementary level grades. During the summer of 2013 curriculum development is planned for grades K-6 to align the ELA curriculum and create a continuous curriculum completely aligned to the Common Core State Standards. Math curriculum at the grades 7-12 level was already aligned prior to 2012. During the summer of 2013 alignment to the CCSS at the grades K-6 level is being completed. All math and language arts courses K-12 will be taught with a curriculum aligned to the CCSS. As part of the 5 year curriculum revision cycle the World Language and Physical Education departments are revising their curricula with an emphasis on cross curriculum connections to the Common Core State Standards in Math and Language Arts.

Other developments with the PCSST curriculum included the introduction of the first Advanced Placement course made available to students. AP Biology was offered in 2012-13. Other AP courses are following in 2013-14. These will include AP Chemistry,

AP Calculus, AP US History, and AP Composition & Literature. These are being added to a variety of honors courses already offered at the high school level.

PCSST is introducing two STEM electives, in the science and math departments. As a charter school named for Science and Technology the school is making every effort to build STEM into the curriculum beginning in the elementary school. PCSST will build on the extracurricular Robotics program and bring its elements of engineering and computer programming into the general curriculum.

Algebra I was offered for 8th grade students for the first time at PCSST. This will prepare students for advanced math courses in the future.

In addition to addressing the top students, PCSST introduced new Strategic Reading & Writing courses at the high school to provide assistance for identified at risk students in need of better preparation for the HSPA.

Finally, PCSST has begun the process of Middle States Accreditation. A site visit is scheduled for May 2014.

Athletic Philosophy and Participation Expectations

Our goals for the athletic program are to provide a rewarding experience for the students, give them an opportunity to represent their school and community in a positive way, create an environment that contributes to a growth in school spirit, and develop the self-esteem and athletic skills of all student athletes in the program.

PCSST believes individual students will benefit physically and intellectually through competitive interscholastic sports activities. Any person who wishes may try out for any sports team. They must complete all required forms, including a medical history form, which can be obtained from the coach of the sport the student wishes to join or from the Athletic Department page on the PCSST website. All completed forms must be returned to the Athletic Office. Students must take and pass a Sport Physical administered by their family physician. The Sports Physical is good for 1 calendar year. Students are required to also complete several forms and permission slips, all of which are available to download from the Athletics Tab on the PCSST Website. Students are required to attend daily practices or competitions throughout the sports season.

Beginning in September of 2013, PCSST will be members of the NJSIAA and offer varsity level sports in boys and girls soccer, cross country, and basketball. PCSST will also offer girls' softball and volleyball, and boys' baseball. PCSST has been accepted into the NJIC, and will begin competing as a conference member during the 2013-2014 school year.

If a sport is not offered by PCSST students may opt to play that sport at their home school. If PCSST offers the sport then the student must play for PCSST.

The purpose of secondary school athletics is both educational and recreational. Major emphasis is to provide a valuable learning experience for the participant. Emphasis is placed on self-discipline and emotional maturity gained through respect for established rules and authority, and consideration of the rights of others.

Professional Development

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

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

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

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

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

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

6. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statement” Note 2. The Charter School has adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: The Charter School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. OTHER INFORMATION:

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

9. ANTI-BULLYING: On January 5, 2011, Governor Chris Christie signed into law P.L. 2010, Chapter 122, known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members. Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation and bullying prevention in each professional development period. PCSST has hired a district level HIB coordinator on September 1, 2011. Building level HIB specialists are also assigned per building received adequate training. In 2012-2013, training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

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

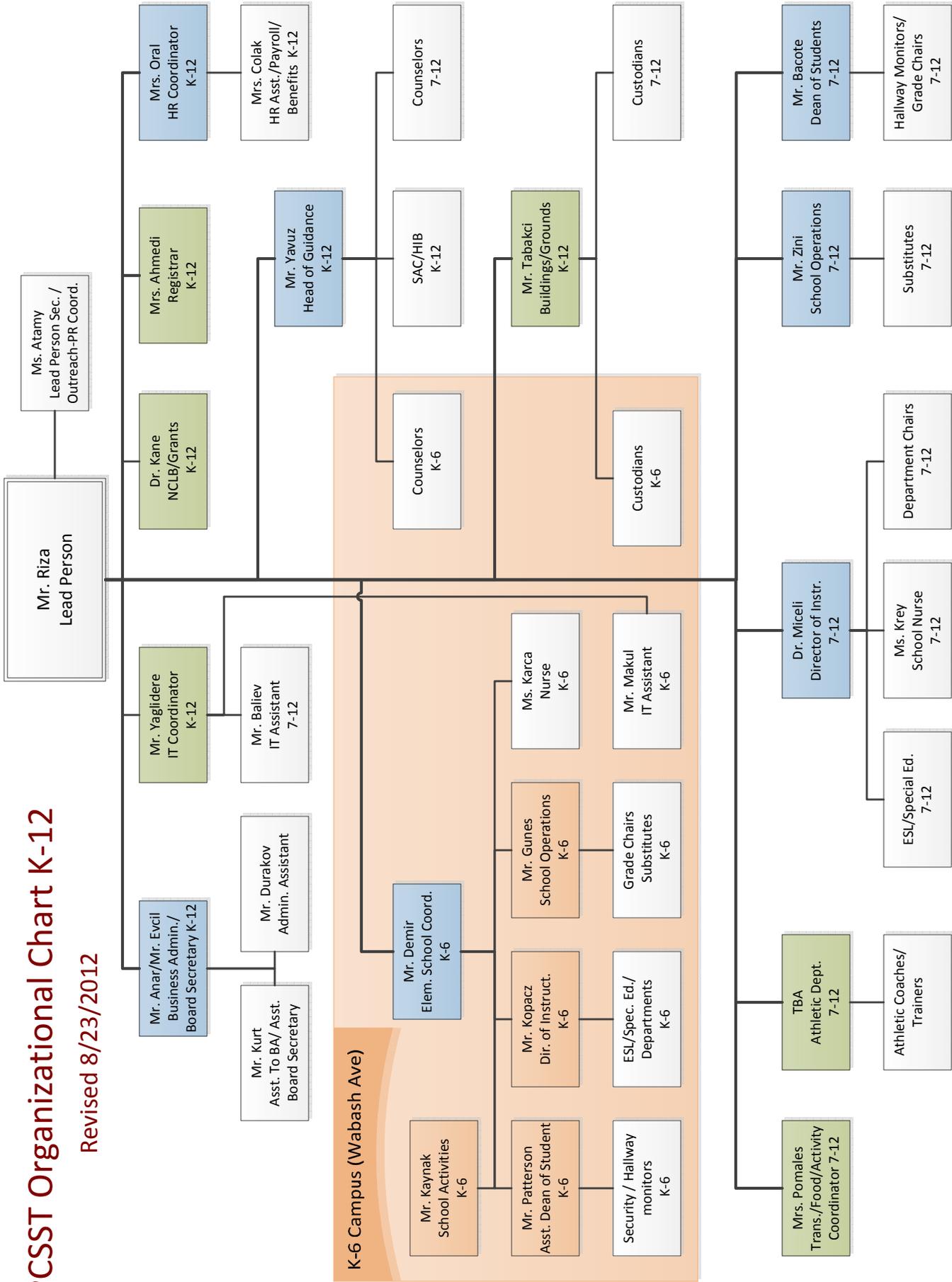
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A. Riza Gurcanli', written in a cursive style.

A. Riza Gurcanli
Lead Person

PCSST Organizational Chart K-12

Revised 8/23/2012



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

**ROSTER OF OFFICIALS
JUNE 30, 2013**

Members of the Board of Trustees

Position

Ken Aydin	President
Sylvia Perez	Vice President
Carol Burt-Miller	Member
Erdem Alpay	Member
Ayhan Koroglu	Member
Eric Estrada	Member

Other Officials

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

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

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, NJ 07083

Attorney

Riker, Danzig, Scherer, Hyland and Perretti, LLP
Attorneys at Law
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Official Depository

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Lakeview Branch
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Paterson, NJ 07503

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BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of June 30, 2013, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 18 and 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *"Audits of States, Local Governments, and Non-Profit*

Organizations,” and New Jersey OMB’s Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid,”* respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2013 on our consideration of the Paterson Charter School for Science and Technology’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School’s internal control over financial reporting and compliance.



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

August 16, 2013

REQUIRED SUPPLEMENTARY INFORMATION – PART I

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of Paterson Charter School for Science and Technology's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2013 are as follows:

- ❖ General revenues accounted for \$16,118,659 in revenues or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$286,804 or 2% percent of total revenues of \$16,405,463.
- ❖ The Charter School had \$15,527,046 in expenses; only \$286,804 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,118,659 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$15,394,386 in revenues and \$14,454,694 in expenditures. The General Fund's fund balance increased \$939,692 over 2012. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Paterson Charter School for Science and Technology, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Statement of Net Position and the Statement of Activities (Continued)

- ❖ **Business-Type Activity** — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transaction. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

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

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

The Charter School's combined net position were \$3,403,505 for 2013 and \$2,523,921 for 2012.

