

MARION P. THOMAS CHARTER SCHOOL



"It takes a whole village to raise a child"

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2012

PREPARED BY

**MARION P. THOMAS CHARTER SCHOOL
NEWARK, NEW JERSEY**

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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"It Takes A Whole Village To Raise A Child"

November 26, 2012

Commissioner Chris Cerf
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Commissioner Cerf:

We hereby submit the Comprehensive Annual Financial Report of the Marion P. Thomas Charter School (the "Charter School") for the fiscal year ended June 30, 2012. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the New Jersey Treasury OMB Circular Letter 04-04 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments*. Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES**

The Marion P. Thomas Charter School is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels pre-K through 8. This includes regular student enrollment. We will accept special education and handicapped children by law if application is made to Charter School as required by law. The Charter School completed the 2011-2012 fiscal year with an average daily enrollment of 658 students, which are 148 students above the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

Student Enrollment

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2011-2012	658	25.8%
2010-2011	573	12.4%
2009-2010	510	9.0%
2008-2009	468	24.4%
2007-2008	354	-0.8%
2006-2007	357	5.3%
2005-2006	339	13.0%
2004-2005	300	18.1%
2003-2004	254	21.0%
2002-2003	210	21.4%

2) **ECONOMIC CONDITION AND OUTLOOK**

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

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

2) ECONOMIC CONDITION AND OUTLOOK – CONTINUED

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

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

Like other urban areas, Newark has experienced a decline in its manufacturing base. This phenomenon has caused significant unemployment and underemployment amongst its indigenous working class population. Although Newark has experienced growth in its service sector, this has not had substantial impact on the City's employment rate.

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

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

3) MAJOR INITIATIVES

In 2011-2012, MPTCS had the following major initiatives in order for our village to continue to achieve high levels of excellence:

The following is a review of the goals of the Board of Trustees for school year 2009-2010. It is based upon a school-wide assessment by parents and staff. It also includes Board goals set and met, and areas that will remain priorities for the upcoming school year as follows:

1. To Improve Student Achievement
2. To Build Organizational Capacity
3. To Broaden the base of Community Partnerships

3) **MAJOR INITIATIVES – CONTINUED**

Significant progress was made toward each goal.

1. To Improve Student Achievement
 - a. Interim assessments were implemented
 - b. Writing program was revamped
 - c. Technology budget was prioritized to allow for Smartboards, and more computer centers in the classrooms
 - d. Model classrooms were developed
 - e. Additional coaches were hired
 - f. Curriculum was updated
 - g. Professional development plan was revised
 - h. Recruiting was expanded
 - i. Multi-age classes established in middle school
 - j. Single-gender classes offered
 - k. Increase special education instructional capacity
2. To Build Organizational Capacity
 - a. Created a strategic plan
 - b. Revised organizational chart
 - c. Developed programmatic budget
 - d. Created marketing and development department
3. To Broaden the base of Community Partnerships
 - a. Created marketing department
 - b. Increased base of volunteers

Critical Policies

Critical policies adopted by the Board included: cell phone usage, bullying, tardiness, discipline. The policies were distributed via new staff and student handbooks to all families and staff.

4) **INTERNAL ACCOUNTING CONTROLS**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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 accounting principles generally accepted in the United States of America (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, 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 approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and 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 the subsequent year. No reservation of fund balance was made at June 30, 2012.

6) **ACCOUNTING SYSTEM AND REPORT**

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund Revenues for the fiscal years ended June 30, 2012 and 2011, and the amount of increases or decreases in relation to prior year's revenues:

<u>Revenue</u>	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Local sources	\$ 1,152,890	\$ 1,049,399	\$ 103,491	9.86%
State sources	8,491,621	7,211,315	1,280,306	17.75%
Federal sources	690,511	695,037	(4,526)	-0.65%
	<u>\$ 10,335,022</u>	<u>\$ 8,955,751</u>	<u>\$ 1,379,271</u>	<u>15.40%</u>

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2012 and 2011, and the amount of fluctuations in relation to prior year's expenditures:

<u>Expenditures</u>	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Instruction	\$ 4,306,319	\$ 3,632,274	\$ 674,045	18.56%
Administrative	3,070,238	2,568,718	501,520	19.52%
Support	2,720,001	2,579,258	140,743	5.46%
Capital Outlay	78,357	11,016	67,341	611.30%
TPAF Social Security	223,047	163,902	59,145	36.09%
On-behalf TPAF Payments	202,858	117,840	85,018	72.15%
Total	<u>\$ 10,600,820</u>	<u>\$ 9,073,008</u>	<u>\$ 1,527,812</u>	<u>16.84%</u>

8) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State Statute as detailed in "Notes to the Financial Statements", Note 2. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA").

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposits with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT**

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-20).

10) **BUDGETARY CONCERNS AND FUND RAISING**

Every year the Charter School faces several concerns one of which is budgetary/ financial. Over the years we have alleviated our budgetary/ financial concerns by engaging in various forms of fund raising. In the ensuing year 2011-2012, the Board of Trustees has laid out a very aggressive plan to raise more funds for the Charter School. It is expected that the success of the plan will go a long way in minimizing our cash flow and budgetary concerns in the future.

11) **OTHER INFORMATION**

Independent Audit

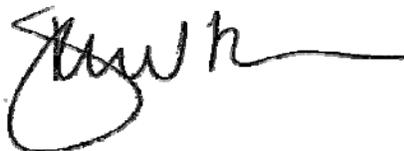
State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related New Jersey OMB Letter Circular Letter 04-04.

The auditor's report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12) **ACKNOWLEDGMENTS**

