

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

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2011

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, 2011

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
PATERSON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

**And
Barre & Company, CPAs**

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INTRODUCTORY SECTION



September 23, 2011

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, 2011. 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 Principal 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 04-04, “*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 the 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 and converted in to a school by the landlord as per our recommendations. The increased space enabled PCSST to serve up to 588 students in grades 6-12 residing in Paterson.

PCSST received its first renewal charter 2002. 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 Wabash Avenue Campus adding the kindergarten and first grades and the high school at 276 Wabash Avenue moved to a former high school building located at 11th Avenue in Paterson. PCSST now has completed its expansion and reached its maximum enrollment of 1,068 students in the Paterson. The Wabash Avenue location serves 564 in grades K-6, and 504 in grades 7-12 are located at 764 11th Avenue campus.

PCSST received 1,856 applications for the 2011-2012 academic year for a total of 409 slots. By July 27, 2011, 1,447 students were waitlisted.

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 2 - 12. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2010-2011 school year with an enrollment of 750 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>
2010-2011	750.1	32.92%
2009-2010	565	-0.53%
2008-2009	568	13.20%
2007-2008	493	17.24%
2006-2007	408	19.85%

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

3. MAJOR INITIATIVES:

A. PROGRESS ON ACADEMIC GOALS

1. Increase NJASK and HSPA scores by at least 10%

This goal was exceeded.

Exceeded for HSPA:

Due to intensive efforts detailed elsewhere in this report, HSPA scores improved significantly:

Mathematics improved by 18.6% and Language Arts by 26%

3. MAJOR INITIATIVES (CONTINUED):

Exceeded for NJASK:

Overall aggregate scores for grades 6, 7 & 8 in all subjects tested (including grade 8 science) improved by 13.9 %, hence this goal was also slightly exceeded. Reversing previous trends, Math scores improved by an average increase of 38.3% above those for 2009-2010, with grade 8 improving from 40% to 77%, an improvement of 92.5 % above the previous year's cohort.

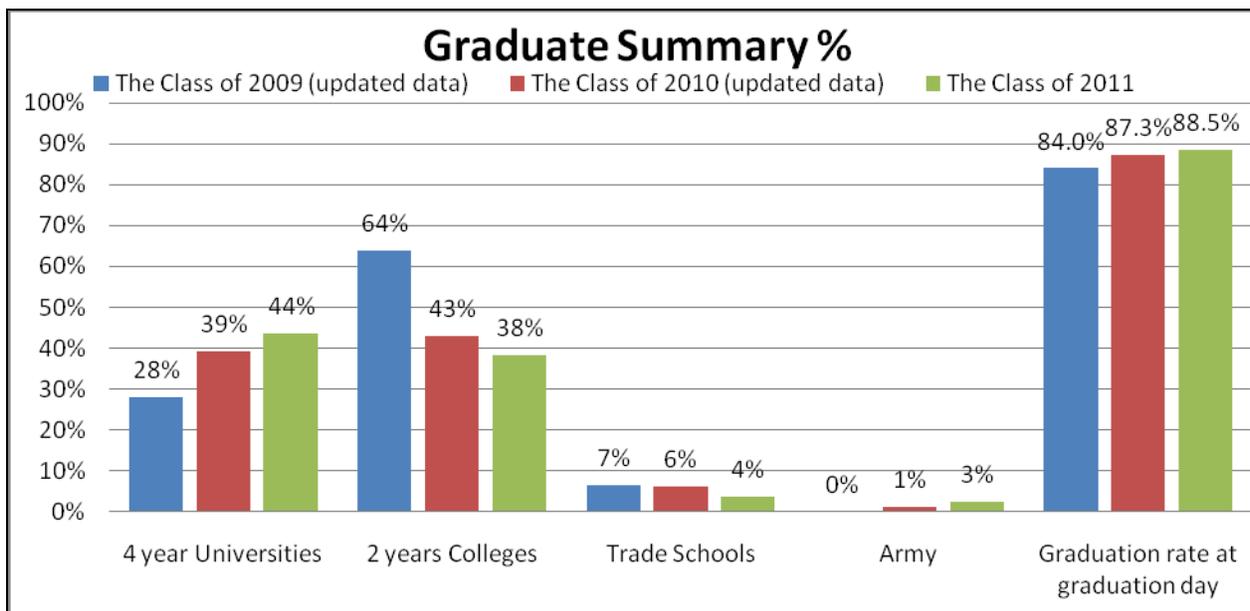
2. Expand Curriculum Documents to include formal courses of study for all core courses.

Nearly Complete: Courses of study for core courses in Math, Language Arts, Science and Social Studies are complete. World Languages and a few elective courses in the major disciplines will be completed during the '11-'12 school year. Our progress was deemed sufficient to qualify us as a candidate school for Middle States Accreditation.

3. Incorporate formal mid-terms and final examinations into the middle school program

Achieved-mid-term and final examinations were administered on specially scheduled half-days with each examination counting 10% of the final grade. The new schedule was implemented with no conflicts.

4. Establish a formal graduate follow-up study to assess retention of students at the college level.



3. MAJOR INITIATIVES (CONTINUED):

PCSST	SAT			PSAT			Accuplacer*		
	Math	Reading	Writing	Math	Reading	Writing	Math	English	Military Score
Alumni									
The Class of 2010	400	388	382	36.6	37	37.5	70	72	26
The Class of 2009	392	371	353	34.5	35.2	36.1	59	63	22

*Accuplacer and ASVAB do not send school executive summary so that the mean based on the students' average scores.

5. **Begin process to establish PCSST as a candidate school for Middle States Accreditation**

Achieved. Formal offer of candidacy was received from the Middle States Association of Colleges and Schools.

B.PROGRESS ON NON - ACADEMIC GOALS

1. Improve parent outreach by 100%

Achieved. Attendance at the first parent meeting for '10-'11 was more than double that of the previous year. Attendance remained strong throughout the year as a result of the outreach coordinator who worked with the lead person to establish a formal Parent Teacher Organization (PTO).

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 reappropriated are reported as reservations of fund balance at June 30, 2011.

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 had 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 this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

9. **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.