Governmental Activities

The Charter School's total revenues were \$16,405,463 for 2013 and \$15,775,291 for 2012, this includes \$405,316 for 2013 and \$419,418 for 2012 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$15,527,046 for 2013 and \$15,882,714 for 2012. Instruction comprises 50% for 2013 and 52% for 2012 of Charter School expenses.

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

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

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

Capital Outlay represents instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Business-Type Activities

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

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$1,167 for 2013 and operating revenues exceeded operating expenses by 67,811 for 2012.
- ❖ Charges for services represent \$93,337 for 2013 and \$155,352 for 2012. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$608,200 for 2013 and \$504,413 for 2012.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$16,405,463 for 2013 and \$15,775,291 for 2012 and expenditures were \$15,465,771 for 2013 and \$16,117,779 for 2012. The net change in fund balance for fiscal years 2013 and 2012 was most significant in the general fund, an increase of \$939,692 in 2013 and a decrease of \$342,488 in 2012.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2013.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2012	Percent of Increase/ (Decrease)
Local Sources	\$ 1,566,474	9.55%	\$ 62,485	4.15%
State Sources	13,827,912	84.29%	725,101	5.53%
Federal Sources	1,011,077	6.16%	(157,414)	-13.47%
Total	\$ 16,405,463	100.00%	\$ 630,172	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

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

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2012	Percent of Increase/ (Decrease)
Instruction	\$ 6,069,098	39.24%	\$ (498,696)	-7.59%
Administration	4,084,796	26.41%	476,363	13.20%
Support Services	5,209,266	33.68%	(535,421)	-9.32%
Capital Outlay	102,611	0.67%	(94,254)	-47.88%
Total	\$ 15,465,771	100.00%	\$ (652,008)	

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

At the end of the fiscal year 2013, the Charter School had \$205,406 invested in machinery and equipment.

For the Future

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

For the Future (Continued)

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Irfan Evcil, Business Administrator/Board Secretary at Paterson Charter School for Science and Technology, 764 11th Avenue, Paterson, New Jersey 07514.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents:			
Cash and Cash Equivalents	\$ 1,719,114	\$ 194,545	\$ 1,913,659
Restricted	25,001		25,001
Interfund Receivables	247,366		247,366
Receivables	1,383,079	53,809	1,436,888
Prepaid Expenses	103,000		103,000
Capital Assets, Net	205,406	46,666	252,072
	<u>3,682,966</u>	<u>295,020</u>	<u>3,977,986</u>
Total Assets			
LIABILITIES:			
Interfund Payable	191,848	55,518	247,366
Accounts Payable	279,421	47,694	327,115
	<u>471,269</u>	<u>103,212</u>	<u>574,481</u>
Total Liabilities			
NET POSITION:			
Net Investment in Capital Assets	266,681	23,770	290,451
Unrestricted	2,945,016	168,038	3,113,054
	<u>3,211,697</u>	<u>191,808</u>	<u>3,403,505</u>
Total Net Position			

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Statement of Activities
For The Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 6,105,541	\$ 1,676,130	\$ -	\$ 286,804	\$ -	\$ (7,494,867)	\$ -	\$ (7,494,867)
Administration	1,450,876	362,607				(1,813,483)		(1,813,483)
Support Services	5,233,778	595,503				(5,829,281)		(5,829,281)
Capital Outlay	102,611					(102,611)		(102,611)
Total Governmental Activities	12,892,806	\$ 2,634,240	-	286,804	-	(15,240,242)	-	(15,240,242)
BUSINESS-TYPE ACTIVITIES:								
Food Service	702,760		93,337	610,281		-	858	858
Total Business-Type Activities	702,760		93,337	610,281		-	858	858
Total Primary Government	\$ 13,595,566		\$ 93,337	\$ 897,085	\$ -	\$ (15,240,242)	\$ 858	\$ (15,239,384)
GENERAL REVENUES								
Federal and State Aid Not Restricted					\$ 16,099,585		\$ -	\$ 16,099,585
Investment Earnings					158			158
Miscellaneous Income					18,916		309	19,225
Total General Revenues					16,118,659		309	16,118,968
Change in Net Position					878,417		1,167	879,584
Net Position - Beginning					2,333,280		190,641	2,523,921
Net Position - Ending					\$ 3,211,697		\$ 191,808	\$ 3,403,505

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Balance Sheet
 June 30, 2013

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,627,947	\$ 91,167	\$ 1,719,114
Restricted	25,001		25,001
Interfund Receivables	247,366		247,366
Receivables From Other Governments	20,189	158,827	179,016
Other Receivables	1,204,063		1,204,063
Other Assets	103,000		103,000
 Total Current Assets	 3,227,566	 249,994	 3,477,560
 Total Assets	 \$ 3,227,566	 \$ 249,994	 \$ 3,477,560
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 191,848	\$ 191,848
Accounts Payable	221,275	58,146	279,421
 Total Current Liabilities	 221,275	 249,994	 471,269
 Total Liabilities	 221,275	 249,994	 471,269
 Fund Balances:			
Unreserved:			
General Fund	3,006,291		3,006,291
 Total Fund Balances	 3,006,291	 -	 3,006,291
 Total Liabilities and Fund Balances	 \$ 3,227,566	 \$ 249,994	
 Amounts reported for <i>governmental activities</i> 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 governmental funds. The cost of the assets is \$343,574 and the accumulated depreciation is \$138,168.			
			205,406
 Net Position of Governmental Activities			 \$ 3,211,697

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,547,400	\$ -	\$ 1,547,400
Interest on Investments	158		158
Miscellaneous	18,916		18,916
Total Local Sources	1,566,474	-	1,566,474
State Sources	13,827,912		13,827,912
Federal Sources		1,011,077	1,011,077
Total Revenues	15,394,386	1,011,077	16,405,463
EXPENDITURES:			
Instruction	5,397,052	672,046	6,069,098
Administration	4,084,796		4,084,796
Support Services	4,870,235	339,031	5,209,266
Capital Outlay	102,611		102,611
Total Expenditures	14,454,694	1,011,077	15,465,771
NET CHANGE IN FUND BALANCES	939,692	-	939,692
FUND BALANCES, JULY 1	2,066,599	-	2,066,599
FUND BALANCES, JUNE 30	\$ 3,006,291	\$ -	\$ 3,006,291

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental fund (from B-2)		\$ 939,692
Amounts reported for governmental activities in the statement of activities (A-2) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>		
Depreciation Expense	\$ (61,275)	
Capital Outlay	-	(61,275)
Change in net position of governmental activities		\$ 878,417

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Net Position
June 30, 2013

	Business-Type Activities - Enterprise Fund			Total
	Food Service	School Store	Community Service	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 194,545	\$ -	\$ -	\$ 194,545
Intergovernmental Accounts Receivable:				
Federal	52,662			52,662
State	1,147			1,147
Total Current Assets	248,354	-	-	248,354
Noncurrent Assets:				
Machinery and Equipment	79,133			79,133
Less Accumulated Depreciation	(32,467)			(32,467)
Total Noncurrent Assets	46,666	-	-	46,666
Total Assets	<u>\$ 295,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,020</u>
LIABILITIES AND NET POSITION:				
Liabilities:				
Interfund Accounts Payable	\$ 55,518	\$ -	\$ -	\$ 55,518
Accounts Payable	47,694			47,694
Total Liabilities	103,212	-	-	103,212
Net Position:				
Net Investment in Capital Assets	23,770			23,770
Unrestricted	168,038			168,038
Total Net Position	191,808	-	-	191,808
Total Liabilities and Net Position	<u>\$ 295,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,020</u>

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 90,349	\$ 2,988	\$ -	\$ 93,337
Miscellaneous Revenue	309			309
Total Operating Revenues	90,658	2,988	-	93,646
OPERATING EXPENSES:				
Salaries	231,886			231,886
Management Fees	8,240			8,240
Supplies and Materials	30,947			30,947
Depreciation Expense	11,495			11,495
Cost of Sales	396,631			396,631
Miscellaneous Expenses	23,561			23,561
Total Operating Expenses	702,760	-	-	702,760
OPERATING INCOME (LOSS)	(612,102)	2,988	-	(609,114)
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	8,590			8,590
State FFVP Program	2,060			2,060
Federal Source:				
National School Breakfast/Lunch/Snack Program	597,550			597,550
Total Nonoperating Revenues	608,200	-	-	608,200
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES	(3,902)	2,988	-	(914)
OTHER FINANCING SOURCES:				
Transfers In	6,424	2,081	-	8,505
Transfers Out		(191)	(6,233)	(6,424)
Total Other Financing Sources	6,424	1,890	(6,233)	2,081
CHANGE IN NET POSITION	2,522	4,878	(6,233)	1,167
TOTAL NET POSITION, JULY 1	189,286	(4,878)	6,233	190,641
TOTAL NET POSITION, JUNE 30	\$ 191,808	\$ -	\$ -	\$ 191,808