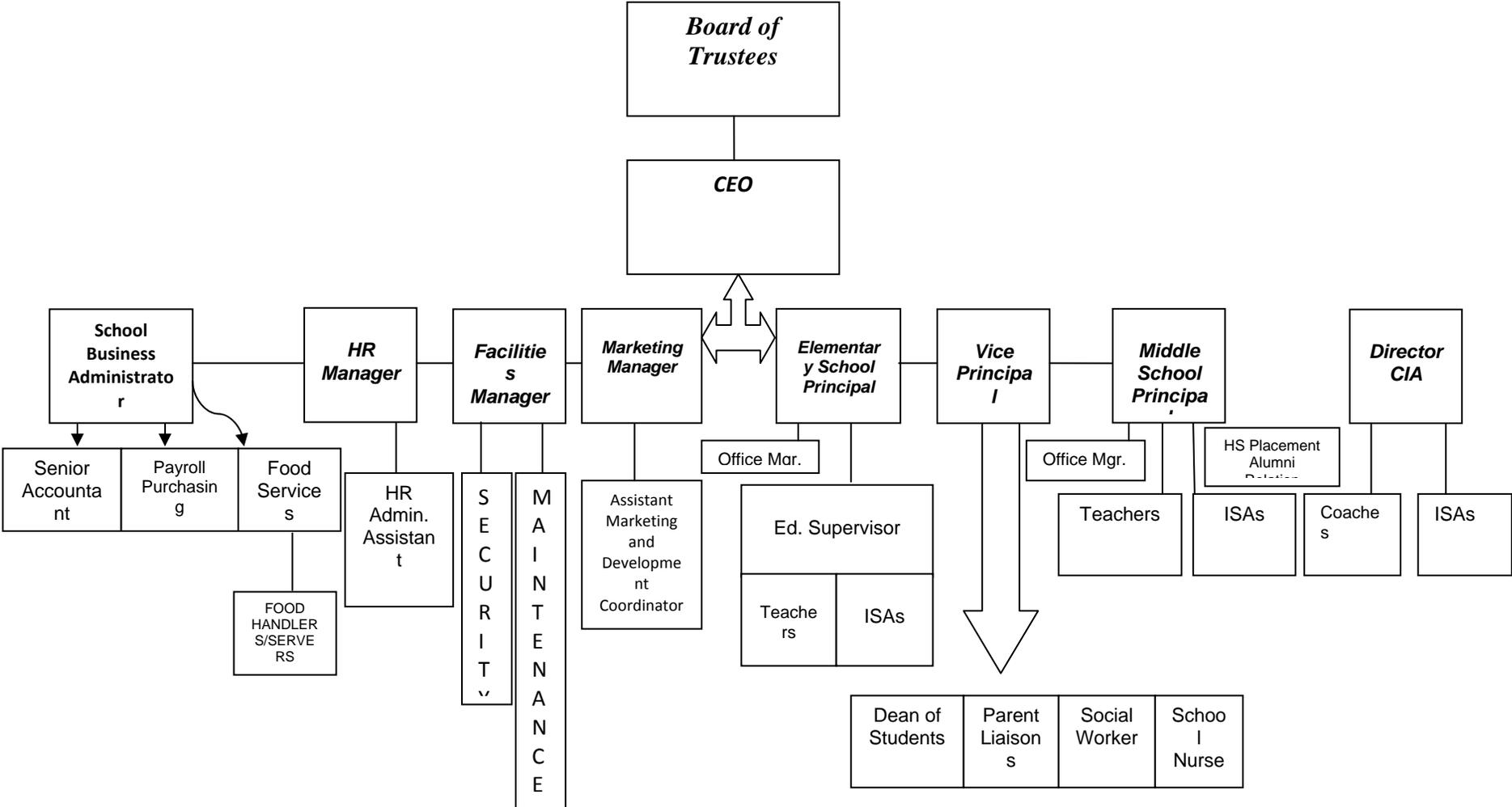
We would like to express our appreciation to the members of the Marion P. Thomas Charter School Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Newark Public School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,



Dr. Karen Thomas
Chief Executive Officer/Superintendent

**MARION P. THOMAS CHARTER SCHOOL
ORGANIZATIONAL CHART**



**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2012

Members of Board of Trustees

Denelle Waynick	Vice-Chair, Voting
Amelita McDowell	Vice-Chair, Voting
Femi Amorin	Secretary, Non-voting
Karen Thomas	Asst. Secretary, Non-voting
Brian Hankerson	Member, Voting
Gregory Collins	Member, Voting
David Blount	Member, Voting
Linda Fore	Member, Voting
Kema Roberts	Member, Voting
Vincent Rouse	Member, Voting
Remi Dabney	Principal, Non-voting
John Gamble	Principal, Non-voting
Carl Bampoe	Vice-Principal, Non-voting

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
71 W. Main Street, Suite 302
Freehold, NJ 07728

Attorneys

Jalloh & Jalloh LLC
29 Alden Street
Cranford, NJ 07016

Porzio, Bromberg and Newman, P.C
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962

Official Depositories

Wells Fargo
765 Broad Street
Newark, New Jersey 07104

City National Bank
900 Broad Street
Newark, New Jersey 07102

TD Bank
356 Springfield Avenue
Newark, NJ 07103

Official Newspaper

The Star Ledger

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter School
Essex County, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Marion P. Thomas Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's Board of Trustees' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School, as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 26, 2012, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance

INDEPENDENT AUDITORS' REPORT - CONTINUED

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 13 through 19 and Budgetary Comparison Information on pages 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section, other supplementary information including combining statements and individual fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, *Local Governments and Non-Profit Organizations*, and New Jersey OMB's Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 26, 2012

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Introduction

This section of the Marion P. Thomas Charter School's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001, and; in GASB Statement No 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

It is noteworthy to report that the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 are effective for financial statements for periods ending June 30, 2012; therefore they are introduced in this report for the first time. GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications is detailed in Note 1Q, Fund Balance and Equity in the Notes to Financial Statements section of this report.

Financial Highlights

Key Financial highlights for the fiscal year 2012 are as follows:

- In total, net assets decreased from \$550,840 to \$263,330. Net assets of governmental activities decreased by \$234,263 which represents a decrease of 40% from fiscal year 2011. Net assets of business-type activities, which represent food service and after care operations, decreased by \$53,247 from fiscal year 2011.
- General revenues accounted for \$8.8 million in revenue or 82% of total revenues of \$10.7 million. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$1.9 million or 18% of total revenues.
- The Charter school had \$10.57 million in expenses related to governmental activities; \$1.54 million of these expenses were offset by operating grants and contributions. General revenues (primarily Local, Federal and State Aid) of \$8.8 million were adequate to provide for the balance of these programs.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

- The General Fund reported fund balances at June 30, 2012, of \$388,382, of which \$342,529 is unassigned.

Basic Financial Statements

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

The report is organized so the reader can understand the Marion P. Thomas Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Assets and the statement of activities, are governmental- wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Marion P. Thomas Charter School, the General Fund is the most significant fund.

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Assets and Statements of Activities

While this report contains the 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 asks the question, "how did we do financially during fiscal year 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2012. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Assets and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

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

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to

The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient 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 the governmental funds are reconciled in the financial statements.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Assets is of the Charter School as a whole. The table below provides a summary of the Charter School’s net assets at June 30, 2012.

The total net assets of the Charter School have decreased by \$293,950 during the current fiscal year. The decrease is due to shortfall in revenues compared to expenses. Although revenues increased, operating expenditures were higher, mostly for instruction and support services.

The table that follows reflects the change in net assets for fiscal year 2012.