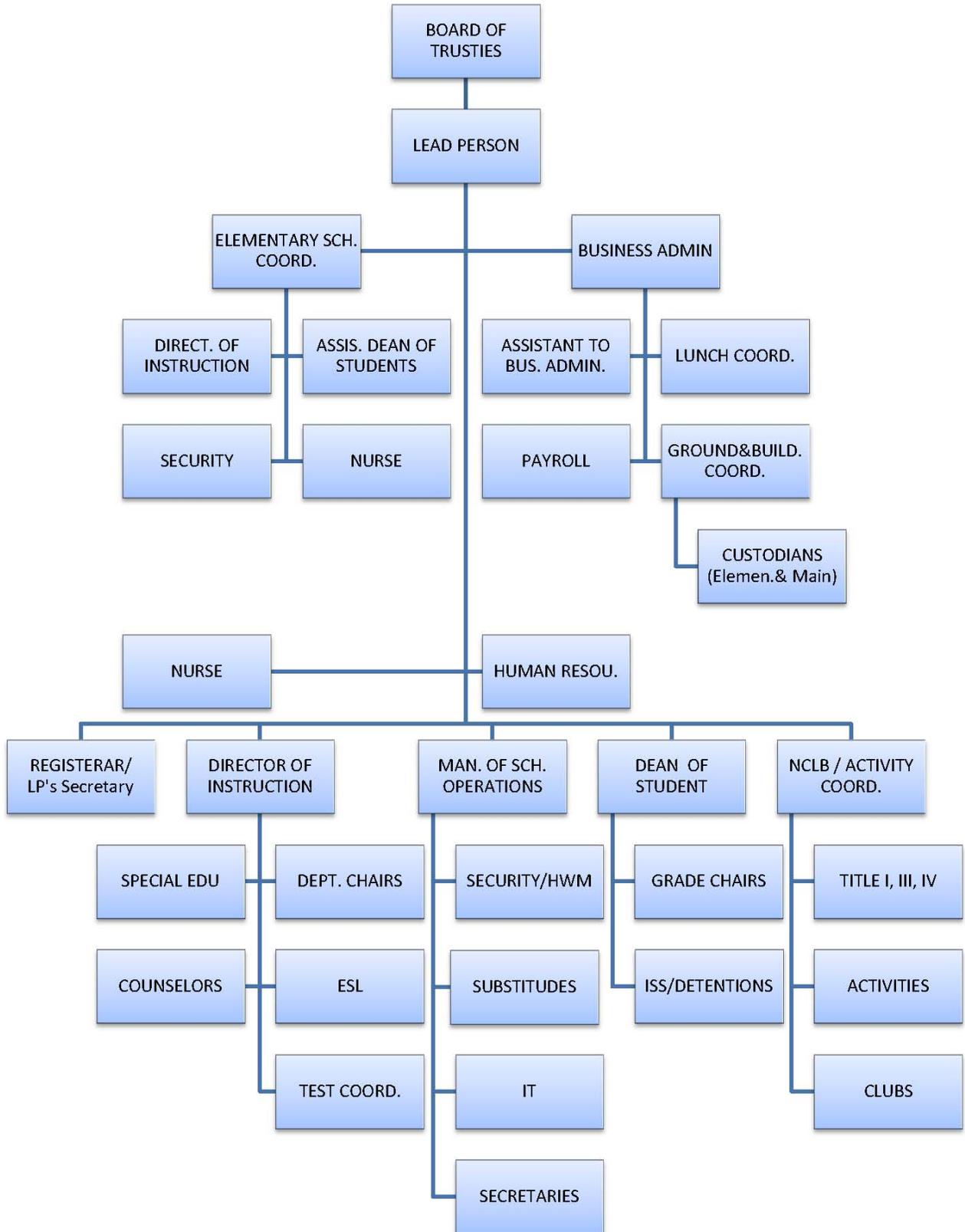
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A. Riza Gurcanli', with a long horizontal flourish extending to the right.

A. Riza Gurcanli
Lead Person

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

ORGANIZATIONAL CHART



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

**ROSTER OF OFFICIALS
JUNE 30, 2011**

Members of the Board of Trustees

Position

Ken Aydin	President
Michelle Taylor-Budhai	Vice President, Outreach
Charles Nelson	Member
Ayhan Koroglu	Member
Vacant	Member

Other Officials

A. Riza Gurcanli	Lead Person
Sakin Cebeci	Manager of School Operations
Edward Barry	Director of Instructions
Matt Anar	Business Administrator
Irfan Evcil	Assistant Business Administrator/Board Secretary
Christopher M. Lessard	Treasurer

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

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

Official Depository

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

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Union, New Jersey 07083

(908) 686-3484

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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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund and the aggregate remaining fund information of the Board of Trustees of the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Paterson Charter School for Science and Technology Board of Trustees' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paterson Charter School for Science and Technology Board of Trustees, in the County of Passaic, State of New Jersey, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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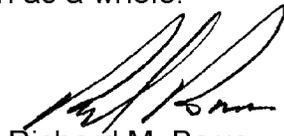
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Metro Park Center ♦ 33 Wood Avenue So. ♦ Iselin, NJ 08830 ♦ (732) 603-2100

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2011 on our consideration of the Paterson Charter School for Science and Technology Board of Trustees' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Information starting on pages 16 and 61, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Paterson Charter School for Science and Technology Board of Trustees' basic financial statements. The accompanying introductory section, other supplementary information such as the combining and individual fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, financial schedules and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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



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

September 23, 2011

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, 2011
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, 2011. 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 (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2011 are as follows:

- ❖ General revenues accounted for \$11,471,278 in revenues or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$192,700 or 2% percent of total revenues of \$11,663,978.
- ❖ The Charter School had \$11,081,685 in expenses; only \$192,700 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,471,278 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$10,783,394 in revenues and \$10,193,230 in expenditures. The General Fund's fund balance increased \$590,164 over 2010. 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, 2011
UNAUDITED
(CONTINUED)**

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

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

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

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

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

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

The Charter School's combined net assets were \$2,563,533 for 2011 and \$1,953,473 for 2010.

Governmental Activities

The Charter School's total revenues were \$11,663,978 for 2011 and \$8,401,525 for 2010, this includes \$520,627 for 2011 and \$227,725 for 2010 of state reimbursed TPAF social security contributions.

The total cost of all program and services was \$11,081,685 for 2011 and \$7,836,646 for 2010. Instruction comprises 48% for 2011 and 49% for 2010 of Charter School expenses.

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

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

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

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

Business-Type Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Business-Type Activities (Continued)

- ❖ Proprietary Fund operating revenues exceeded operating expenses by \$27,767 for 2011 and operating revenues exceeded operating expenses by \$54,300 for 2010.
- ❖ Charges for services represent \$132,222 for 2011 and \$53,469 for 2010. This represents amounts paid by patrons.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches were \$280,704 for 2011 and \$209,891 for 2010.

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 \$11,663,978 for 2011 and \$8,401,525 for 2010 and expenditures were \$11,081,685 for 2011 and \$7,836,646 for 2010. The net change in fund balance for fiscal years 2011 and 2010 was most significant in the general fund, an increase of \$582,293 in 2011 and an increase of \$564,879 in 2010.