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 128,576	\$ 2,988	\$ -	\$ 131,564
Cash Payments to Suppliers and Employees	(638,258)			(638,258)
Net Cash Used In Operating Activities	(509,682)	2,988	-	(506,694)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	608,200			608,200
Transfers In	6,424	2,081		8,505
Transfers Out		(5,260)	(6,233)	(11,493)
Net Cash Provided By Noncapital Financing Activities	614,624	(3,179)	(6,233)	605,212
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Contributed Capital				-
Acquisition And Construction Of Capital Assets	(27,047)			(27,047)
Net Cash Used For Capital And Related Financing Activities	(27,047)	-	-	(27,047)
Net Increase In Cash And Cash Equivalents	77,895	(191)	(6,233)	71,471
Cash And Cash Equivalents, Beginning Of Year	116,650	191	6,233	123,074
Cash And Cash Equivalents, End Of Year	<u>\$ 194,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,545</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss Used for Operating Activities	\$ (612,102)	\$ 8,057	\$ -	\$ (604,045)
Depreciation	11,495			11,495
Decrease In Due From Other Funds	48,594			48,594
Increase In Receivables From Other Governments	(10,676)			(10,676)
Increase In Inventories		37,530		37,530
Increase (Decrease) In Interfund Payable	55,518	(42,599)		12,919
Increase In Accounts Payable	(2,511)			(2,511)
Net Cash Used In Operating Activities	<u>\$ (509,682)</u>	<u>\$ 2,988</u>	<u>\$ -</u>	<u>\$ (506,694)</u>

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2013

	Trusts		Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	
ASSETS:			
Cash and Cash Equivalents	\$ 2,632	\$ 1,421	\$ 43,945
Total Assets	<u>2,632</u>	<u>1,421</u>	<u>\$ 43,945</u>
LIABILITIES:			
Due to Student Groups			\$ 43,945
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 43,945</u>
NET POSITION:			
Reserved for Unemployment Claims	<u>2,632</u>	<u>1,421</u>	
Total Net Position	<u>\$ 2,632</u>	<u>\$ 1,421</u>	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For Fiscal Year Ended June 30, 2013

	Trusts	
	Unemployment Compensation Insurance	Flexible Spending Account
ADDITIONS:		
Contributions	<u>\$ 163,860</u>	<u>\$ 10,969</u>
Total Additions	<u>163,860</u>	<u>10,969</u>
DEDUCTIONS:		
Payment of Claims	<u>164,766</u>	<u>9,548</u>
Total Deductions	<u>164,766</u>	<u>9,548</u>
CHANGE IN NET POSITION	(906)	1,421
NET POSITION - BEGINNING OF THE YEAR	<u>3,538</u>	<u>-</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 2,632</u></u>	<u><u>\$ 1,421</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Financial Statements

June 30, 2013

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

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

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

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include two schools a Grade K-6 and a Grade 7-12 located in the City of Paterson. There are no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

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

Charter School-wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

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

The Charter School reports the following *governmental* funds:

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by School Board resolution.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

The Charter School reports the following *proprietary* fund:

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

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

The Charter School reports the following *fiduciary* fund:

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

Payroll and Student Activities Funds: These are agency funds used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting – Measurement Focus

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

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting while the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. They are submitted to the county office. Budgets are prepared using the modified accrual basis of

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments and transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year.

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

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

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

Total Revenues & Expenditures (Budgetary Basis)	\$ 1,011,077
Adjustments:	
Less Encumbrances at June 30, 2013	-
Plus Encumbrances at June 30, 2012	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 1,011,077</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrances Accounting

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenues fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Assets, Liabilities, and Equity

Interfund Transactions:

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

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

Inventories:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses:

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

Capital Assets:

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

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

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

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

Deferred Revenue:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Accrued Liabilities and Long-Term Obligations:

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

Net Position:

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

Fund Balance Reserves:

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

Revenues — Exchange and Nonexchange Transactions:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end. Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses:

Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

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

Management Estimates:

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

Accrued Salaries and Wages:

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

Deposits

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

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

Investments

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

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

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

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,652,948	\$ 91,167	194,545	\$ 47,998	\$ 1,986,658

The Charter School had no investments at June 30, 2013.

The carrying amount of the Board's cash and cash equivalents at June 30, 2013 was and the bank balance was \$1,986,658. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

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

Risk Category (Continued)

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

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

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

As of June 30, 2013, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

NOTE 3: RECEIVABLES

Receivables at 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 follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 1,204,063	\$ 1,205,210
Federal Aid	158,827	211,489
Other	-	-
Gross Receivables	<u>1,362,890</u>	<u>1,416,699</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$ 1,362,890</u></u>	<u><u>\$ 1,416,699</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2013:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 247,366	\$ -
Special Revenue Fund		191,848
Proprietary Fund		55,518
Fiduciary Fund		
Total	<u>\$ 247,366</u>	<u>\$ 247,366</u>

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Ending Balance
Governmental Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 343,574	\$ -	\$ 343,574
Totals at Historical Cost	343,574	-	343,574
Less Accumulated Depreciation For:			
Machinery and Equipment	76,893	61,275	138,168
Total Accumulated Depreciation	76,893	61,275	138,168
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	266,681	(61,275)	205,406
Government Activity Capital Assets, Net	\$ 266,681	\$ (61,275)	\$ 205,406
Business-Type Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 52,088	\$ 27,045	\$ 79,133
Less Accumulated Depreciation	(20,972)	(11,495)	(32,467)
Enterprise Fund Capital Assets, Net	\$ 31,116	\$ 15,550	\$ 46,666

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by charter schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 5: CAPITAL ASSETS (CONTINUED)

where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Instructional	\$ 36,443
Administration	320
Support	<u>24,512</u>
Total	<u>\$ 61,275</u>

NOTE 6: RENTAL LEASE

The school leases classroom and office space at 276 Wabash Avenue, Paterson, New Jersey. The lease is for sixty (60) months commencing July 1, 2012 and expiring on June 30, 2017 with an option to renew for seven (7) periods, consisting of five (5) years each. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 1,054,000
2015	1,054,000
2016	1,054,000
2017	<u>1,054,000</u>
Total future minimum lease payments	<u>\$ 4,216,000</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 6: RENTAL LEASE (CONTINUED)

In addition, the school leases classroom and office space at 764 Eleventh Avenue, Paterson, New Jersey under a lease agreement for six years commencing July 1, 2011 and ending June 30, 2017. The lease requires annual rental payments as follows:

Year Ended	Amount
2014	\$ 1,390,500
2015	1,442,000
2016	1,493,500
2017	1,545,000
Total future minimum lease payments	\$ 5,871,000

NOTE 7: PENSION PLANS

Description of Plans

All required employees of the school are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF)

teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Significant Legislation

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

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.64 % of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Contribution Requirements

Three-Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	\$138,953	100%	\$138,953
6/30/12	97,474	100%	97,474
6/30/11	61,146	100%	61,146

Three-Year Trend Information for TPAF (Paid on-behalf of the District)			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	\$548,298	100%	\$548,298
6/30/12	274,585	100%	274,585
6/30/11	169,812	100%	169,812

NOTE 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 contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

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.

NOTE 9: 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 student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to the Financial Statements
June 30, 2013

NOTE 9: RISK MANAGEMENT(CONTINUED)

New Jersey Unemployment Compensation Insurance

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	150,928	\$ 16,470	\$ 164,766	\$ 2,632
2011-2012	66,231	17,013	79,706	3,538
2010-2011	139,664	21,127	158,695	2,096

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$3,006,291 General Fund balance at June 30, 2013, \$3,006,291 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 1,488,597	\$ 58,803	\$ 1,547,400	\$ 1,547,400	\$ -
Total Local Levy Budget	1,488,597	58,803	1,547,400	1,547,400	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	11,955,659	222,146	12,177,805	12,177,805	-
Special Education Aid	197,009	89,795	286,804	286,804	-
Security Aid	419,443	(9,754)	409,689	409,689	-
Total Categorical Aid	12,572,111	302,187	12,874,298	12,874,298	-
Revenues From Other Sources:					
Interest Income				158	158
Miscellaneous Revenue	2,500		2,500	18,736	16,236
Refund of Prior Year Expense				180	180
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				548,298	548,298
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				405,316	405,316
Total Revenues From Other Sources	2,500	-	2,500	972,688	970,188
Total Revenues	14,063,208	360,990	14,424,198	15,394,386	970,188
EXPENDITURES:					
Instruction:					
Salaries of Teachers	4,629,844	(26,371)	4,603,473	4,273,038	330,435
Other Salaries for Instruction	651,985	20,000	671,985	498,389	173,596
Purchased Prof/Tech Services	77,700	43,854	121,554	121,555	(1)
Other Purchased Services	46,764	3,516	50,280	49,022	1,258
General Supplies	178,750	100,190	278,940	258,973	19,967
Textbooks	86,037	55,000	141,037	131,466	9,571
Miscellaneous	35,500	59,810	95,310	64,609	30,701
Total Instruction	5,706,580	255,999	5,962,579	5,397,052	565,527
Administration:					
Salaries - General Administration	\$ 659,529	\$ 10,000	\$ 669,529	\$ 653,696	\$ 15,833
Salaries of Secretarial/Clerical Assistants	347,038	60,000	407,038	378,534	28,504
Total Benefits Cost	1,901,164	(146,397)	1,754,767	1,680,626	74,141
Purchases Prof/Tech Services	177,544	15,000	192,544	176,365	16,179
Other Purchased Services	106,964	46,515	153,479	114,636	38,843
Supplies and Materials	45,000	20,000	65,000	60,848	4,152
Miscellaneous Expenses	38,830	50,432	89,262	66,477	22,785
Total Administration	3,276,069	55,550	3,331,619	3,131,182	200,437