	Governmental Activities	Business Type Acvtivities	Total
Assets			
Current Assets	\$ 806,567	\$ 42,771	\$ 849,338
Capital Assets, net	56,983	-	56,983
Total Assets	<u>863,550</u>	<u>42,771</u>	<u>906,321</u>
Liabilities			
Current Liabilities	418,185	127,518	545,703
Long Term Liabilites	97,288	-	97,288
Total Liabilities	<u>515,473</u>	<u>127,518</u>	<u>642,991</u>
Net Assets			
Invested in Capital Assets (net of related debt)	56,983	-	56,983
Restricted for Food Service	120,754	-	120,754
Unrestricted	170,340	(84,747)	85,593
Total Net Assets	<u>\$ 348,077</u>	<u>\$ (84,747)</u>	<u>\$ 263,330</u>

In 2012, total revenues increased by \$1.6 million about 16% compared to total revenues in 2011. This was due to about 25% increase in enrollment and the new pre-school classes. Total expenses increased by \$1.6 million, about 17%.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 44,553	\$ 38,113	\$ 44,553	\$ 38,113
Operating grants and Contributions	1,538,536	1,021,779	373,778	253,957	1,912,314	1,275,736
Total Program Revenues	1,538,536	1,021,779	418,331	292,070	1,956,867	1,313,849
General Revenues:						
Local Aid	1,099,724	1,003,418	-	-	1,099,724	1,003,418
Federal and State Aid	7,693,596	6,929,573	-	-	7,693,596	6,929,573
Miscellaneous	3,166	981	727	-	3,893	981
Total General Revenues	8,796,486	7,933,972	727	-	8,797,213	7,933,972
Total Revenues	10,335,022	8,955,751	419,058	292,070	10,754,080	9,247,821
Expenses:						
Instructions	5,761,466	4,757,864	-	-	5,761,466	4,757,864
Support Services:						
Administrative expenses	1,644,468	1,535,254	-	-	1,644,468	1,535,254
Other support services	3,043,864	2,843,229	-	-	3,043,864	2,843,229
Unallocated:						
Capital outlay	27,447	-	-	-	27,447	-
Depreciation	92,040	21,130	-	-	92,040	21,130
Food Service	-	-	454,124	346,568	454,124	346,568
After Care	-	-	18,181	20,412	18,181	20,412
Total Expenses	10,569,285	9,157,477	472,305	366,980	11,041,590	9,524,457
Change in Net Assets	\$ (234,263)	\$ (201,726)	\$ (53,247)	\$ (74,910)	\$ (287,510)	\$ (276,636)

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2012.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 5,761,466	\$ 1,347,893	\$ (4,413,573)
Support Services:			
Administrative expenses	1,644,468	-	(1,644,468)
Other support services	3,043,864	190,643	(2,853,221)
Unallocated:			
Capital outlay	27,447	-	(27,447)
Depreciation	92,040	-	(92,040)
Total Expenses	<u>\$ 10,569,285</u>	<u>\$ 1,538,536</u>	<u>\$ (9,030,749)</u>

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$419,058 and operating expenses of \$472,305 for fiscal year 2012. The Charter School continued in its effort to have food services be self-operating without assistance from the General Fund.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources of \$10.5 million and expenditures and other financing uses of \$10.7 million.

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.

During the course of fiscal year 2012, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues and other financing sources were \$8.8 million which included a local tax levy of \$1.1 million. Expenditures and other financing uses were budgeted at \$9.36 million. The Charter School anticipated a decrease in fund balance before other financing sources of \$.56 million. In its 2011-2012 budget expenditures and other financing uses exceeded the revenues and other financing sources by \$560,029. Actual revenues and other financing sources were \$9,222,391 and expenditures were \$9,488,189.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

The State of New Jersey reimbursed the Charter School \$223,047 during the year ended June 30, 2012 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement medical benefits were \$202,858. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2012, the Charter School had \$56,983 invested in capital assets all in governmental activities.

The table below reflects fiscal year 2012 balances:

	Governmental Activities	Business Type Activities	Total
Machinery & equipment	\$ 260,267	\$ -	\$ 260,267
Leasehold improvements	599,798	-	599,798
Total Capital Assets	<u>860,065</u>	<u>-</u>	<u>860,065</u>
Less Accumulated Depreciation	(803,082)	-	(803,082)
Totals	<u>\$ 56,983</u>	<u>\$ -</u>	<u>\$ 56,983</u>

Economic Factors and Next Year’s Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2012-2013. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey’s Core Curriculum Content Standards.

Contacting the Charter School’s Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School’s finances and to reflect the Charter School’s accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

Marion P. Thomas Charter School
Business Office
370-374 South 7th Street
Newark, New Jersey 07103

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL WIDE FINANCIAL STATEMENTS

This Statement of Net Assets and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Assets presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 330,039	\$ 4,284	\$ 334,323
Accounts receivable	415,045	38,487	453,532
Prepaid expenses	35,483	-	35,483
Security deposit	26,000	-	26,000
Total current assets	<u>806,567</u>	<u>42,771</u>	<u>849,338</u>
Capital assets:			
Machinery & equipment	284,071	-	284,071
Leasehold improvements	575,994	-	575,994
	860,065	-	860,065
Less: Accumulated depreciation	<u>(803,082)</u>	<u>-</u>	<u>(803,082)</u>
Net capital assets	<u>56,983</u>	<u>-</u>	<u>56,983</u>
Total assets	<u>\$ 863,550</u>	<u>\$ 42,771</u>	<u>\$ 906,321</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 343,202	\$ 53,309	\$ 396,511
Accrued expenses	17,265	-	17,265
Intergovernmental payable:			
State	125,164	-	125,164
Interfund payables (internal)	(74,209)	74,209	-
Deferred revenues	6,763	-	6,763
Total current liabilities	<u>418,185</u>	<u>127,518</u>	<u>545,703</u>
Long-Term Liabilities:			
Compensated absences			
Due within one year	9,729	-	9,729
Due in more than one year	87,559	-	87,559
Total long-term liabilities	<u>97,288</u>	<u>-</u>	<u>97,288</u>
Total liabilities	<u>515,473</u>	<u>127,518</u>	<u>642,991</u>
Net assets			
Invested in capital assets, net of related debt	56,983	-	56,983
Restricted for:			
Food service	120,754	-	120,754
Unrestricted	170,340	(84,747)	85,593
Total net assets	<u>348,077</u>	<u>(84,747)</u>	<u>263,330</u>
Total liabilities and net assets	<u>\$ 863,550</u>	<u>\$ 42,771</u>	<u>\$ 906,321</u>