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, 2011.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2010</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 1,138,879	9.76%	\$ 249,153	28.00%
State Sources	9,649,515	82.73%	2,383,581	32.80%
Federal Sources	875,584	7.51%	629,719	256.12%
Total	<u>\$ 11,663,978</u>	<u>100.00%</u>	<u>\$ 3,262,453</u>	

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2010	Percent of Increase/ (Decrease)
Instruction	\$ 4,279,997	38.65%	\$ 1,187,856	38.42%
Administration	2,858,190	25.81%	616,529	27.50%
Support Services	3,903,120	35.25%	1,405,724	56.29%
Capital Outlay	32,507	0.29%	7,735	31.22%
Total	\$ 11,073,814	100.00%	\$ 3,217,844	

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 2011, the Charter School had \$31,616 invested in machinery and equipment.

For the Future

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED
(CONTINUED)**

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Matt Anar, Business Administrator at Paterson Charter School for Science and Technology, 276 Wabash Avenue, Paterson, New Jersey 07503.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Statement of Net Assets
 June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,411,089	\$ 84,830	\$ 1,495,919
Interfund Receivables	800,887	61,819	862,706
Receivables	1,065,251	23,431	1,088,682
Inventories		27,540	27,540
Prepaid Expenses	25,000		25,000
Capital Assets, Net	31,616	23,981	55,597
Total Assets	3,333,843	221,601	3,555,444
LIABILITIES:			
Interfund Payable	779,114	75,959	855,073
Payable to State Government			-
Payable to Federal Government	14,886		14,886
Accounts Payable	99,140	22,812	121,952
Total Liabilities	893,140	98,771	991,911
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	31,616	24,795	56,411
Unrestricted	2,409,087	98,035	2,507,122
Total Net Assets	\$ 2,440,703	\$ 122,830	\$ 2,563,533

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, 2011

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 4,287,548	\$ 1,074,452	\$ -	\$ 192,700	\$ -	\$ (5,169,300)	\$ -	\$ (5,169,300)
Administration	1,067,958	287,014				(1,354,972)		(1,354,972)
Support Services	3,903,280	428,926				(4,332,206)		(4,332,206)
Capital Outlay	32,507					(32,507)		(32,507)
Total Governmental Activities	9,291,293	\$ 1,790,392	-	192,700	-	(10,888,985)	-	(10,888,985)
BUSINESS-TYPE ACTIVITIES:								
Food Service	386,212		132,222	280,704		-	26,714	26,714
Total Business-Type Activities	386,212		132,222	280,704	-	-	26,714	26,714
Total Primary Government	\$ 9,677,505		\$ 132,222	\$ 473,404	\$ -	\$ (10,888,985)	\$ 26,714	\$ (10,862,271)
GENERAL REVENUES								
Federal and State Aid Not Restricted			\$ -			\$ 11,439,501	\$ -	\$ 11,439,501
Investment Earnings						960		960
Miscellaneous Income						30,817	1,053	31,870
Total General Revenues						11,471,278	1,053	11,472,331
Change in Net Assets						582,293	27,767	610,060
Net Assets - Beginning						1,858,410	95,063	1,953,473
Net Assets - Ending						\$ 2,440,703	\$ 122,830	\$ 2,563,533

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Combining Balance Sheet
 June 30, 2011

	General Fund	Special Revenue Fund	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,407,475	\$ 3,614	\$ 1,411,089
Receivables:			
Interfund Receivables	800,887		800,887
Receivables From Other Governments	16,413	871,335	887,748
Other Receivables	177,503		177,503
Other Assets	25,000		25,000
Total Current Assets	2,427,278	874,949	3,302,227
Total Assets	\$ 2,427,278	\$ 874,949	\$ 3,302,227
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Current Liabilities:			
Interfund Payables	\$ -	\$ 779,114	\$ 779,114
Payable to Federal Government		14,886	14,886
Accounts Payable	18,191	80,949	99,140
Total Current Liabilities	18,191	874,949	893,140
Total Liabilities	18,191	874,949	893,140
Fund Balances:			
Unreserved:			
General Fund	2,409,087		2,409,087
Total Fund Balances	2,409,087	-	2,409,087
Total Liabilities and Fund Balances	\$ 2,427,278	\$ 874,949	
Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$73,647 and the accumulated depreciation is \$42,031.			
			31,616
Net Assets of Governmental Activities			\$ 2,440,703

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,107,102	\$ -	\$ 1,107,102
Interest on Investments	960		960
Miscellaneous	25,817	5,000	30,817
Total Local Sources	1,133,879	5,000	1,138,879
State Sources	9,649,515		9,649,515
Federal Sources		875,584	875,584
Total Revenues	10,783,394	880,584	11,663,978
EXPENDITURES:			
Instruction	3,673,317	606,680	4,279,997
Administration	2,858,190		2,858,190
Support Services	3,629,216	273,904	3,903,120
Capital Outlay	32,507		32,507
Total Expenditures	10,193,230	880,584	11,073,814
NET CHANGE IN FUND BALANCES	590,164	-	590,164
FUND BALANCES, JULY 1	1,818,923	-	1,818,923
FUND BALANCES, JUNE 30	\$ 2,409,087	\$ -	\$ 2,409,087

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, 2011

Total net change in fund balances - governmental fund (from B-2)		\$	590,164
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <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		\$ (7,871)	
Capital Outlay		0	(7,871)
Change in net assets of governmental activities			\$ 582,293

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

PROPRIETARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Proprietary Fund
Statement of Net Assets
June 30, 2011

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 78,597	\$ -	\$ 6,233	\$ 84,830
Due From Other Funds	58,475	3,344		61,819
Intergovernmental Accounts Receivable:				
Federal	23,074			23,074
State	357			357
Inventories		27,540		27,540
Total Current Assets	160,503	30,884	6,233	197,620
Noncurrent Assets:				
Machinery and Equipment	38,600			38,600
Less Accumulated Depreciation	(14,619)			(14,619)
Total Noncurrent Assets	23,981	-	-	23,981
Total Assets	\$ 184,484	\$ 30,884	\$ 6,233	\$ 221,601
LIABILITIES AND NET ASSETS:				
Liabilities:				
Interfund Accounts Payable	\$ 17,484	\$ 58,475	\$ -	\$ 75,959
Accounts Payable	22,812			22,812
Total Liabilities	40,296	58,475	-	98,771
Net Assets:				
Invested in Capital Assets, Net of Related Debt	24,795			24,795
Unrestricted	119,393	(27,591)	6,233	98,035
Total Net Assets	144,188	(27,591)	6,233	122,830
Total Liabilities and Net Assets	\$ 184,484	\$ 30,884	\$ 6,233	\$ 221,601