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

General Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Support Services:					
Salaries	1,690,782	72,168	1,762,950	1,695,214	67,736
Purchased Prof/Ed Services	20,000	11,105	31,105	31,105	-
Purchased Prof/Tech Services	37,710	1,319	39,029	31,430	7,599
Rental of Land and Buildings	2,393,000		2,393,000	2,393,000	-
Other Purchased Services	288,634	8,737	297,371	264,127	33,244
Transportation-Other Than To/From School	52,000	31,139	83,139	83,131	8
Insurance for Property, Liability and Fidelity	72,065	(14,104)	57,961	45,878	12,083
Supplies and Materials	84,000	22,776	106,776	97,754	9,022
Energy Costs (Heat and Electricity)	250,000		250,000	226,515	23,485
Miscellaneous Expenses		2,081	2,081	2,081	-
Total Support Services	4,888,191	135,221	5,023,412	4,870,235	153,177
Capital Outlay:					
Instructional Equipment	55,000	(39,500)	15,500	15,500	-
Non-Instructional Equipment	30,000	33,311	63,311	63,311	-
Miscellaneous Expenses	100,000	(76,000)	24,000	23,800	200
Total Capital Outlay	185,000	(82,189)	102,811	102,611	200
On-Behalf TPAF Pension Contributions/Medical Benefits (Non-Budgeted)				548,298	(548,298)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				405,316	(405,316)
Total Expenditures	14,055,840	364,581	14,420,421	14,454,694	(34,273)
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,368	(3,591)	3,777	939,692	935,915
FUND BALANCE, JULY 1	2,066,599	-	2,066,599	2,066,599	-
FUND BALANCE, JUNE 30	\$ 2,073,967	\$ (3,591)	\$ 2,070,376	\$ 3,006,291	\$ 935,915
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 2,073,967	\$ (3,591)	\$ 2,070,376	\$ 3,006,291	\$ 935,915
Total	\$ 2,073,967	\$ (3,591)	\$ 2,070,376	\$ 3,006,291	\$ 935,915

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	1,011,077		1,011,077	1,011,077	-
Total Revenues	1,011,077	-	1,011,077	1,011,077	-
EXPENDITURES:					
Instruction:					
Salaries	269,788	(56,130)	213,658	213,658	-
Salaries of Teachers	104,000	24,025	128,025	128,025	-
Purchased Prof/Tech Services	189,500	(11,865)	177,635	177,635	-
General Supplies	154,309	(1,581)	152,728	152,728	-
Total Instruction	717,597	(45,551)	672,046	672,046	-
Support Services:					
Salaries	118,997	9,754	128,751	128,751	-
Personal Services - Employee Benefits	58,866	4,433	63,299	63,299	-
Purchased Prof/Ed Services	67,842	7,870	75,712	75,712	-
Purchased Professional Services	20,381	6,310	26,691	26,691	-
Purchased Property Services	-	21,932	21,932	21,932	-
Other Purchased Services	15,466	(7,483)	7,983	7,983	-
Supplies and Materials	11,928	2,735	14,663	14,663	-
Total Support Services	293,480	45,551	339,031	339,031	-
Total Expenditures	1,011,077	-	1,011,077	1,011,077	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

OTHER SUPPLEMENTAL INFORMATION

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2013

	NCLB Title I	NCLB Title I Carryover	I.D.E.A. Part B	NCLB Title II	Grand Total
REVENUE SOURCES:					
Federal	\$ 692,755	\$ 108,316	\$ 208,040	\$ 1,966	\$ 1,011,077
Total Revenues	692,755	108,316	208,040	1,966	1,011,077
EXPENDITURES:					
Instruction:					
Salaries	145,884		67,540		213,424
Salaries of Teachers	128,025	234			128,259
Purchased Prof/Tech Services	50,643		126,992		177,635
General Supplies	148,002	4,726			152,728
Total Instruction	472,554	4,960	194,532	-	672,046
Support Services:					
Salaries	66,005	62,746			128,751
Personal Services - Employee Benefits	49,791		13,508		63,299
Purchased Prof/Ed Services	82,725	18,678		1,000	102,403
Purchased Technical Services		21,932			21,932
Other Purchased Prof/Tech Services	7,017				7,017
Contr Services - Trans (Bet Home & Sch)				966	966
Supplies and Materials	14,663				14,663
Total Support Services	220,201	103,356	13,508	1,966	339,031
Total Expenditures	692,755	108,316	208,040	1,966	1,011,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Combining Statement of Fiduciary Net Position

As of June 30, 2013

	Trusts		Agency			Total Agency Fund
	Unemployment Compensation Insurance	Flexible Spending Account	Payroll Agency	Net Payroll	Student Activities	
ASSETS:						
Cash and Cash Equivalents	\$ 2,632	\$ 1,421	\$ -	\$ -	\$ 43,945	\$ 43,945
Total Assets	2,632	1,421	-	-	43,945	43,945
LIABILITIES:						
Due to Student Groups	\$ -	\$ -	\$ -	\$ -	\$ 43,945	\$ 43,945
Total Liabilities	-	-	-	-	43,945	43,945
NET POSITION:						
Reserved for Claims	2,632	1,421				
Total Net Position	\$ 2,632	\$ 1,421				

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 Trust Funds
 For the Fiscal Year Ended June 30, 2013

	<u>Unemployment Compensation Insurance</u>	<u>Flexible Spending Account</u>
ADDITIONS:		
Contributions	\$ 163,860	\$ 10,969
Total Additions	<u>163,860</u>	<u>10,969</u>
DEDUCTIONS:		
Payment of Claims	<u>164,766</u>	<u>9,548</u>
Total Deductions	<u>164,766</u>	<u>9,548</u>
CHANGE IN NET POSITION	(906)	1,421
NET POSITION - BEGINNING OF THE YEAR	<u>3,538</u>	<u>-</u>
NET POSITION - END OF THE YEAR	<u>\$ 2,632</u>	<u>\$ 1,421</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 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>
School Activities	<u>\$ 32,613</u>	<u>\$ 94,944</u>	<u>\$ 83,612</u>	<u>\$ 43,945</u>
Total	<u><u>\$ 32,613</u></u>	<u><u>\$ 94,944</u></u>	<u><u>\$ 83,612</u></u>	<u><u>\$ 43,945</u></u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS:				
Cash and Cash Equivalents	\$ 6,371	\$ 3,194,695	\$ 3,201,066	\$ -
Total Assets	<u>\$ 6,371</u>	<u>\$ 3,194,695</u>	<u>\$ 3,201,066</u>	<u>\$ -</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 6,371	\$ -	\$ 6,371	\$ -
Payroll Deductions and Withholdings	-	3,194,695	3,194,695	-
Total Liabilities	<u>\$ 6,371</u>	<u>\$ 3,194,695</u>	<u>\$ 3,201,066</u>	<u>\$ -</u>

STATISTICAL SECTION (UNAUDITED)

Paterson Charter School for Science and Technology has been in operation for ten (10) years. GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Net Investment in Capital Assets	\$ 266,681	\$ (203,448)	\$ 31,616	\$ 14,765	\$ 20,163	\$ 23,089	\$ 26,016	\$ 30,022	\$ -	\$ -
Restricted								1,855		32,531
Unrestricted	2,945,016	2,536,728	2,409,087	1,843,645	1,273,368	212,470	148,886	273,538	1,285	75,275
Total Governmental Activities Net Position	\$ 3,211,697	\$ 2,333,280	\$ 2,440,703	\$ 1,858,410	\$ 1,293,531	\$ 235,559	\$ 174,902	\$ 305,415	\$ 1,285	\$ 107,806
Business-Type Activities										
Net Investment in Capital Assets	\$ 23,770	\$ 23,770	\$ 24,795	\$ 25,485	\$ 6,293	\$ 7,107	\$ 7,920	\$ 8,733	\$ -	\$ -
Unrestricted	168,038	166,871	98,035	69,578	23,212	4,352				
Total Business-Type Activities Net Position	\$ 191,808	\$ 190,641	\$ 122,830	\$ 95,063	\$ 29,505	\$ 11,459	\$ 7,920	\$ 8,733	\$ -	\$ -
Charter School-wide										
Net Investment in Capital Assets	\$ 290,451	\$ (179,678)	\$ 56,411	\$ 40,250	\$ 26,456	\$ 30,196	\$ 33,936	\$ 38,755	\$ -	\$ -
Restricted								1,855		32,531
Unrestricted	3,113,054	2,703,599	2,507,122	1,913,223	1,296,580	216,822	148,886	273,538	1,285	75,275
Total Charter School-wide Net Position	\$ 3,403,505	\$ 2,523,921	\$ 2,563,533	\$ 1,953,473	\$ 1,323,036	\$ 247,018	\$ 182,822	\$ 314,148	\$ 1,285	\$ 107,806