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction						
Salaries	\$ 3,306,744	\$ -	\$ 497,087	\$ (2,809,657)	\$ -	\$ (2,809,657)
Allocated benefit costs	1,455,147	-	525,103	(930,044)	-	(930,044)
Professional /Technical service	323,957	-	242,907	(81,050)	-	(81,050)
Other purchased services	123,070	-	3,745	(119,325)	-	(119,325)
General educational supplies	348,915	-	78,901	(270,014)	-	(270,014)
Instructional text and books	192,550	-	-	(192,550)	-	(192,550)
Other instructional expenses	11,083	-	150	(10,933)	-	(10,933)
Administrative cost:						
Salaries	1,020,462	-	-	(1,020,462)	-	(1,020,462)
Allocated benefit costs	340,049	-	-	(340,049)	-	(340,049)
Professional /Technical service	94,408	-	-	(94,408)	-	(94,408)
Other purchased services	73,946	-	-	(73,946)	-	(73,946)
Communications and Telephones	38,704	-	-	(38,704)	-	(38,704)
Supplies and materials	44,965	-	-	(44,965)	-	(44,965)
Judgments against charter school	57	-	-	(57)	-	(57)
Interest on current loans	12,101	-	-	(12,101)	-	(12,101)
Miscellaneous expenses	19,776	-	-	(19,776)	-	(19,776)
Support services:						
Salaries	971,890	-	132,887	(839,003)	-	(839,003)
Allocated benefit costs	323,863	-	26,519	(297,344)	-	(297,344)
Purchased Professional /Technical service	101,314	-	-	(101,314)	-	(101,314)
Other purchased services	36,776	-	-	(36,776)	-	(36,776)
Rent on land and buildings	1,340,119	-	-	(1,340,119)	-	(1,340,119)
Insurance-fidelity, liability property	-	-	-	-	-	-
Supplies and materials	52,069	-	31,237	(20,832)	-	(20,832)
Transportation costs	32,436	-	-	(32,436)	-	(32,436)
Utilities	139,731	-	-	(139,731)	-	(139,731)
Miscellaneous	45,666	-	-	(45,666)	-	(45,666)
Unallocated:						
Capital outlay	27,447	-	-	(27,447)	-	(27,447)
Depreciation	92,040	-	-	(92,040)	-	(92,040)
Total governmental activities	<u>10,569,285</u>	<u>-</u>	<u>1,538,536</u>	<u>(9,030,749)</u>	<u>-</u>	<u>(9,030,749)</u>
Business-type activities:						
Food Service	454,124	17,854	373,778	-	(62,492)	(62,492)
After Care	18,181	26,699	-	-	8,518	8,518
Total business-type activities	<u>472,305</u>	<u>44,553</u>	<u>373,778</u>	<u>-</u>	<u>(53,974)</u>	<u>(53,974)</u>
Total primary government	<u>\$ 11,041,590</u>	<u>\$ 44,553</u>	<u>\$ 1,912,314</u>	<u>\$ (9,030,749)</u>	<u>\$ (53,974)</u>	<u>\$ (9,084,723)</u>
General revenues, transfers and special items:						
Local sources				\$ 1,099,724	727	\$ 1,100,451
State sources				7,693,596	-	7,693,596
Miscellaneous				3,166	-	3,166
Total general revenues, transfers and special items				<u>8,796,486</u>	<u>727</u>	<u>8,797,213</u>
Changes in net assets				(234,263)	(53,247)	(287,510)
Net assets - beginning				<u>582,340</u>	<u>(31,500)</u>	<u>550,840</u>
Net assets - ending				<u>\$ 348,077</u>	<u>\$ (84,747)</u>	<u>\$ 263,330</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 330,039	\$ -	\$ 330,039
Accounts receivable:			
Local	-	-	-
State	18,125	6,763	24,888
Federal	-	138,563	138,563
Interfund receivables	464,366	-	464,366
Security Deposit	26,000	-	26,000
Prepaid expenses	35,483	-	35,483
	<u>874,013</u>	<u>145,326</u>	<u>1,019,339</u>
Total assets	<u>\$ 874,013</u>	<u>\$ 145,326</u>	<u>\$ 1,019,339</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 343,202	\$ -	\$ 343,202
Accrued expenses	17,265	-	17,265
Intergovernmental payables:			
State	125,164	-	125,164
Federal	-	-	-
Interfund payables	-	138,563	138,563
Deferred revenue	-	6,763	6,763
	<u>485,631</u>	<u>145,326</u>	<u>630,957</u>
Total liabilities	<u>485,631</u>	<u>145,326</u>	<u>630,957</u>
Fund balances:			
Assigned	45,853		45,853
Unassigned	342,529	-	342,529
	<u>388,382</u>	<u>-</u>	<u>388,382</u>
Total fund balances	<u>388,382</u>	<u>-</u>	<u>388,382</u>
Total liabilities and fund balances	<u>\$ 874,013</u>	<u>\$ 145,326</u>	
Amounts reported for governmental activities 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 funds.			
	Cost of capital assets		\$ 860,065
	Accumulated depreciation		<u>(803,082)</u>
			<u>56,983</u>
Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
	Compensated absences payable		<u>97,288</u>
Net assets of governmental activities - A-1			<u>\$ 542,653</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local Sources:			
Local tax levy	\$ 1,099,724	\$ -	\$ 1,099,724
Miscellaneous	3,166	50,000	53,166
Total revenues -local sources	<u>1,102,890</u>	<u>50,000</u>	<u>1,152,890</u>
State sources	7,693,596	372,120	8,065,716
Federal sources	-	690,511	690,511
Reimbursed TPAF - Social Security (non budgeted)	223,047	-	223,047
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>202,858</u>	<u>-</u>	<u>202,858</u>
Total revenues	<u>9,222,391</u>	<u>1,112,631</u>	<u>10,335,022</u>
Expenditures			
Current expense:			
Instruction:			
Salaries	2,809,657	497,087	3,306,744
Professional /Technical service	81,050	242,907	323,957
Other purchased services	119,325	3,745	123,070
General educational supplies	270,014	78,901	348,915
Instructional text and books	192,550	-	192,550
Other instructional expenses	10,933	150	11,083
Administrative cost:			
Salaries	1,020,462	-	1,020,462
Total benefit costs	1,640,102	125,717	1,765,819
Professional /Technical service	94,408	-	94,408
Other purchased services	73,946	-	73,946
Communications and Telephones	38,704	-	38,704
Supplies and materials	44,965	-	44,965
Judgments against charter school	57	-	57
Interest on current loans	12,101	-	12,101
Miscellaneous expenses	19,776	-	19,776
Support services:			
Salaries	839,003	132,887	971,890
Purchased Professional /Technical service	101,314	-	101,314
Other purchased services	36,776	-	36,776
Rent on land and buildings	1,340,119	-	1,340,119
Insurance-fidelity, liability property	-	-	-
Supplies and materials	51,776	293	52,069
Transportation-other than to/from school	32,436	-	32,436
Utilities	139,731	-	139,731
Miscellaneous	45,666	-	45,666
Capital outlay:			
Instructional equipment	17,916	-	17,916
Non-instructional equipment	5,693	30,944	36,637
Facilities and acquisition	23,804	-	23,804
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	223,047	-	223,047
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>202,858</u>	<u>-</u>	<u>202,858</u>
Total expenditures	<u>9,488,189</u>	<u>1,112,631</u>	<u>10,600,820</u>
Deficiency of revenues over expenditures	(265,798)	-	(265,798)
Fund balances, July 1, 2011	<u>654,180</u>	<u>-</u>	<u>654,180</u>
Fund balances, June 30, 2012	<u>\$ 388,382</u>	<u>\$ -</u>	<u>388,382</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (B-2) \$ (265,798)

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

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

Capital outlay	50,910
Depreciation expense	<u>(92,040)</u>
	(41,130)

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

72,665

Change in net assets of governmental activities (A-2) \$ (234,263)

See accompanying notes to financial statements.