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Reimbursable Program	\$ 102,099	\$ 30,123	\$ -	\$ 132,222
Miscellaneous Revenue	96		957	1,053
Total Operating Revenues	102,195	30,123	957	133,275
OPERATING EXPENSES:				
Salaries	105,284			105,284
Management Fees	8,000			8,000
Supplies and Materials	52,067			52,067
Depreciation Expense	5,676			5,676
Cost of Sales	156,689	57,734		214,423
Miscellaneous Expenses	750		12	762
Total Operating Expenses	328,466	57,734	12	386,212
OPERATING LOSS	(226,271)	(27,611)	945	(252,937)
NONOPERATING REVENUES:				
State Source:				
State School Breakfast/Lunch Program	3,824			3,824
Federal Source:				
National School Breakfast/Lunch/Snack Program	276,880			276,880
ARRA - National School Program Equipment				
Total Nonoperating Revenues	280,704	-	-	280,704
CHANGE IN NET ASSETS	54,433	(27,611)	945	27,767
TOTAL NET ASSETS, JULY 1	89,755	20	5,288	95,063
TOTAL NET ASSETS, JUNE 30	\$ 144,188	\$ (27,591)	\$ 6,233	\$ 122,830

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, 2011

	Business-Type Activities - Enterprise Fund			
	Food Service	School Store	Community Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 36,970	\$ 26,779	\$ 957	\$ 64,706
Cash Payments to Suppliers and Employees	(347,533)	25,315	(5,972)	(328,190)
Net Cash Used In Operating Activities	(310,563)	52,094	(5,015)	(263,484)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements	280,704			280,704
Net Cash Provided By Noncapital Financing Activities	280,704	-	-	280,704
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition And Construction Of Capital Assets	(4,172)			(4,172)
Net Cash Used For Capital And Related Financing Activities	(4,172)	-	-	(4,172)
Net Increase In Cash And Cash Equivalents	(34,031)	52,094	(5,015)	13,048
Cash And Cash Equivalents, Beginning Of Year	112,628	(52,094)	11,248	71,782
Cash And Cash Equivalents, End Of Year	\$ 78,597	\$ -	\$ 6,233	\$ 84,830
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss Used for Operating Activities	\$ (226,271)	\$ (27,611)	\$ 945	\$ (252,937)
Depreciation	5,676			5,676
Decrease In Due From Other Funds	(58,475)	(3,344)		(61,819)
Increase In Receivables From Other Governments	(6,750)			(6,750)
Increase In Inventories		24,574		24,574
Increase (Decrease) In Interfund Payable	(31,944)	58,475	(5,960)	20,571
Increase In Accounts Payable	7,201			7,201
Net Cash Used In Operating Activities	\$ (310,563)	\$ 52,094	\$ (5,015)	\$ (263,484)

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

FIDUCIARY FUNDS

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Fiduciary Net Assets
 June 30, 2011

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,096	39,391
Interfund Accounts Receivable		41,434
	<u>2,096</u>	<u>41,434</u>
Total Assets	<u>2,096</u>	<u>\$ 80,825</u>
LIABILITIES:		
Cash Overdraft		\$ 24,374
Interfund Accounts Payable		21,208
Due to Student Groups		10,237
Due to General Fund		25,006
	<u>-</u>	<u>25,006</u>
Total Liabilities	<u>-</u>	<u>\$ 80,825</u>
NET ASSETS:		
Reserved for Encumbrances		
Reserved for Unemployment Claims	2,096	
Unreserved		
	<u>2,096</u>	
Total Net Assets	<u>\$ 2,096</u>	

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets
 For Fiscal Year Ended June 30, 2011

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions	<u>\$ 158,425</u>
Total Additions	<u>158,425</u>
DEDUCTIONS:	
Payment of Claims	158,695
Miscellaneous Expense	<u>-</u>
Total Deductions	<u>158,695</u>
CHANGE IN NET ASSETS	(270)
NET ASSETS - BEGINNING OF THE YEAR	<u>2,366</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 2,096</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, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity" (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Paterson Charter School for Science and Technology include two schools a Grade 2-8 and a Grade 9-12 located in the City of Paterson. There are no additional entities required to be included in the reporting entity under the criteria as described above, in

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

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

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*,

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Charter School reports the following *proprietary* fund:

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

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

The Charter School reports the following *fiduciary* funds:

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

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

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

C. Basis of Accounting – Measurement Focus

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus (Continued)

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 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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

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)	\$ 880,584
Adjustments:	
Less Encumbrances at June 30, 2011	-
Plus Encumbrances at June 30, 2010	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 880,584</u>

E. Encumbrances Accounting

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances Accounting (continued)

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

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

F. Assets, Liabilities, and Equity

Interfund Transactions:

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

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

Inventories:

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

Prepaid Expenses:

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets:

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

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

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-term Obligations:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance

of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through restrictions adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves:

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

Revenues — Exchange and Nonexchange Transactions:

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

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

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

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Management Estimates:

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

Accrued Salaries and Wages:

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

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Deposits

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

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

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

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

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

Investments

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

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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

As of June 30, 2011, cash and cash equivalents of the Charter School consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Proprietary Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Operating Account	<u>\$ 1,407,475</u>	<u>\$ 3,614</u>	<u>84,830</u>	<u>\$ 17,113</u>	<u>\$ 1,513,032</u>

The Charter School had no investments at June 30, 2011.

The carrying amount of the Board's cash and cash equivalents at June 30, 2011 was \$1,513,032 and the bank balance was \$1,866,590. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

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

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

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

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

As of June 30, 2011, the Board had funds invested and on deposit in checking accounts. These funds constitute deposits with financial institutions" as defined by GASB Statement No. 3 and are classified as Category 1, both at year-end and throughout the year.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3: RECEIVABLES

Receivables at June 30, 2011, 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	\$ 177,503	\$ 177,860
Federal Aid	871,335	894,409
Gross Receivables	1,048,838	1,072,269
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 1,048,838</u>	<u>\$ 1,072,269</u>

NOTE 4: INTERFUND TRANSFERS AND BALANCES

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

The following interfund balances remained on the fund financial statements at June 30, 2011:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 800,887	\$ -
Special Revenue Fund		779,114
Proprietary Fund	58,475	75,959
Fiduciary Fund		4,289
Total	<u>\$ 859,362</u>	<u>\$ 859,362</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 73,647	\$ -	\$ 73,647
Totals at Historical Cost	<u>73,647</u>	<u>-</u>	<u>73,647</u>
Less Accumulated Depreciation For:			
Machinery and Equipment	31,688	10,343	42,031
Total Accumulated Depreciation	<u>31,688</u>	<u>10,343</u>	<u>42,031</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>41,959</u>	<u>(10,343)</u>	<u>31,616</u>
Government Activity Capital Assets, Net	<u>\$ 41,959</u>	<u>\$ (10,343)</u>	<u>\$ 31,616</u>
Business-Type Activities:			
<i>Capital Assets Being Depreciated:</i>			
Machinery and Equipment	\$ 34,428	\$ 4,172	\$ 38,600
Less Accumulated Depreciation	<u>(8,943)</u>	<u>(5,676)</u>	<u>(14,619)</u>
Enterprise Fund Capital Assets, Net	<u>\$ 25,485</u>	<u>\$ (1,504)</u>	<u>\$ 23,981</u>