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental Activities:										
Instruction	\$ 7,781,671	\$ 8,227,659	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642	\$ 2,282,461	\$ 1,610,191	\$ 819,446	\$ 823,113
Administration	1,813,483	1,607,357	1,354,972	1,479,913	1,151,129	919,035	885,638	587,560	356,746	346,355
Support Services	5,829,281	6,120,760	4,332,206	2,553,882	2,246,026	1,680,601	1,453,521	1,015,769	696,245	500,235
Capital Outlay	102,611	(73,062)	32,507	50	63,296					44,519
Total Governmental Activities Expenses	<u>15,527,046</u>	<u>15,882,714</u>	<u>11,081,685</u>	<u>7,836,646</u>	<u>6,991,094</u>	<u>5,697,278</u>	<u>4,621,620</u>	<u>3,213,520</u>	<u>1,872,437</u>	<u>1,714,222</u>
Business-Type Activities:										
Food Service	702,760	592,179	386,212	209,060	160,911	155,230	176,375	112,451	48,258	34,892
Total Business-Type Activities Expenses	<u>702,760</u>	<u>592,179</u>	<u>386,212</u>	<u>209,060</u>	<u>160,911</u>	<u>155,230</u>	<u>176,375</u>	<u>112,451</u>	<u>48,258</u>	<u>34,892</u>
Total Charter School Expenses	<u>\$ 16,229,806</u>	<u>\$ 16,474,893</u>	<u>\$ 11,467,897</u>	<u>\$ 8,045,706</u>	<u>\$ 7,152,005</u>	<u>\$ 5,852,508</u>	<u>\$ 4,797,995</u>	<u>\$ 3,325,971</u>	<u>\$ 1,920,695</u>	<u>\$ 1,749,114</u>
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 286,804	\$ 164,840	\$ 192,700	\$ 156,625	\$ 93,675	\$ 101,505	\$ 125,880	\$ 121,287	\$ 66,251	\$ -
Total Governmental Activities Expenses	<u>286,804</u>	<u>164,840</u>	<u>192,700</u>	<u>156,625</u>	<u>93,675</u>	<u>101,505</u>	<u>125,880</u>	<u>121,287</u>	<u>66,251</u>	<u>-</u>
Business-Type Activities:										
Charges for Services	\$ 93,337	\$ 155,352	\$ 132,222	\$ 53,469	\$ 19,636	\$ 17,321	\$ 16,685	\$ 2,974	\$ 930	\$ -
Operating Grants and Contributions	610,590	504,413	280,704	209,891	155,357	125,104	123,381	82,523	39,873	23,253
Total Business-Type Activities Expenses	<u>706,008</u>	<u>659,765</u>	<u>412,926</u>	<u>263,360</u>	<u>174,993</u>	<u>142,425</u>	<u>140,066</u>	<u>85,497</u>	<u>40,803</u>	<u>23,253</u>
Total Charter School Program Revenues	<u>\$ 992,812</u>	<u>\$ 824,605</u>	<u>\$ 605,626</u>	<u>\$ 419,985</u>	<u>\$ 268,668</u>	<u>\$ 243,930</u>	<u>\$ 265,946</u>	<u>\$ 206,784</u>	<u>\$ 107,054</u>	<u>\$ 23,253</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (15,240,242)	\$ (15,717,874)	\$ (10,888,985)	\$ (7,680,021)	\$ (6,897,419)	\$ (5,595,773)	\$ (4,495,740)	\$ (3,092,233)	\$ (1,806,186)	\$ (1,714,222)
Business-Type Activities	858	67,586	26,714	54,300	14,082	(12,805)	(36,309)	(26,954)	(7,455)	(11,639)
Total Charter School-wide Net Expense	<u>\$ (15,239,384)</u>	<u>\$ (15,650,288)</u>	<u>\$ (10,862,271)</u>	<u>\$ (7,625,721)</u>	<u>\$ (6,883,337)</u>	<u>\$ (5,608,578)</u>	<u>\$ (4,532,049)</u>	<u>\$ (3,119,187)</u>	<u>\$ (1,813,641)</u>	<u>\$ (1,725,861)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
General Purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Federal and State Aid Not Restricted	16,099,585	15,601,904	11,439,501	8,242,866	7,942,844	4,353,301	3,550,190	2,807,355	1,466,771	1,525,543
Tuition Revenue									360	
Investment Earnings	158	373								
Miscellaneous Income	18,916	8,174	30,817	236	10,518	18,541	15,914	37,881	17,584	99,274
Total Governmental Activities	<u>16,118,659</u>	<u>15,610,451</u>	<u>11,470,318</u>	<u>8,243,102</u>	<u>7,953,362</u>	<u>5,656,430</u>	<u>4,365,227</u>	<u>3,374,913</u>	<u>1,699,665</u>	<u>1,878,723</u>
Business-Type Activities:										
Miscellaneous Income	\$ 309	\$ 225	\$ 1,053	\$ 11,258	\$ 3,964	\$ 16,344	\$ 35,496	\$ 26,141	\$ 7,455	\$ 11,639
Total Business-Type Activities	<u>309</u>	<u>225</u>	<u>1,053</u>	<u>11,258</u>	<u>3,964</u>	<u>16,344</u>	<u>35,496</u>	<u>26,141</u>	<u>7,455</u>	<u>11,639</u>
Total Charter School-wide	<u>\$ 16,118,968</u>	<u>\$ 15,610,676</u>	<u>\$ 11,471,371</u>	<u>\$ 8,254,360</u>	<u>\$ 7,957,326</u>	<u>\$ 5,672,774</u>	<u>\$ 4,400,723</u>	<u>\$ 3,401,054</u>	<u>\$ 1,707,120</u>	<u>\$ 1,890,362</u>
Change in Net Position										
Governmental Activities	\$ 878,417	\$ (107,423)	\$ 581,333	\$ 563,081	\$ 1,055,943	\$ 60,657	\$ (130,513)	\$ 282,680	\$ (106,521)	\$ 164,501
Business-Type Activities	1,167	67,811	27,767	65,558	18,046	3,539	(813)	(813)		
Total Charter School	<u>\$ 879,584</u>	<u>\$ (39,612)</u>	<u>\$ 609,100</u>	<u>\$ 628,639</u>	<u>\$ 1,073,989</u>	<u>\$ 64,196</u>	<u>\$ (131,326)</u>	<u>\$ 281,867</u>	<u>\$ (106,521)</u>	<u>\$ 164,501</u>

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

	Fiscal Year Ending June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,855	\$ -	\$ 32,531
Unreserved	3,006,291	2,066,599	2,409,087	1,818,923	1,239,037	212,470	148,886	273,538	1,285	75,275
Total General Fund	\$ 3,006,291	\$ 2,066,599	\$ 2,409,087	\$ 1,818,923	\$ 1,239,037	\$ 212,470	\$ 148,886	\$ 275,393	\$ 1,285	\$ 107,806

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

Fiscal Year Ending June 30,	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local Sources:										
Local Tax Levy	\$ 1,547,400	\$ 1,495,442	\$ 1,107,102	\$ 887,692	\$ 859,164	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Tuition								-	360	
Interest In Investments	158	373	960	1,798	2,029					
Miscellaneous	18,916	8,174	30,817	236	10,518	18,541	15,914	37,881	17,584	99,274
State Sources	13,827,912	13,102,811	9,649,515	7,265,934	6,790,411	4,028,567	3,371,879	2,710,387	1,294,206	1,454,659
Federal Sources	1,011,077	1,168,491	875,584	245,865	386,944	426,239	304,191	218,255	238,816	70,884
Total Revenues	16,405,463	15,775,291	11,663,978	8,401,525	8,049,066	5,757,935	4,491,107	3,496,200	1,765,916	1,878,723
Expenditures:										
Instruction	6,069,098	6,567,794	4,279,997	3,092,141	3,052,805	2,675,880	1,975,147	1,403,521	692,877	750,654
Administration	4,084,796	3,608,433	2,858,190	2,241,661	1,760,079	1,407,728	1,242,765	858,475	544,866	429,601
Support Services	5,209,266	5,744,687	3,903,120	2,497,396	2,146,319	1,610,743	1,399,702	960,096	634,694	489,448
Capital Outlay	102,611	196,865	32,507	24,772	63,296				-	44,519
Total Expenditures	15,465,771	16,117,779	11,073,814	7,855,970	7,022,499	5,694,351	4,617,614	3,222,092	1,872,437	1,714,222
Net Change in Fund Balance	\$ 939,692	\$ (342,488)	\$ 590,164	\$ 545,555	\$ 1,026,567	\$ 63,584	\$ (126,507)	\$ 274,108	\$ (106,521)	\$ 164,501

Source: Charter School records

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

Fiscal Year Ending June 30,	After School Tutoring	Donations	Prior Year Refunds	Investment Earnings	Miscellaneous Revenue	Annual Total
2013	\$ -	\$ -	\$ 180	\$ 158	\$ 18,736	\$ 19,074
2012				373	8,174	8,547
2011			2,633	960	23,184	26,777
2010					236	236
2009					10,518	10,518
2008					18,541	18,541
2007					15,914	15,914
2006		6,584			31,297	37,881
2005	360	7,800			9,784	17,944
2004		99,274				99,274