PROPRIETARY FUNDS

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets

Current assets:

Cash and cash equivalents	\$ 4,284
Accounts receivable:	
Federal	34,097
State	473
Others	3,917
	<u>38,487</u>

Total assets	<u>\$ 42,771</u>
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Liabilities

Current liabilities

Accounts payable	\$ 53,309
Interfund payable - General Fund	<u>74,209</u>

Total current liabilities	127,518
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Net assets

Unrestricted	<u>(84,747)</u>
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Total liabilities and net assets	<u>\$ 42,771</u>
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See accompanying notes to financial statements.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

Operating revenues:

Charges for services:

Daily sales - nonreimbursable programs	\$ 17,854
Miscellaneous revenue	27,426
Total Operating revenues	<u>45,280</u>

Operating expenses:

Cost of sales	319,465
Salaries	139,720
Employee benefits	-
Professional /Technical service	-
Supplies and materials	10,178
Depreciation	-
Miscellaneous	2,942
Total operating expenses	<u>472,305</u>

Operating income (loss) (427,025)

Nonoperating revenues:

State sources:

State School Lunch Program 5,699

Federal sources:

National School Lunch Program 269,588

National School Breakfast Program 41,540

After School Snacks 1,379

Fresh fruits and vegetables 30,559

Food commodities 25,013

Total nonoperating revenues 373,778

Change in net assets (53,247)

Total net assets-beginning of year (31,500)

Total net assets-end of year \$ (84,747)

See accompanying notes to financial statements.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

Cash flows from operating activities

Operating loss	\$ (427,025)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	-
Changes in assets and liabilities:	
Decrease in accounts receivable	51,735
Decrease in interfund payable	<u>(10,744)</u>
Net cash from operating activities	<u>(358,228)</u>

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>339,208</u>
---	----------------

Cash flows from investing activities

	<u>-</u>
Net decrease in cash and cash equivalents	(19,020)
Cash and cash equivalents, beginning	<u>23,304</u>
Cash and cash equivalents, ending	<u>\$ 4,284</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

Assets

Cash and cash equivalents	\$ 305,882
Accounts receivables	-
Interfund receivables	-
	<hr/>
Total assets	<u>305,882</u>

Liabilities and Net Assets

Liabilities:

Payroll withholdings payable	50,509
Accounts payable	6,385
Summer payroll payable	154,146
Interfund payables	94,842
	<hr/>
Total liabilities	<u>305,882</u>

Net Assets

Restricted	
Unemployment compensation	-
	<hr/>
Total net assets	-
	<hr/>
Total liabilities and net assets	<u>\$ 305,882</u>

See accompanying notes to financial statements.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

YEAR ENDED JUNE 30, 2012

Revenues:		
General fund appropriation	\$	4,000
Employees' contributions		<u>3,086</u>
Total revenues		<u>7,086</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>7,086</u>
Total expenditures		<u>7,086</u>
Excess(deficiency) of revenue over(under) expenditures		-
Fund balance, beginning		<u>-</u>
Fund balance, ending	\$	<u><u>-</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Marion P. Thomas Charter School (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity:

The Charter School was incorporated in the State of New Jersey on March 13, 1997 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

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

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

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management's Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

D. Basic Financial Statements

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

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Government-wide Financial 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 Charter School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

E. Governmental Funds

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

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2012 there was no Capital Projects Fund.

Debt Service Fund -The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2012 there was no debt service fund.

F. Proprietary Funds

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

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

Enterprise Funds:

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

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

Internal Service (Self-Insurance) Fund:

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

G. Fiduciary Funds

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

Expendable Trust Funds_- Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds_- Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fiduciary Funds - continued

Agency Funds – Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

H. Measurement Focus and Basis of Accounting

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

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting -continued

Basis of Accounting - continued

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is 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 must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

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

The accounting records of special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances –Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure

Cash and equivalents include petty cash, funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in, New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools. These investments are to be recorded at fair value and will be subject to risk categorization.

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

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

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Charter School's name. The Charter School's aggregate bank balances were not exposed to custodial credit risk at June 30, 2012.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Prepaid Expenses

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

Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

L. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Assets.

M. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
Land Improvements	15 years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 years

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Compensated Absences

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

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Head of School.

In the charter school-wide Statement of Net Assets, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, there are no liabilities for compensated absences in the Food Service Fund.

O. Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Q. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law. Committed fund balance will be reported for amounts that can only be used for

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Fund Balance and Equity - continued

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

R. Net Assets

Net Assets on the *Statement of Net Assets* include the following:

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

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

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

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

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

T. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as "Due from/to Other Funds" on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

U. Use of Estimates

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

V. On-Behalf Payments

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

W. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 26, 2012.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 APPLICATION OF ACCOUNTING STANDARDS

For the year ended June 30, 2012, the Charter School did not implement any new accounting standards.

NOTE 3 CASH AND CASH EQUIVALENTS

As of June 30, 2012, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 257,327	\$ 4,284	\$ 305,882	\$ 567,493
Interest-bearing Account	72,712	-	-	72,712
Total	\$ 330,039	\$ 4,284	\$ 305,882	\$ 640,205

NOTE 4 CAPITAL ASSETS

As required under accounting standards discussed in Note 2, the Charter School performed a thorough review of the inventory records of all its fixed assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost have been used. The review of inventory records of all the Charter School's capital assets was completed during the fiscal year ended June 30, 2012, deletions, if any, have been accounted for in the Charter School's beginning balances; the table below illustrates the net of additions and deletions for the current year.

Capital assets activities for the year ended June 30, 2012 are as follows:

<u>Governmental Activities</u>	Beginning Balance	Net Additions (Deletions)	Ending Balance
<u>Capital assets being depreciated:</u>			
Machinery and equipment	\$ 233,161	\$ 27,106	\$ 260,267
Leasehold improvements	575,994	23,804	599,798
Total	809,155	50,910	860,065
Less Accumulated depreciation	(711,042)	(92,040)	(803,082)
Capital assets net	98,113	(41,130)	56,983
<u>Business-Type Activities</u>			
Capital assets net	\$ 98,113	\$ (41,130)	\$ 56,983

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 LONG-TERM DEBTS

During the fiscal year ended June 30, 2012, long term liabilities reported in the *Statement of Net Assets* are as follows:

Long-Term Debt	Balance			Balance June,30,2012	Due within One Year
	June 30,2011	Additions	Retired		
Compensated absences	\$ 169,953	\$ 97,288	\$ 169,953	\$ 97,288	\$ 9,729

NOTE 6 NET ASSETS

As of June 30, 2012, governmental activities net assets consisted of the following components:

<u>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</u>	
Capital assets,net	\$ 56,983
Less:Long-Term obligations (All long-term debt relates to capital assets)	<u>-</u> 56,983
 <u>RESTRICTED</u>	
Restricted for Food Service	120,754
 <u>UNRESTRICTED</u>	
Net assets not restricted above	<u>863,550</u>
NET ASSETS	<u>\$ 1,041,287</u>

Business-type activities net assets did not have any capital assets or restrictions.