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

Depreciation expense was charged to functions as follows:

Instructional	\$ 7,551
Administration	160
Support	160
Total	<u>\$ 7,871</u>

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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 June 1, 2007 and expiring on June 30, 2012 with an option to renew for one (1) period, consisting of five (5) years. From July 1, 2012 to June 30, 2017, the annual rent is \$1,054,000. Real estate taxes are additional payments. Total lease payments made during the year ended June 30, 2011 was \$1,837,983. Future minimum lease payments are as follows:

Year Ended August 31,	Amount
2011	\$ 1,054,000
2012	1,054,000
2013	1,054,000
2014	1,054,000
2015	1,054,000
2016	1,054,000
2017	1,054,000
Total future minimum lease payments	\$ 7,378,000

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7: PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF)

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

Public Employees' Retirement System (PERS)

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

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.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7: PENSION PLANS (CONTINUED)

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

Significant Legislation

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

Contribution Requirements

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

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7: PENSION PLANS (CONTINUED)

Three-Year Trend Information for PERS			
Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$61,146	100%	\$61,146
6/30/10	46,732	100%	46,732
6/30/09	35,901	100%	35,901

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
6/30/11	None	100%	None
6/30/10	None	100%	None
6/30/09	None	100%	None

NOTE 8: POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in fiscal year 2010.

**PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 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:

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2010-2011	\$ -	\$ 158,425	\$ 158,695	\$ 2,096
2009-2010	-	28,479	27,813	2,366
2008-2009	-	51,023	50,091	1,704

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$2,409,087 General Fund balance at June 30, 2011, \$2,409,087 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, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
"Local Levy" Local Share-Charter School Aid	\$ 987,880	\$ 119,222	\$ 1,107,102	\$ 1,107,102	\$ -
Total Local Levy Budget	987,880	119,222	1,107,102	1,107,102	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	7,880,532	423,332	8,303,864	8,303,864	-
Special Education Aid	290,898	(98,198)	192,700	192,700	-
Security Aid	273,342	(20,161)	253,181	253,181	-
Other State Aid	209,331		209,331	209,331	-
Total Categorical Aid	8,654,103	304,973	8,959,076	8,959,076	-
Revenues From Other Sources:					
Interest Income				960	960
Miscellaneous Revenue				23,184	23,184
Refund of Prior Year Expense				2,633	2,633
On-Behalf TPAF Pension Contributions (Non-Budgeted)				169,812	169,812
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				520,627	520,627
Total Revenues From Other Sources	-	-	-	717,216	717,216
Total Revenues	9,641,983	424,195	10,066,178	10,783,394	717,216
EXPENDITURES:					
Instruction:					
Salaries of Teachers	3,251,000	80,006	3,331,006	2,802,048	528,958
Other Salaries for Instruction	356,000	(77,188)	278,812	210,103	68,709
Purchased Prof/Tech Services	218,100	(6)	218,094	135,538	82,556
Other Purchased Services	34,564	82,776	117,340	103,297	14,043
General Supplies	291,400	(95,050)	196,350	169,882	26,468
Textbooks	222,693		222,693	211,987	10,706
Miscellaneous	26,000	14,462	40,462	40,462	-
Total Instruction	4,399,757	5,000	4,404,757	3,673,317	731,440

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, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Administration:					
Salaries - General Administration	\$ 542,698	\$ 38,839	\$ 581,537	\$ 580,293	\$ 1,244
Salaries of Secretarial/Clerical Assistants	223,370	963	224,333	224,333	-
Total Benefits Cost	1,179,000	40,000	1,219,000	1,099,953	119,047
Purchases Prof/Tech Services	140,960	(45,890)	95,070	91,320	3,750
Other Purchased Services	91,000		91,000	82,490	8,510
Supplies and Materials	52,500		52,500	51,934	566
Miscellaneous Expenses	35,000	5,790	40,790	37,428	3,362
Total Administration	2,264,528	39,702	2,304,230	2,167,751	136,479
Support Services:					
Salaries	1,470,810	(48,079)	1,422,731	1,202,464	220,267
Purchased Prof/Ed Services	20,000		20,000		20,000
Purchased Prof/Tech Services	25,500	(11,675)	13,825	13,824	1
Rental of Land and Buildings	1,620,640	217,343	1,837,983	1,837,983	-
Other Purchased Services	216,680	82,000	298,680	291,751	6,929
Transportation-Other Than To/From School	23,300	10,000	33,300	30,690	2,610
Insurance for Property, Liability and Fidelity	45,000		45,000	40,218	4,782
Supplies and Materials	61,000	8,052	69,052	59,087	9,965
Energy Costs (Heat and Electricity)	150,000	30,000	180,000	153,199	26,801
Miscellaneous Expenses	10,000		10,000		10,000
Total Support Services	3,642,930	287,641	3,930,571	3,629,216	301,355
Capital Outlay:					
Instructional Equipment					
Miscellaneous Expenses	205,000	(172,493)	32,507	32,507	-
Total Capital Outlay	225,000	(192,493)	32,507	32,507	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				169,812	(169,812)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				520,627	(520,627)
Total Expenditures	10,532,215	139,850	10,672,065	10,193,230	478,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	(890,232)	284,345	(605,887)	590,164	1,196,051
FUND BALANCE, JULY 1	1,818,923	-	1,818,923	1,818,923	-
FUND BALANCE, JUNE 30	\$ 928,691	\$ 284,345	\$ 1,213,036	\$ 2,409,087	\$ 1,196,051
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 928,691	\$ 284,345	\$ 1,213,036	\$ 2,409,087	\$ 1,196,051
Total	\$ 928,691	\$ 284,345	\$ 1,213,036	\$ 2,409,087	\$ 1,196,051