Source: Charter School records

OPERATING INFORMATION

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

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Instruction	98	87	58	48	45	39	35	28	19	19
Administrative	11	4	4	4	5	7	9	7	4	4
Support Services	67	65	40	36	31	17	12	7	6	6
Food Service	3	3	1	1	1	1	1	1	1	1
Total	179	159	103	89	82	64	57	43	30	30

Source: Charter School Personnel Records

N/A = Not Available

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
2013	1,046	\$ 15,363,160	\$ 14,815	-3.41%	98	1:12	1043	1007.1	0.51%	93.38%
2012	1,038	15,920,914	15,338	4.33%	87	1:12	1037.7	969	27.72%	98.12%
2011	751	11,041,307	14,702	6.07%	58	1:13	750.1	736	-0.53%	0.00%
2010	565	7,831,198	13,861	13.13%	48	1:12	565	N/A	13.20%	95.95%
2009	568	6,959,203	12,252	6.08%	45	1:12	568	545	17.24%	92.09%
2008	493	5,694,351	11,550	2.06%	39	1:12	493	454	19.85%	100.00%
2007	408	4,617,614	11,318	15.91%	35	1:12	408	408	52.29%	89.60%
2006	330	3,222,092	9,764	-18.65%	28	1:12	327	293	0.00%	91.03%
2005	156	1,872,437	12,003	12.14%	19	1:8	156	142	0.00%	91.03%
2004	156	1,669,703	10,703	0.00%	19	1:8	156	142	0.00%	0.00%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certified staff.

c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>Charter School Building</u>										
<u>Elementary</u>										
Square Feet	66,300	66,300	19,138							
Capacity (students)	564	564	180							
Enrollment	555	556	176							
<u>High School/Middle School</u>										
Square Feet	103,000	103,000	66,213	66,213	66,213	66,213	66,213	50,000	11,000	11,000
Capacity (students)	504	504	588	588	588	504	420	336	180	180
Enrollment	485	482	575	561	568	493	408	330	156	156

Number of Schools at June 30, 2013

Elementary = 1 (Grades K-6)

High School/Middle School = 1 (Grades 7-12)

Source: Charter School Facilities Office

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

N/A = Not Available



New Jersey School Boards Association Insurance Group

Package Policy Declarations

Policy Number: P876AD

Premium: \$33,191.51

Named Insured:

Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson , NJ 07503

Agent:

Centric Insurance Agency
219 South Street
New Providence, NJ 07974

Policy Term: 07/01/2012 to 07/01/2013 12:01 AM Eastern Standard Time

Article I - Property

Blanket Real and Personal Property	\$400,000,000 per occurrence
Blanket Extra Expense	\$50,000,000.00
Blanket Valuable Papers and Records	\$10,000,000.00
Demolition and Increased Cost of Construction	10,000,000.00 per occurrence
Loss of Rents	Not Covered
Loss of Business Income/Tuition	Not Covered
Builders' Risk	Not Covered
Fire Department Service Charge	10,000.00
Arson Reward	10,000.00
Pollutant Cleanup and Removal	250,000.00
Fine Arts	Not Covered
Sublimits: Flood Zones (SFHA)	10,000,000.00 per occurrence 10,000,000.00 NJSBAIG annual aggregate
Accounts Receivable	\$250,000 per occurrence
All Other Flood Zones	\$50,000,000.00 per occurrence/NJSBAIG annual aggregate
Earthquake	\$50,000,000.00 per occurrence \$50,000,000.00 NJSBAIG annual aggregate
Terrorism	\$1,000,000.00 per occurrence \$1,000,000.00 NJSBAIG annual aggregate
Deductibles:	Real & Personal \$1,000 per occurrence Extra Expense \$1,000 per occurrence Valuable Papers \$1,000 per occurrence
Flood Deductibles (SFHA):	Zones Prefix A & V \$500,000.00 per building \$500,000.00 per building contents All Other Flood Zones \$10,000.00 per member/per occurrence subject to a maximum retained deductible of \$1,000,000 to NJSBAIG

Article II - Electronic Data Processing

Blanket Hardware/Software		\$550,000.00 per occurrence
Blanket Extra Expense		Included
Coverage Extensions:	Transit	\$25,000.00
	Loss of Income	\$10,000.00
	Terrorism	Included in Property
Deductible		\$1,000.00 per occurrence
Flood		\$1,000,000.00 per occurrence
Flood Deductibles (SFHA):	Zones A & V	\$500,000.00 per building content
	All Other Flood Zones	\$10,000.00 per member/per occurrence
		subject to a maximum retained deductible of \$1,000,000 to NJSBAIG

Article III - Equipment Breakdown

Combined Single Limit per Accident for Property Damage and Business Income		\$100,000,000
SubLimits:	Property Damage	Included
	Off Premises Property Damage	\$100,000
	Business Income	Included
	Extra Expense	\$10,000,000
	Service Interruption	\$10,000,000
	Perishable Goods	\$500,000
	Data Restoration	\$100,000
	Contingent Business Income	\$100,000
	Demolition	\$1,000,000
	Ordinance or Law	\$1,000,000
	Expediting Expenses	\$500,000
	Hazardous Substances	\$500,000
	Newly Acquired Locations (120 days notice)	\$250,00
	Terrorism	Included
	Interruption of Service Waiting Period 24 Hours	
Deductibles:	\$1,000 per Accident for Property Damage	
	12 Hours per Accident for Business Interruption/Extra Expense	
	Newly Acquired Locations Waiting Period 60 Days	



New Jersey School Boards Association Insurance Group

Package Policy Declarations

Policy Number: P876AD

Article IV - Crime

Insuring Agreements	Limits	Deductibles
Insuring Agreement 1 - Public Employee Dishonesty with Faithful Performance	\$250,000	\$1,000
Insuring Agreement 2 - Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	\$25,000	\$500
Insuring Agreement 3 - Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	\$25,000	\$500
Insuring Agreement 4 - Forgery or Alteration	\$250,000	\$1,000
Insuring Agreement 5 - Computer Fraud	Not covered	Not covered
Public Officials Bond:		
Treasurer	\$180,000.00	\$1,000
Board Secretary	\$192,000.00	\$1,000

Article V - Comprehensive General Liability

Bodily Injury and Property Damage	\$6,000,000 Combined Single Limit for Bodily Injury & Property Damage
Bodily Injury from Products and Completed Operations	\$6,000,000 annual aggregate
Sexual Abuse	\$6,000,000 per occurrence \$17,000,000 annual NJSBAIG aggregate
Personal Injury and Advertising Injury	\$6,000,000 per occurrence \$6,000,000 annual aggregate
Employee Benefits Liability	\$6,000,000 per occurrence/annual aggregate
Employee Benefits Liability Deductible	\$1,000 each claim
Premises Medical Payments	\$10,000 per accident \$5,000 limit per person
Terrorism	\$1,000,000 per occurrence/annual NJSBAIG aggregate



New Jersey School Boards Association Insurance Group

Package Policy Declarations

Policy Number: P876AD

Article VI - Automobile

Liability

Symbol 1	Any Auto	
	Combined Single Limit for Bodily Injury and Property Damage	\$6,000,000 per accident
Symbol 6	Uninsured/Underinsured Motorists - Private Passenger Auto	\$1,000,000.00 Combined Single Limit
Symbol 6	Uninsured/Underinsured Motorists - All Other Vehicles	\$15,000.00 Bodily Injury Per Person
		\$30,000.00 Bodily Injury Per Accident
		\$5,000.00 Property Damage Per Accident
Symbol 5	Personal Injury Protection (including pedestrians)	\$250,000.00
	Medical Payments	\$10,000.00 private passenger vehicles
		\$5,000.00 all other vehicles
Terrorism		\$1,000,000.00 per occurrence/annual NJSPAIG aggregate
Deductible		\$0

Physical Damage (Scheduled vehicles only)

Symbol 7	Comprehensive	\$1,000.00 deductible
	Collision	\$1,000.00 deductible
	Hired Car Physical Damage \$110,000 Limit	\$1,000.00 deductible
	Replacement Cost	Not Covered

Garage Keepers Included



New Jersey School Boards Association Insurance Group

Package Policy Declarations

Policy Number: P876AD

Applicable Policy Forms

NJSBAIG-P1 (7/12); NJSBAIG-PJLA (7/02); NJSBAIG-PPCA (7/11); NJSBAIG-PLR (7/05); NJSBAIG-PDICC (7/02);
NJSBAIG-P2 (7/05); NJSBAIG-BI (7/10); NJSBAIG-PGYM (07/08); NJSBAIG-DBMEC (07/11); NJSBAIG-CPKCT (07/11)

NJSBAIG-EDP (7/11)

NJSBAIG-B1 (7/05); NJSBAIG-B2 (7/00)

NJSBAIG-CR1000 (7/06); NJSBAIG-CR8802 (7/00); NJSBAIG-CR8804 (7/00); NJSBAIG-CR0016 (7/00);
NJSBAIG-CR1002 (7/00); NJSBAIG-CR1044 (7/09); NJSBAIG-CR1048 (7/00); NJSBAIG-CR0004 (7/03);
NJSBAIG-CR0003 (7/00); NJSBAIG-CR0007(7/03); NJSBAIG-CBND1 (07/11)

NJSBAIG-G0 (7/11); NJSBAIG-G1 (7/12); NJSBAIG-G2 (7/12); NJSBAIG-G3 (7/12); NJSBAIG-G4 (7/09);
NJSBAIG-GMP1 (7/12);

NJSBAIG-A1 (7/11); NJSBAIG-A2 (7/10); NJSBAIG-A3 (7/00); NJSBAIG-A4 (7/11); NJSBAIG-A5 (7/00);
NJSBAIG-AGK1 (7/00); NJSBAIG-A6 (7/11); NJSBAIG-A7 (7/12); NJSBAIG-A8 (7/07)

In witness whereof, the New Jersey School Boards Association
Insurance Group has caused this agreement to be signed by its
Director.