NOTE 7 PENSIONS PLANS

A. Description of Plans

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

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

A. Description of Plans - continued

i. Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

ii. Public Employees' Retirement System (PERS)

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

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:15b and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

B. Vesting and Benefit Provisions - continued

The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service.

The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey 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 4.5 % and 3%, respectively 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 adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. The Charter School's contribution to PERS for the year ended June 30, 2012 was \$43,412.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$176,718 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements.

NOTE 8 POST- RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 87,288 retirees eligible for post-retirement medical benefits.

The cost of these benefits is funded through contribution by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 year of service. In fiscal year 2011, the State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

NOTE 10 RISK MANAGEMENT

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

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

B. New Jersey Unemployment Compensation

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 following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State. The Charter School ending balance of the expendable trust fund for the current year is as follows:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$ 4,000	\$ 3,086	\$ 7,086	\$ -
2010-2011	180,009	\$ 8,605	\$ 188,614	\$ -
2009-2010	86,274	20,960	107,234	-
2008-2009	41,033	21,540	62,573	-

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

At June 30, 2012, the interfund balances consisted of the following components:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue fund	\$ 138,563
Special revenue fund	General fund	138,563
General fund	Enterprise fund	74,209
General fund	Fiduciary funds	<u>113,031</u>
	Total	<u>\$ 464,366</u>

NOTE 12 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2012, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2012.

NOTE 13 RELATED PARTY TRANSACTIONS

The Friends of Marion P. Thomas Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated on September 23, 2004 under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2012.

The Friends was also organized to own and manage (through its subsidiary, the REAL Friends) the facilities located at 370-380 South 7th Street, Newark, New Jersey, occupied by the Charter School under three operating leases that requires total monthly rental payment of \$111,677.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 1,108,086	\$ 3,757	\$ 1,111,843	\$ 1,099,724	\$ (12,119)
Miscellaneous	-	166	166	3,166	3,000
Total revenues -local sources	<u>1,108,086</u>	<u>3,923</u>	<u>1,112,009</u>	<u>1,102,890</u>	<u>(9,119)</u>
State sources	7,346,205	344,710	7,690,915	7,693,596	2,681
Reimbursed TPAF - Social Security (non budgeted)	-	-	-	223,047	223,047
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	202,858	202,858
Total revenues	<u>8,454,291</u>	<u>348,633</u>	<u>8,802,924</u>	<u>9,222,391</u>	<u>419,467</u>
Expenditures					
Current expense:					
Instruction					
Salaries	2,795,798	15,001	2,810,799	2,809,657	1,142
Professional /Technical service	111,816	(29,690)	82,126	81,050	1,076
Other purchased services	71,641	47,715	119,356	119,325	31
General educational supplies	209,301	61,029	270,330	270,014	316
Instructional text and books	270,971	(78,421)	192,550	192,550	-
Other instructional expenses	36,189	(25,256)	10,933	10,933	-
Total current expense	<u>3,495,716</u>	<u>(9,622)</u>	<u>3,486,094</u>	<u>3,483,529</u>	<u>2,565</u>
Administrative cost:					
Salaries	1,018,939	1,591	1,020,530	1,020,462	68
Total benefit costs	1,585,196	55,036	1,640,232	1,640,102	130
Professional /Technical service	124,980	(30,500)	94,480	94,408	72
Other purchased services	45,869	28,500	74,369	73,946	423
Communications and Telephones	80,000	(41,200)	38,800	38,704	96
Supplies and materials	61,004	(15,968)	45,036	44,965	71
Judgments against charter school	8,000	(7,943)	57	57	-
Interest on current loans	15,000	(2,899)	12,101	12,101	-
Miscellaneous expenses	29,690	(9,898)	19,792	19,776	16
Total administrative cost	<u>2,968,678</u>	<u>(23,281)</u>	<u>2,945,397</u>	<u>2,944,521</u>	<u>876</u>
Support services:					
Salaries	819,522	20,040	839,562	839,003	559
Purchased Professional /Technical service	88,500	13,000	101,500	101,314	186
Other purchased services	146,600	(75,800)	70,800	36,776	34,024
Rent on land and buildings	1,362,919	(22,800)	1,340,119	1,340,119	-
Insurance-fidelity, liability property	50,000	(50,000)	-	-	-
Supplies and materials	46,000	5,800	51,800	51,776	24
Transportation-other than to/from school	15,000	31,000	46,000	32,436	13,564
Utilities	150,000	-	150,000	139,731	10,269
Miscellaneous	49,200	(3,463)	45,737	45,666	71
Total support services	<u>2,727,741</u>	<u>(82,223)</u>	<u>2,645,518</u>	<u>2,586,821</u>	<u>58,697</u>
Capital outlay:					
Instructional equipment	18,000	-	18,000	17,916	84
Non-instructional equipment	33,400	-	33,400	5,693	27,707
Purchase of Land/Improvements	45,000	(18,000)	27,000	23,804	3,196
Total capital outlay	<u>96,400</u>	<u>(18,000)</u>	<u>78,400</u>	<u>47,413</u>	<u>30,987</u>

See independent auditors' report.

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Reimbursed TPAF - Social Security (non budgeted)					
TPAF pension and post retirement medical	-	-	-	223,047	(223,047)
benefits on-behalf payments (non-budgeted)	-	-	-	202,858	(202,858)
Total reimbursed and on-behalf payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,905</u>	<u>(425,905)</u>
Total expenditures	<u>9,288,535</u>	<u>(133,126)</u>	<u>9,155,409</u>	<u>9,488,189</u>	<u>(332,780)</u>
Deficiency of revenues over expenditures	(834,244)	481,759	(352,485)	(265,798)	(86,687)
Fund balances, beginning	<u>654,180</u>	<u>-</u>	<u>-</u>	<u>654,180</u>	<u>-</u>
Fund balances, ending	<u>\$ (180,064)</u>	<u>\$ 481,759</u>	<u>\$ (352,485)</u>	<u>\$ 388,382</u>	<u>\$ (86,687)</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues					
Local sources	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
State sources	266,281	105,839	372,120	-	(372,120)
Federal sources	900,055	264,665	1,164,720	690,511	(474,209)
Total revenues -all sources	<u>1,216,336</u>	<u>370,504</u>	<u>1,586,840</u>	<u>740,511</u>	<u>(846,329)</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	313,292	39,294	352,586	52,828	299,758
Other salaries for instruction	111,000	156,312	267,312	267,297	15
Purchased Prof. and technical services	5,400	215,882	221,282	221,282	-
Other purchased services	-	3,750	3,750	3,745	5
Instructional supplies	89,497	142,759	232,256	30,218	202,038
Miscellaneous expenditures	2,000	(1,100)	900	150	750
Total instruction	<u>521,189</u>	<u>556,897</u>	<u>1,078,086</u>	<u>575,520</u>	<u>502,566</u>
Support services					
Salaries of supervisors of instruction	208,280	69,321	277,601	84,588	193,013
Salaries of secretarial/clerical asst.	15,120	-	15,120	62	15,058
Employee benefits	144,085	4,294	148,379	80,341	68,038
Purchased professional educational services	292,355	71,243	363,598	-	363,598
Travel	25,524	(1,118)	24,406	-	24,406
Rent	-	-	-	-	-
Other purchase services	-	-	-	-	-
Supplies	3,866	6,271	10,137	-	10,137
Miscellaneous expenditures	5,917	(4,850)	1,067	-	1,067
Total support services	<u>695,147</u>	<u>145,161</u>	<u>840,308</u>	<u>164,991</u>	<u>675,317</u>
Capital Outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	30,944	30,944	-	(30,944)
Total capital outlay	<u>-</u>	<u>30,944</u>	<u>30,944</u>	<u>-</u>	<u>(30,944)</u>
Total Expenditures	<u>\$ 1,216,336</u>	<u>\$ 733,002</u>	<u>\$ 1,949,338</u>	<u>\$ 740,511</u>	<u>\$ 1,146,939</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2012