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, 2011

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Local	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Federal	578,064	937,867	1,515,931	875,584	(640,347)
Total Revenues	578,064	942,867	1,520,931	880,584	(640,347)
EXPENDITURES:					
Instruction:					
Salaries	578,064	(17,416)	560,648	460,037	100,611
Salaries of Teachers	-	56,682	56,682	53,232	3,450
Purchased Prof/Tech Services	-	150,572	150,572	59,812	90,760
Other Purchased Services	-	968	968	192	776
General Supplies	-	56,853	56,853	26,522	30,331
Other Objects	-	10,082	10,082	6,885	3,197
Total Instruction	578,064	257,741	835,805	606,680	229,125
Support Services:					
Salaries	-	98,389	98,389	92,916	5,473
Other Salaries	-	3,000	3,000	3,000	-
Personal Services - Employee Benefits	-	124,576	124,576	95,760	28,816
Purchased Prof/Ed Services	-	24,661	24,661	-	24,661
Purchased Professional Services	-	293,490	293,490	61,055	232,435
Purchased Property Services	-	22,844	22,844	4,068	18,776
Other Purchased Services	-	55,468	55,468	5,031	50,437
Supplies and Materials	-	34,180	34,180	8,691	25,489
Miscellaneous Expenditures	-	3,385	3,385	3,383	2
Total Support Services	-	659,993	659,993	273,904	386,089
Facilities Acquisition and Construction Services:					
Instructional Equipment	-	25,133	25,133	-	25,133
Total Facilities Acquisition and Construction Services	-	25,133	25,133	-	25,133
Total Expenditures	578,064	942,867	1,520,931	880,584	640,347
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 Fiscal Year Ended June 30, 2011

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 10,783,394	[C-2] \$ 880,584
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 10,783,394	[B-2] \$ 880,584
 Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 10,193,230	[C-2] \$ 880,584
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 10,193,230	[B-2] \$ 880,584

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 Revenues Fund
 Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
 For the Fiscal Year Ended June 30, 2011

	Local Projects Restricted	NCLB Title I	NCLB Title I Carryover	ARRA I.D.E.A.		ARRA I.D.E.A.		ARRA Title I SIA	NCLB Title II	NCLB Title II Carryover	NCLB Title IV Carryover	Grand Total
				Part B	Part B	Part B	Part B					
REVENUE SOURCES:												
Local	\$ 5,000	\$ -	\$ 220,410	\$ -	\$ 28,569	\$ -	\$ 187,291	\$ 20,072	\$ -	\$ 3,370	\$ -	\$ 5,000
Federal		155,660		93,765					3,748		1,850	875,584
Total Revenues	5,000	155,660	220,410	160,859	28,569	187,291	20,072	3,748	3,370	1,850	880,584	
EXPENDITURES:												
Instruction:												
Salaries		66,891	159,000	55,462	12,097	88,000	15,500	750				443,803
Salaries of Teachers		53,232	2,174	14,060								69,466
Purchased Prof/Tech Services			8,760	36,683	12,519					1,850		59,812
Other Purchased Services				192								192
General Supplies		5,424	3,115	1,737	1,131	18,462	468					26,522
Other Objects			1,461									6,885
Total Instruction	-	125,547	174,510	71,259	25,939	106,462	15,968	750	-	1,850		606,680
Support Services:												
Salaries		20,144		58,900				580				79,624
Other Salaries	3,000	9,959	31,458	24,405	8,972	12,288	3,100	266				3,000
Personal Services - Employee Benefits			6,590			17,600			3,370			90,448
Purchased Prof/Ed Services			4,068									27,560
Purchased Technical Services												4,068
Other Purchased Prof/Tech Services					765	50,195	1,004	900				51,860
Other Purchased Services	2,000		3,253	6,295		746						7,003
Supplies and Materials			531		1,865							8,691
Miscellaneous Expenditures					398							1,383
Total Support Services	5,000	30,103	45,900	89,600	9,370	80,829	4,104	2,988	3,370	-		273,904
Total Expenditures	5,000	155,660	220,410	160,859	28,569	187,291	20,072	3,748	3,370	1,850		880,584
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUND
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

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

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

As of June 30, 2011

	Agency					Total Agency Fund
	Trust	Payroll Agency	Net Payroll	Student Activities	HRA Trust	
Unemployment Compensation Insurance						
\$ 2,096	\$ -	\$ 3,658	\$ 10,727	\$ 25,006	\$ 39,391	
	41,434				41,434	
Total Assets	\$ 2,096	\$ 41,434	\$ 3,658	\$ 10,727	\$ 25,006	\$ 80,825
ASSETS:						
Cash and Cash Equivalents						
Interfund Accounts Receivable						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,374
						21,208
						10,237
						25,006
						80,825
LIABILITIES:						
Cash Overdraft						
Interfund Accounts Payable						
Due to Student Groups						
Due to General Fund						
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,374
						21,208
						10,237
						25,006
						80,825
Total Liabilities	\$ -	\$ 3,658	\$ 10,727	\$ 25,006	\$ 80,825	\$ 80,825
NET ASSETS:						
Reserved for Encumbrances						
Reserved for Unemployment Claims						
Unreserved	2,096					
Total Net Assets	\$ 2,096					

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Trust Fund
For the Fiscal Year Ended June 30, 2011

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Contributions	<u>\$ 158,425</u>
Total Additions	<u>158,425</u>
DEDUCTIONS:	
Payment of Claims	<u>158,695</u>
Total Deductions	<u>158,695</u>
CHANGE IN NET ASSETS	(270)
NET ASSETS - BEGINNING OF THE YEAR	<u>2,366</u>
NET ASSETS - END OF THE YEAR	<u><u>\$ 2,096</u></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, 2011

	Balance July 1, 2010	Cash Receipts	Cash Disbursements	Balance June 30, 2011
School Activities	\$ 20,645	\$ 95,997	\$ 105,915	\$ 10,727
Total	<u>\$ 20,645</u>	<u>\$ 95,997</u>	<u>\$ 105,915</u>	<u>\$ 10,727</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, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS:				
Cash and Cash Equivalents	\$ 105,634	\$ 2,318,486	\$ 2,448,494	\$ (24,374)
Interfund Accounts Receivable		41,434		41,434
Total Assets	\$ 105,634	\$ 2,359,920	\$ 2,448,494	\$ 17,060
LIABILITIES:				
Interfund Accounts Payable	\$ 105,634	\$ 17,060	\$ 105,634	\$ 17,060
Payroll Deductions and Withholdings	-	2,342,860	2,342,860	-
Total Liabilities	\$ 105,634	\$ 2,359,920	\$ 2,448,494	\$ 17,060

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Fiduciary Funds

HRA Trust Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2011

	<u>Balance July 1, 2010</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2011</u>
HRA Trust Account	<u>\$ 25,000</u>	<u>\$ 118,866</u>	<u>\$ 118,860</u>	<u>\$ 25,006</u>
Total	<u><u>\$ 25,000</u></u>	<u><u>\$ 118,866</u></u>	<u><u>\$ 118,860</u></u>	<u><u>\$ 25,006</u></u>

STATISTICAL SECTION (UNAUDITED)

Paterson Charter School for Science and Technology has been in operation for nine (9) years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for nine (9) years are available and have been presented. Each year thereafter, an additional year's data will be included until ten years.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