Martin Kalbach
NJSBAIG Director



New Jersey School Boards Association Insurance Group

Workers' Compensation and Employers' Liability Declarations Page

Policy Number: W876AD

Premium: \$140,830.06

Named Insured:

Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson , NJ 07503

Agent:

Centric Insurance Agency
219 South Street
New Providence, NJ 07974

Policy Term: 07/01/2012 to 07/01/2013 12:01 AM Eastern Standard Time

Estimated Professional & Clerical	\$7,389,698.00
Estimated Non-Professional & Driver	\$589,480.00
Experience Modifier	0.8310
NJSBAIG Discount	0.9660

The limits of our liability under Part II, Employers' Liability Agreement are:

Bodily Injury by Accident	\$2,000,000	each accident
Bodily Injury by Disease	\$2,000,000	each employee
Bodily Injury by Disease	\$2,000,000	aggregate limit

Policy Forms: NJSBAIG-W1 (7/03); NJSBAIG-W2 (7/03)

In witness whereof, the New Jersey School Boards Association Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSBAIG Director



New Jersey School Boards Association Insurance Group
School Leaders Errors & Omissions Liability Policy Declarations

Policy Number: E876AD

Premium: \$18,923.06

Named Insured:

Paterson Charter School for Science and Technology
276 Wabash Avenue
Paterson , NJ 07503

Agent:

Centric Insurance Agency
219 South Street
New Providence, NJ 07974

Policy Term: July 1, 2012 to July 1, 2013 12:01 AM Eastern Standard Time

Coverage A

Limit of Liability \$3,000,000 each policy period
Deductible \$5,000 each claim

Coverage B

Limit of Liability \$100,000 each claim
\$300,000 each policy period
Deductible \$5,000 each claim

This is a claims-made and reported policy. By acceptance of this policy, the Insured agrees that the statements in the Declarations and the application and any attachments hereto are the Insured's agreements and representations and that this policy embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance.

Retroactive Dates for Coverages A & B

It is agreed that notwithstanding any provision of the policy to the contrary, this policy does not apply, as respects Coverages A & B, to claims made against the Insured arising out of a single act, error, omission, misstatement or misleading statement which occurred prior to:

Retro Date for Coverage A July 1, 1986
Retro Date for Coverage B July 1, 1986

Policy Forms: NJSBAIG-E1 (7/12)

In witness whereof, the New Jersey School Boards Association Insurance Group has caused this agreement to be signed by its Director.

Martin Kalbach
NJSBAIG Director



New Jersey School Boards Association Insurance Group

Schedule of Properties

Named Insured: Paterson Charter School for Science and Technology

Policy No.: 876AD-02

Policy Period: 07/01/2012 to 07/01/2013

EDP Value: \$550,000

Fine Arts Value: \$0

Business Income Value

Loss of Rents Value:

Extra Expense Value (Excess of \$25,000,000):

Valuable Papers Value (Excess of \$10,000,000):

Site #	Site Name	Address	Flood Zone	Territory	Protection Class	Square Feet	Effective Date	Building Value		Builders Risk Value		Total Insured Value
								Year Built	Expiration Date	Contents Value	Misc Prop Value	
4	Location 2 - LEASED LOCATION	764 11th Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Masonry Non-Combustible	103000	07/01/2012	\$0	\$1,000,000			\$1,000,000
3	School Location 1 (K	276 Wabash Avenue Paterson, NJ 07503	X	Inland Replacement Cost	Non-Combustible	65000	07/01/2012	\$0	\$725,000			\$725,000
1	School - LEASED LOCATION					1960	07/01/2013	\$1,725,000				\$1,725,000
Policy Totals												
								\$0	\$1,725,000	\$0	\$0	\$1,725,000



New Jersey School Boards Association Insurance Group
Schedule of Automobiles

Named Insured: Paterson Charter School for Science and Technology

Policy No.: 876AD-02

Policy Period: 07/01/2012 to 07/01/2013

Veh #	Sys ID	Year	Make	Model	Vin	Effective Date	Expiration Date	Cost New	ACV/RCV
1	1	2011	Ford	F150 Truck	E12647	07/01/2012	07/01/2013	\$26,523	Actual Cash Value



New Jersey School Boards Association Insurance Group

Public Official Bond

Number P876AD

Know all men by these present that we, Irfan Eveil of 275 Stoot St 6B , Hackensack , NJ 07601, in the state of New Jersey as principal and the New Jersey School Boards Association Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$192,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Board Secretary. The term for this bond begins July 1, 2012 and ends July 1, 2013, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.

Martin Kalbach, NJSBAIG Director



New Jersey School Boards Association Insurance Group

Public Official Bond

Number P876AD

Know all men by these present that we, Christopher Lessard of 127 Hartman Road , Milford , PA 18337, in the state of New Jersey as principal and the New Jersey School Boards Association Insurance Group, a self-insured pool, duly organized and existing under and by the virtue of the laws of the State of New Jersey, and authorized to become sole Surety on bonds in the State of New Jersey as Surety, and held and firmly bound unto Paterson Charter School for Science and Technology in the State of New Jersey, in the penal sum of \$180,000, lawful money of the United States, for payment of which will truly be made, said Principal binds himself/herself, its successors and assigns, jointly and severally, firmly by these present, the liability of Surety, however being limited to the penal amount above regardless of the number of years this bond remains in force or the number of premiums paid.

Whereas the said Principal has been appointed to the office of Treasurer. The term for this bond begins July 1, 2012 and ends July 1, 2013, and is required to furnish the bond for the faithful performance of the duties of said position.

Now, therefore the conditions of this obligation are such that if the above bounden Principal shall (except as hereafter provided) faithfully perform the duties of his/her position during the said term, and shall pay over to the persons authorized by law to receive the same, all moneys that may come into his/her hands during the said term without fraud or delay, and at the expiration of said term, or in the case of his/her resignation or removal from his/her position shall turn over to his/her successors all records and property which have come into his/her hands, then this obligation shall be null and void.

Provided, however, that the above named Surety shall not be liable hereunder for any loss of public funds resulting from the insolvency of any bank or banks in which said funds are deposited, and if this provision shall be held void, this entire bond shall be void.

And provided further, that the Surety may cancel this bond at any time during the said term by giving to the Obligee a written notice of its desire to so cancel and at the expiration of thirty (30) days from the receipt of such notice by the Obligee the Surety shall be completely released as to all liability thereafter accruing. If this provision shall be held void, this entire bond shall be void.

Martin Kalbach, NJSBAIG Director

NJSBAIG-CBND1 (07/11)

CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS

Charter School Performance Framework Financial Performance Fiscal Ratios

Name: Paterson Charter School for Science and Technology

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,495,919	1,476,311	1,938,660	Audit: Exhibit A-1
Current Assets	2,003,928	1,492,571	1,787,254	Audit: Exhibit A-1
Total Assets	3,555,444	3,266,677	3,977,986	Audit: Exhibit A-1
Current Liabilities	991,911	742,756	574,481	Audit: Exhibit A-1
Total Liabilities	991,911	742,756	574,481	Audit: Exhibit A-1
Net Assets	2,563,533	2,523,921	3,403,505	Audit: Exhibit A-1
Total Revenue	12,077,957	16,435,281	17,109,390	Audit: Exhibit A-2
Total Expenses	11,467,897	16,474,893	16,229,806	Audit: Exhibit A-2
Change in Net Assets	610,060	(39,612)	879,584	Audit: Exhibit A-2
Depreciation Expense	7,871	34,862	61,275	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	750.10	1,037.70	1,046.20	DOE Enrollment Reports
March 30th Budgeted Enrollment	828	1,068	1,068	Charter School Budget

RATIOS ANALYSIS...					
Near Term Indicators	2011	2012	2013	3 YR CUM	Source:
Ia. Current Ratio	2.02	2.01	3.11		Current Assets/Current Liabilities
Ib. Unrestricted Days Cash	47.61	32.71	43.60		Cash/(Total Expenses/365)
Ic. Enrollment Variance	91%	97%	98%		Average Daily Enrollment/Budgeted Enrollment
Id.* Default	N/A	N/A	N/A		Audit

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? N/A

**Charter School Performance Framework
Financial Performance
Fiscal Ratios**

Name: Paterson Charter School for Science and Technology

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,495,919	1,476,311	1,938,660	Audit: Exhibit A-1
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Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	750.10	1,037.70	1,046.20	DOE Enrollment Reports
March 30th Budgeted Enrollment	828	1,068	1,068	Charter School Budget

RATIOS ANALYSIS...				
Sustainability Indicators				
2a. Total Margin	5%	0%	5%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.28	0.23	0.14	Total Liabilities/Total Assets
2c. ** Cash Flow	82,568	(19,608)	462,349	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

** 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash; 2011 = 2011 Cash - 2010 Cash

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

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Independent Auditor's Report

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

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated August 16, 2013.