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 9,222,391	[C-2] 740,511
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>9,222,391</u>	[B-2] <u>740,511</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 9,488,189	[C-2] 740,511
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 9,488,189</u>	[B-2] <u>\$ 740,511</u>

Note A -The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required. See independent auditors's report.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2012

	Title I	Title II Part 2A	Title II Part D	IDEA	IDEA ARRA	Victoria Foundation	Total
Revenues							
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Federal	<u>529,377</u>	<u>38,532</u>	<u>1,114</u>	<u>119,149</u>	<u>2,339</u>	-	<u>690,511</u>
Total revenues -all sources	<u>529,377</u>	<u>38,532</u>	<u>1,114</u>	<u>119,149</u>	<u>2,339</u>	<u>50,000</u>	<u>740,511</u>
Expenditures							
Current Expenditures:							
Instruction:							
Salaries of teachers	9,987	20,360	-	22,481	-	-	52,828
Other salaries for instruction	143,982	-	-	73,315	-	50,000	267,297
Purchased Prof. and technical services	200,943	18,000	-	-	2,339	-	221,282
Other purchased services	3,745	-	-	-	-	-	3,745
Supplies and materials	28,479	-	1,114	625	-	-	30,218
Miscellaneous expenditures	-	-	-	150	-	-	150
Total instruction	<u>387,136</u>	<u>38,360</u>	<u>1,114</u>	<u>96,571</u>	<u>2,339</u>	<u>50,000</u>	<u>575,520</u>
Support services							
Salaries of supervisors of instruction	84,588	-	-	-	-	-	84,588
Salaries of secretarial/clerical asst.	62	-	-	-	-	-	62
Employee benefits	57,591	172	-	22,578	-	-	80,341
Purchased professional educational service	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-
Other purchase services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-	-	-
Total support services	<u>142,241</u>	<u>172</u>	<u>-</u>	<u>22,578</u>	<u>-</u>	<u>-</u>	<u>164,991</u>
Capital Outlay:							
Facilities acquisition and construction services:							
Instructional equipment	-	-	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-	-	-
Total facilities acquisition and construction servi	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 529,377</u>	<u>\$ 38,532</u>	<u>\$ 1,114</u>	<u>\$ 119,149</u>	<u>\$ 2,339</u>	<u>\$ 50,000</u>	<u>\$ 740,511</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SPECIAL REVENUE FUND

SCHEDULE OF PRESCHOOL EDUCATION AID - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 113,905	\$ (1,171)	\$ 112,734	\$ 112,734	\$ -
Other salaries for instruction	61,000	3,228	64,228	64,228	-
Purchased Prof. and technical services	-	21,625	21,625	21,625	-
Other purchased services	-	-	-	-	-
Instructional supplies	-	48,683	48,683	48,683	-
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>174,905</u>	<u>72,365</u>	<u>247,270</u>	<u>247,270</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	6,000	(462)	5,538	5,538	-
Other salaries for support services	40,000	2,699	42,699	42,699	-
Employee benefits	45,376	-	45,376	45,376	-
Purchased professional educational services	-	-	-	-	-
Travel	-	-	-	-	-
Rent	-	-	-	-	-
Other purchase services	-	-	-	-	-
Supplies	-	293	293	293	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>91,376</u>	<u>2,530</u>	<u>93,906</u>	<u>93,906</u>	<u>-</u>
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	30,944	30,944	30,944	-
Total facilities acquisition and construction services	<u>-</u>	<u>30,944</u>	<u>30,944</u>	<u>30,944</u>	<u>-</u>
Total Expenditures	<u>\$ 266,281</u>	<u>\$ 105,839</u>	<u>\$ 372,120</u>	<u>\$ 372,120</u>	<u>\$ -</u>

CALCULATION OF BUDGET AND CARRYOVER

Total revised 2011-12 Preschool Education Aid Allocation	\$ 378,883
Add: Actual ECPA/PEA Carryover (June 30, 2011)	-
Add: Budgeted Transfer from the General Fund 2011-12	-
Total Preschool Education Aid Funds Available for 2011-12 Budget	<u>378,883</u>
Less: 2011-12 Budgeted Preschool Education Aid (Including Prior year budget carryover)	<u>372,120</u>
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2012	6,763
Add: June 30, 2012 Unexpended Preschool Education Aid	-
2011-12 Carryover - Preschool Education Aid Programs	<u>\$ 6,763</u>
2011-12 Preschool Education Aid Carryover Budgeted for Preschool Programs 2012-13	<u>\$ 6,763</u>

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2012, there was no capital project fund.

ENTERPRISE FUNDS

Enterprise 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 Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,284	\$ -	\$ 4,284
Accounts receivable:			
Federal	-	34,097	34,097
State	-	473	473
Miscellaneous	3,917	-	3,917
	<u>3,917</u>	<u>34,570</u>	<u>38,487</u>
Interfund receivable - Food Service	<u>27,806</u>	<u>(27,806)</u>	<u>-</u>
Total Assets	<u>\$ 36,007</u>	<u>\$ 6,764</u>	<u>\$ 42,771</u>
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ 53,309	\$ 53,309
Interfund payable - General Fund	-	74,209	74,209
Total current liabilities	-	127,518	127,518
Net assets			
Unrestricted	<u>36,007</u>	<u>(120,754)</u>	<u>(84,747)</u>
Total Liabilities and Net Assets	<u>\$ 36,007</u>	<u>\$ 6,764</u>	<u>\$ 42,771</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEAR ENDED JUNE 30, 2012