FINANCIAL TRENDS

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

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

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

	Fiscal Year Ending June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental Activities:								
Instruction	\$ 5,362,000	\$ 3,802,801	\$ 3,530,643	\$ 3,097,642	\$ 2,282,461	\$ 1,610,191	\$ 819,446	\$ 823,113
Administration	1,354,972	1,479,913	1,151,129	919,035	885,638	587,560	356,746	346,355
Support Services	4,332,206	2,553,882	2,246,026	1,680,601	1,453,521	1,015,769	696,245	500,235
Capital Outlay	32,507	50	63,296	-	-	-	-	44,519
Total Governmental Activities Expenses	<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	386,212	209,060	160,911	155,230	176,375	112,451	48,258	34,892
Total Business-Type Activities Expenses	<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>\$ 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	\$ 192,700	\$ 156,625	\$ 93,675	\$ 101,505	\$ 125,880	\$ 121,287	\$ 66,251	-
Total Governmental Activities Expenses	<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	\$ 132,222	\$ 53,469	\$ 19,636	\$ 17,321	\$ 16,685	\$ 2,974	\$ 930	-
Operating Grants and Contributions	280,704	209,891	155,357	125,104	123,381	82,523	39,873	23,253
Total Business-Type Activities Expenses	<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>\$ 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	\$ (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	26,714	54,300	14,082	(12,805)	(36,309)	(26,954)	(7,455)	(11,639)
Total Charter School-wide Net Expense	<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 Assets								
Governmental Activities:								
General Purposes	\$ -	\$ -	\$ -	\$ 1,284,588	\$ 799,123	\$ 529,677	\$ 214,950	\$ 253,906
Federal and State Aid Not Restricted	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	960	-	-	-	-	-	-	-
Miscellaneous Income	30,817	236	10,518	18,541	15,914	37,881	17,584	99,274
Total Governmental Activities	<u>11,471,278</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	\$ 1,053	\$ 11,258	\$ 3,964	\$ 16,344	\$ 35,496	\$ 26,141	\$ 7,455	\$ 11,639
Total Business-Type Activities	<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>\$ 11,472,331</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 Assets								
Governmental Activities	\$ 582,293	\$ 563,081	\$ 1,055,943	\$ 60,657	\$ (130,513)	\$ 282,680	\$ (106,521)	\$ 164,501
Business-Type Activities	27,767	65,558	18,046	3,539	(813)	(813)	-	-
Total Charter School	<u>\$ 610,060</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 Nine Fiscal Years
 (modified accrual basis of accounting)

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

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

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

Source: Charter School records

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

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

Source: Charter School records

OPERATING INFORMATION

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

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

Source: Charter School Personnel Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
 Operating Statistics
 Last Nine 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
						Elementary	Middle School	Senior High School				
2011	751	\$ 11,041,307	\$ 19,542	41.74%	58	1:13		750.1	736	-0.53%	0.00%	
2010	565	7,831,198	13,787	-2.33%	48	1:12		565	545	13.20%	95.95%	
2009	568	6,959,203	14,116	1.14%	45	1:12		568	545	17.24%	92.09%	
2008	493	5,694,351	13,957	-0.26%	39	1:12		493	454	19.85%	100.00%	
2007	408	4,617,614	13,993	-32.25%	35	1:12		408	408	52.29%	89.60%	
2006	330	3,222,092	20,654	72.08%	28	1:8		327	293	0.00%	91.03%	
2005	156	1,872,437	12,003	0.00%	19	1:8		156	142	0.00%	91.03%	
2004	156	1,669,703	-	0.00%	19			156	142	0.00%	0.00%	
2003		148,156	-	0.00%						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 Eight Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004
<u>Charter School Building</u>								
<u>Elementary</u>								
Square Feet	19,138							
Capacity (students)	180							
Enrollment	176							
<u>High School/Middle School</u>								
Name of School (Year)								
Square Feet	66,213	66,213	66,213	66,213	66,213	50,000	11,000	11,000
Capacity (students)	588	588	588	504	420	336	180	180
Enrollment	575	561	568	493	408	330	156	156

Number of Schools at June 30, 2011

Elementary = 1

High School/Middle School = 1

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.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Insurance Schedule
June 30, 2011

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

Source: Charter School's Records

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Insurance Schedule
June 30, 2011

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

Source: Charter School's Records

SINGLE AUDIT SECTION

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

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

We have audited the financial statements of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey.

Internal Control over Financial Reporting

Management of the Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



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

September 23, 2011

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

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

Compliance

We have audited the compliance of the Paterson Charter School for Science and Technology (Charter School), in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal state programs for the year ended June 30, 2011. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Charter School's management. Our responsibility is to express an opinion on the Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance and Regulatory Compliance, Department of Education, State of New Jersey; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable

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assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

In our opinion, the Paterson Charter School for Science and Technology, in the County of Passaic, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2011.

Internal Control over Compliance

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

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

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

We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. The Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter School's responses and, accordingly, we express no opinion on the responses.