Internal Control over Financial Reporting

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter 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.

Restriction on Use

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



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

August 16, 2013

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

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

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *U.S. 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

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Paterson Charter School for Science and Technology is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

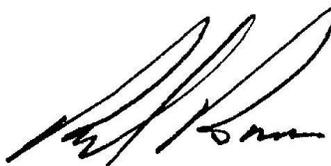
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

Restriction on Use

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



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

August 16, 2013

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From	To	Balance at June 30, 2012	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor									
U.S. Department of Education																							
Passed-through State Department of Education																							
Special Revenue Fund:																							
No Child Left Behind Cluster:																							
Title I Part A Carryover	84-010A	NCLB - 7503 - 13	\$	9/1/12	8/31/13	\$	-	599,367	\$ (692,755)	-	\$	\$ (93,388)	\$	-									
Title I Part A Carryover	84-010A	NCLB - 7503 - 12	904,139	9/1/11	8/31/12	(196,740)	-	303,243	(108,516)	2,813	-	-	-	-									
Title I Part A Carryover	84-010A	NCLB - 7503 - 11	493,886	9/1/10	8/31/11	(278,903)	-	276,903	-	-	-	-	-	-									
Title I Part A Carryover	84-010A	NCLB - 7503 - 10	389,724	9/1/09	8/31/10	(91)	-	61	-	-	-	-	-	-									
Title I Part A Carryover	84-010A	NCLB - 7503 - 09	397,096	9/1/08	8/31/09	(26)	-	-	(1,966)	26	-	-	-	-									
Title I Part A	84-367A	NCLB - 7503 - 13	1,966	9/1/12	8/31/13	(9,994)	-	9,994	-	-	-	-	-	-									
Title II Part A Carryover	84-367A	NCLB - 7503 - 12	9,994	9/1/11	8/31/12	(4,661)	-	4,661	-	-	-	-	-	-									
Title II Part A Carryover	84-367A	NCLB - 7503 - 11	5,913	9/1/10	8/31/11	(933)	-	933	-	-	-	-	-	-									
Title II Part D Carryover	84-316X	NCLB - 7503 - 11	933	9/1/10	8/31/11	(28,106)	-	28,106	-	-	-	-	-	-									
ARRA - Title I Part A	84-389A	ARRA - 7503 - 12	245,754	9/1/09	9/30/11	(919,424)	-	1,226,234	(603,037)	2,839	-	(93,388)	-	-									
Total No Child Left Behind Cluster																							
I.D.E.A. Part B Basic	84-027	IDEA - 7503 - 13	208,040	9/1/12	8/31/13	(42,700)	-	142,601	(208,040)	-	-	(65,439)	-	-									
I.D.E.A. Part B Basic Carryover	84-027	IDEA - 7503 - 12	141,445	9/1/11	8/31/12	(17,176)	-	42,700	-	-	-	-	-	-									
I.D.E.A. Part B Basic Carryover	84-027	IDEA - 7503 - 11	110,940	9/1/10	8/31/11	(579,300)	-	17,176	(1,011,077)	2,839	-	(158,827)	-	-									
Total Special Revenue Fund																							
U.S. Department of Agriculture																							
Passed-through State Department of Agriculture																							
Enterprise Fund:																							
School Breakfast Program	10-553	N/A	126,095	7/1/12	6/30/13	(9,382)	-	115,190	(126,095)	-	-	(10,905)	-	-									
School Breakfast Program	10-553	N/A	112,939	7/1/11	6/30/12	(9,382)	-	9,382	-	-	-	-	-	-									
National School Lunch Program	10-555	N/A	367,873	7/1/12	6/30/13	(25,320)	-	333,785	(367,873)	-	-	(34,088)	-	-									
National School Lunch Program	10-555	N/A	339,724	7/1/11	6/30/12	(25,320)	-	25,320	-	-	-	-	-	-									
Child Care Food Program	10-558	N/A	64,155	7/1/12	6/30/13	(4,725)	-	58,546	(64,155)	-	-	(5,609)	-	-									
Child Care Food Program	10-558	N/A	58,301	7/1/11	6/30/12	(4,725)	-	4,725	-	-	-	-	-	-									
Fresh Fruits and Vegetable Program	10-582	N/A	2,060	7/1/12	6/30/13	(39,427)	-	646,948	(560,183)	-	-	(62,662)	-	-									
Total Enterprise Fund																							
Sub-Total Federal Financial Awards																							
													\$	(618,727)	\$	1,975,659	\$	(1,571,260)	\$	2,839	\$	(211,489)	\$

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2013

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2012		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2013		MEMO	
			From	To	Deferred Revenues (Accounts Receivable)	Due to Grantor					Deferred Revenues (Accounts Receivable)	Due to Grantor		Budgetary Receivable
State Department of Education														
General Fund:														
"Local Levy, State Share - Charter School Aid	13-495-034-5120-071	\$ 12,177,805	7/1/12	6/30/13	\$ -	\$ -	\$ -	\$ 12,177,805	\$ (12,177,805)	\$ -	\$ -	\$ -	\$ -	\$ 12,177,805
Special Education Aid	13-495-034-5120-089	286,804	7/1/12	6/30/13	-	-	286,804	(286,804)	-	-	-	-	-	286,804
Security Aid	13-495-034-5120-084	409,689	7/1/12	6/30/13	-	-	409,689	(409,689)	-	-	-	-	-	409,689
On-Behalf TPAF Pension Contributions	13-495-034-5095-006	548,298	7/1/12	6/30/13	-	-	548,298	(548,298)	-	-	-	-	-	548,298
Reimbursed TPAF - Social Security	13-495-034-5095-002	405,316	7/1/12	6/30/13	102	-	385,127	(405,316)	(20,189)	-	-	-	20,189	405,316
Reimbursed TPAF - Social Security	12-495-034-5095-002	419,418	7/1/11	6/30/12	-	-	-	(13,807,912)	-	-	(20,189)	-	-	13,827,912
Total General Fund					102	-	13,807,723	(13,827,912)			(20,189)	-	-	13,827,912
State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program (State Share)	13-100-010-3350-023	8,042	7/1/12	6/30/13	(548)	-	6,895	(8,042)	-	-	(1,147)	-	-	8,042
National School Lunch Program (State Share)	12-100-010-3350-023	7,451	7/1/11	6/30/12	-	-	7,443	(8,042)	-	-	(1,147)	-	-	8,042
Total Enterprise Fund					(548)	-	13,815,166	(13,835,954)			(21,336)	-	-	13,835,954
Total State Financial Assistance					(548)	-	13,815,166	(13,835,954)			(21,336)	-	-	13,835,954

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2013

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

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 when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2013

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 13,827,912	\$ 13,827,912
Special Revenue Fund	1,011,077		1,011,077
Food Service Fund	597,550	8,590	606,140
Total Awards & Financial Assistance	<u>\$ 1,608,627</u>	<u>\$ 13,836,502</u>	<u>\$ 15,445,129</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Paterson Charter School for Science and Technology has no loan balances outstanding at June 30, 2013.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Notes to Schedules of Expenditures of Awards and Financial Assistance
June 30, 2013

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 692,755
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>1,966</u>
Total	<u>\$ 694,721</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u> X </u>
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None Reported <u> X </u>
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ Yes	<u> X </u> No

Identification of major state programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>84.010</u>	<u>Title I Part A</u>
<u>84.010</u>	<u>Title I Part A Carryover</u>
<u>84.027</u>	<u>I.D.E.A. Part B Basic</u>
<u>10.553</u>	<u>National School Breakfast Program</u>
<u>10.555</u>	<u>National School Lunch Program</u>
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No
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PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

State Awards

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

Auditee qualified as low-risk auditee? Yes No

Internal control over major programs:

1) Material weakness(es) identified? Yes No

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

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

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>13-495-034-5120-071</u>	<u>Local Levy – State Share</u>
<u>13-495-034-5120-084</u>	<u>Security Aid</u>
<u>13-495-034-5095-002</u>	<u>Reimbursed TPAF Social Security</u>
<u>13-495-034-5095-006</u>	<u>On-Behalf TPAF Pension Contributions</u>

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section II –Financial Statement Findings

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

Finding

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

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

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

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2013

STATUS OF PRIOR-YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

Findings

There were no matters reported.