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



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

September 23, 2011

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June, 30, 2011

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2010	Prior Year Deferred Revenue	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2011	
				From	To								Accounts Receivable	Deferred Revenue
U.S. Department of Education														
Special Revenue Fund:														
Title I Part A	84.010	NCLB750311	\$ 402,886	9/1/10	8/31/11	\$ -	\$ -	\$ -	\$ (155,650)	\$ -	\$ -	\$ -	\$ (155,650)	\$ -
Title I Part A Carryover	84.010	NCLB750310	389,724	9/1/09	8/31/10	(62,407)	(83,911)	62,407	(211,650)	(8,760)	-	-	(211,650)	-
Title I Part A Carryover	84.010	NCLB750309	397,096	9/1/08	8/31/09	2,677	-	83,911	(8,760)	-	-	-	(8,760)	2,677
Title I Part A Carryover	84.010	NCLB750309	281,078	9/1/07	8/31/08	-	-	-	(1,252)	-	-	-	(1,252)	-
Title II	84.367	NCLB750311	5,913	9/1/10	8/31/11	(2,964)	-	2,964	(3,370)	-	-	-	(3,370)	-
Title II Part A Carryover	84.367	NCLB750311	11,289	9/1/09	8/31/10	(3,775)	-	2,884	(891)	-	-	-	(891)	-
Title II Part A Carryover	84.367	NCLB750310	12,372	9/1/09	8/31/10	11,011	-	-	(696)	-	-	-	(696)	11,011
Title II Part A Carryover	84.367	NCLB750309	11,011	9/1/07	8/31/08	-	-	-	(1,800)	-	-	-	(1,800)	-
Title II Part D	84.318	NCLB750311	933	9/1/10	8/31/11	(1,000)	-	251	-	-	-	-	-	-
Title II Part D Carryover	84.318	NCLB750311	4,421	9/1/09	8/31/10	484	-	-	-	-	-	-	-	484
Title II Part D Carryover	84.318	NCLB750311	1,936	9/1/07	8/31/08	(1,394)	-	1,394	-	-	-	-	-	-
Title II Part D Carryover	84.318	NCLB750310	3,336	9/1/06	8/31/07	(1,810)	-	1,810	-	-	-	-	-	-
Title II Part D Carryover	84.318	NCLB750311	5,908	9/1/10	8/31/11	(1,508)	-	1,508	-	-	-	-	-	-
Title IV	84.186	NCLB750310	5,620	9/1/08	8/31/09	422	-	-	-	-	-	-	-	422
Title IV Carryover	84.186	NCLB750309	5,620	9/1/08	8/31/09	292	-	-	-	-	-	-	-	292
Title V Carryover	84.298	NCLB750309	1,462	9/1/07	8/31/08	-	-	-	(93,765)	-	-	-	(93,765)	-
I.D.E.A. Part B Basic	84.027	IDEA750311	110,940	9/1/10	8/31/11	(13,816)	-	19,705	(28,569)	-	-	-	(28,569)	-
I.D.E.A. Part B Basic Carryover	84.027	IDEA750310	107,595	9/1/09	8/31/10	(22,302)	-	22,302	-	-	-	-	-	-
I.D.E.A. Part B Basic Carryover	84.027	IDEA750310	97,667	9/1/09	8/31/10	(32)	-	32	-	-	-	-	-	-
ARRA - I.D.E.A. Part B	84.391	IDEA750311	160,860	7/1/10	8/31/11	-	-	-	(160,859)	-	-	-	(160,859)	-
ARRA - I.D.E.A. Part B Carryover	84.391	IDEA750310	166,830	7/1/09	8/31/10	-	-	-	(187,291)	-	-	-	(187,291)	-
ARRA - Title I	84.391	IDEA750311	245,754	7/1/10	8/31/11	-	-	-	(20,072)	-	-	-	(20,072)	-
ARRA - Title I SIA	84.391	IDEA750310	20,072	7/1/10	8/31/11	(180,033)	-	199,168	(875,584)	-	-	-	(871,335)	14,886
Total Special Revenue Fund														
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund:														
National School Breakfast Program	10.553	N/A	55,700	7/1/10	6/30/11	-	-	49,933	(55,700)	-	-	-	(5,767)	-
National School Breakfast Program Carryover	10.553	N/A	21,269	7/1/09	6/30/10	(2,318)	-	2,318	-	-	-	-	-	-
National School Lunch Program	10.555	N/A	216,352	7/1/10	6/30/11	-	-	200,380	(216,352)	-	-	-	(15,972)	-
National School Lunch Program Carryover	10.555	N/A	152,147	7/1/09	6/30/10	(13,274)	-	13,274	-	-	-	-	-	-
National School Snack Program	10.558	N/A	20,838	7/1/10	6/30/11	-	-	19,503	(20,838)	-	-	-	(1,335)	-
National School Snack Program Carryover	10.558	N/A	12,437	7/1/09	6/30/10	(418)	-	418	-	-	-	-	-	-
Total Enterprise Fund						(16,010)	-	285,826	(292,890)	-	-	-	(23,074)	-
Sub-Total Federal Financial Awards						\$ (196,043)	\$ -	\$ 484,994	\$ (1,168,474)	\$ -	\$ -	\$ -	\$ (894,409)	\$ 14,886

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, 2011

State Grantor/Program Title	Grant Number	Program or Award Amount	Grant Period		Balance at June 30, 2010			Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2011		MEMO
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount				Deferred Revenue/ Interfund Payable	Due to Grantor	
State Department of Education:													
General Fund:													
"Local Levy" State Share - Charter School Ak	11-495-034-5120-071	\$8,303,864	7/1/10	6/30/11	\$ -	\$ -	\$8,303,864	\$ (8,303,864)	\$ -	\$ -	\$ -	\$ -	\$ 8,303,864
Special Education Aid	11-495-034-5120-089	192,700	7/1/10	6/30/11			192,700	(192,700)					192,700
Security Aid	11-495-034-5120-084	253,181	7/1/10	6/30/11			253,181	(253,181)					253,181
Other State Aid	209,331	209,331	7/1/10	6/30/11			209,331	(209,331)					209,331
On Behalf TPAF Pension Contributions	11-495-034-5095-006	169,812	7/1/10	6/30/11			169,812	(169,812)					169,812
Reimbursed TPAF - Social Security	11-495-034-5095-002	520,627	7/1/10	6/30/11			504,214	(520,627)		(16,413)			520,627
Total General Fund							9,633,102	(9,649,515)		(16,413)			9,649,515
State Department of Agriculture													
Enterprise Fund:													
National Breakfast Program (State Share)	11-100-010-3350-021	-	7/1/10	6/30/11									
National Breakfast Program (State Share)	10-100-010-3350-021	1,349	7/1/09	6/30/10	(144)		144	(4,495)				1,205	4,495
National School Lunch Program (State Share)	11-100-010-3350-023	4,495	7/1/10	6/30/11	(627)		527					5,624	
National School Lunch Program (State Share)	10-100-010-3350-023	6,151	7/1/09	6/30/10	(671)		4,809	(4,495)		(357)		6,829	4,495
Total Enterprise Fund							\$9,637,911	\$ (9,654,010)		\$ (16,770)		\$ 6,829	\$ 9,654,010
Total State Financial Assistance							\$ -	\$ -		\$ -		\$ -	\$ -

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

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY

Notes to the Schedules of Expenditures
of Awards and Financial Assistance
June 30, 2011

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 9,649,515	\$ 9,649,515
Special Revenue Fund	875,584		875,584
Food Service Fund	276,880	3,824	280,704
Total Awards & Financial Assistance	<u>\$ 1,152,464</u>	<u>\$ 9,653,339</u>	<u>\$ 10,805,803</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, 2011.

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, 2011. 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, 2011.

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements Unqualified

Internal control over financial reporting:

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

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

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? _____ Yes X No

Identification of major state programs:

CFDA Number(s)	Name of Federal Program
<u>84.010</u>	<u>Title I Part A</u>
<u>84.010</u>	<u>Title I Part A Carryover</u>
<u>84.391</u>	<u>ARRA – I.D.E.A. Part B</u>
<u>84.391</u>	<u>ARRA – Title I</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

Auditee qualified as low-risk auditee? X Yes _____ No

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

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

State Awards

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

Auditee qualified as low-risk auditee? X Yes No

Internal control over major programs:

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

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

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

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

Identification of major state programs:

GMIS Number(s)	Name of State Program
11-495-034-5120-071	Local Levy – State Share

PATERSON CHARTER SCHOOL FOR SCIENCE AND TECHNOLOGY
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2011

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, 2011

***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, 2011

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.