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Operating revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ -	\$ 17,854	\$ 17,854
Miscellaneous revenue	<u>26,699</u>	<u>727</u>	<u>27,426</u>
Total Operating revenues	<u>26,699</u>	<u>18,581</u>	<u>45,280</u>
Operating expenses:			
Cost of sales	-	319,465	319,465
Salaries	18,181	121,539	139,720
Employee benefits	-	-	-
Professional /Technical service	-	-	-
Supplies and materials	-	10,178	10,178
Depreciation	-	-	-
Miscellaneous	<u>-</u>	<u>2,942</u>	<u>2,942</u>
Total operating expenses	<u>18,181</u>	<u>454,124</u>	<u>472,305</u>
Operating loss	<u>8,518</u>	<u>(435,543)</u>	<u>(427,025)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	-	5,699	5,699
Federal sources:			
National School Lunch	-	269,588	269,588
National School Breakfast	-	41,540	41,540
After School Snacks	-	1,379	1,379
Fresh Fruit and Vegetable	-	30,559	30,559
Food Commodities	<u>-</u>	<u>25,013</u>	<u>25,013</u>
Total nonoperating revenues	<u>-</u>	<u>373,778</u>	<u>373,778</u>
Changes in net assets	8,518	(61,765)	(53,247)
Total net assets, beginning of year	<u>27,489</u>	<u>(58,989)</u>	<u>(31,500)</u>
Total net assets, end of year	<u>\$ 36,007</u>	<u>\$ (120,754)</u>	<u>\$ (84,747)</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating income (loss)	\$ 8,518	\$ (435,543)	\$ (427,025)
Adjustment to reconcile operating loss to net cash from operating activities			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	(520)	52,255	51,735
Accounts payable	-	27,806	27,806
Interfund payable	(3,714)	(7,030)	(10,744)
Net cash from operating activities	<u>4,284</u>	<u>(362,512)</u>	<u>68,797</u>
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	<u>-</u>	<u>339,208</u>	<u>339,208</u>
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	4,284	(23,304)	(19,020)
Cash and cash equivalents, beginning	<u>-</u>	<u>23,304</u>	<u>23,304</u>
Cash and cash equivalents, ending	<u>\$ 4,284</u>	<u>\$ -</u>	<u>\$ 4,284</u>

FIDUCIARY FUNDS

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2012 there was no non-expandable trust fund utilized by the Charter School.

Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, governmental and/or other funds.

Payroll Fund - This agency fund is used to account for the payroll transactions of the Charter School.

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>New Jersey Unemployment Benefits</u>	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ 6,385	\$ 299,497	\$ 305,882
Liabilities and fund balances				
Liabilities:				
Payroll and withholdings payable	\$ -	\$ -	\$ 50,509	\$ 50,509
Accounts payable	-	6,385	-	6,385
Summer payroll payable	-	-	154,146	154,146
Interfund payable	-	-	94,842	94,842
Total liabilities	<u>-</u>	<u>6,385</u>	<u>299,497</u>	<u>305,882</u>
Net Assets				
Restricted				
Unemployment compensation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 6,385</u>	<u>\$ 299,497</u>	<u>\$ 305,882</u>

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
(TRUST FUND)

YEAR ENDED JUNE 30, 2012

New Jersey
Unemployment Benefits

Revenues:	
General fund appropriation	\$ 4,000
Employees' contributions	3,086
Total revenues	<u>7,086</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>7,086</u>
Total expenditures	<u>7,086</u>
Excess(deficiency) of revenue over expenditures	-
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u>\$ -</u>

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 3,193	\$ 28,943	\$ 25,751	\$ 6,385
Liabilities				
Accounts Payable	\$ 3,193	\$ 28,943	\$ 25,751	\$ 6,385

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2012

	<u>Balance June 30, 2011</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2012</u>
Assets				
Cash and cash equivalents	\$ 388,076	\$ 5,545,668	\$ 5,634,247	\$ 299,497
Interfund receivable	-	212,020	212,020	-
Prepaid expenses	<u>1,702</u>	<u>-</u>	<u>1,702</u>	<u>-</u>
Total Assets	<u>\$ 389,778</u>	<u>\$ 5,757,688</u>	<u>\$ 5,847,969</u>	<u>\$ 299,497</u>
Liabilities				
Payroll deductions and withholdings	\$ 17,301	\$ 903,441	\$ 870,537	\$ 50,509
Summer payroll payable	137,229	154,450	137,229	154,146
Interfund payable	<u>235,248</u>	<u>4,699,797</u>	<u>4,840,203</u>	<u>94,842</u>
Total Liabilities	<u>\$ 389,778</u>	<u>\$ 5,757,688</u>	<u>\$ 5,847,969</u>	<u>\$ 299,497</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

STATISTICAL SECTION

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 34 in the fiscal year ended June 30, 2004. Schedules of Statistical information are presented beginning in that year.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	63
Revenue Capacity These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	N/A
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial	N/A
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it	69
Sources: <i>Unless otherwise noted, the information in these schedules are 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-wide information include</i>	

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**NET ASSETS BY COMPONENT
Last Nine Fiscal Years**

(accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities									
Invested in capital assets, net of related debt	\$ 56,983	\$ 98,113	\$ 108,227	\$ 103,873	\$ 114,011	\$ 56,983	\$ 152,741	\$ 363,325	\$ 295,523
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	170,340	425,238	675,839	255,475	19,170	170,340	31,822	78,527	1,038
Total governmental activities net assets	<u>\$ 227,323</u>	<u>\$ 523,351</u>	<u>\$ 784,066</u>	<u>\$ 359,348</u>	<u>\$ 133,181</u>	<u>\$ 227,323</u>	<u>\$ 184,563</u>	<u>\$ 441,852</u>	<u>\$ 296,561</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	(84,747)	(31,500)	43,410	34,420	1,960	(84,747)	(27,227)	(22,579)	(16,380)
Total business-type activities net assets	<u>\$ (84,747)</u>	<u>\$ (31,500)</u>	<u>\$ 43,410</u>	<u>\$ 34,420</u>	<u>\$ 1,960</u>	<u>\$ (84,747)</u>	<u>\$ (27,227)</u>	<u>\$ (22,579)</u>	<u>\$ (16,380)</u>
School-wide									
Invested in capital assets, net of related debt	\$ 56,983	\$ 98,113	\$ 108,227	\$ 103,873	\$ 114,011	\$ 56,983	\$ 152,741	\$ 363,325	\$ 295,523
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	85,593	393,738	719,249	289,895	21,130	85,593	4,595	55,948	(15,342)
Total charter school net assets	<u>\$ 142,576</u>	<u>\$ 491,851</u>	<u>\$ 827,476</u>	<u>\$ 393,768</u>	<u>\$ 135,141</u>	<u>\$ 142,576</u>	<u>\$ 157,336</u>	<u>\$ 419,273</u>	<u>\$ 280,181</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN NET ASSETS

Last Nine Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses									
Governmental activities									
Instruction									
Regular	\$ 5,761,466	4,757,864	3,881,968	3,491,636	\$ 2,052,078	\$ 1,840,527	\$ 1,589,072	\$ 1,580,850	\$ 1,574,166
Special education	-	-	-	-	-	-	-	-	-
Other special education	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-
Nonpublic school programs	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-
Support Services:									
Tuition	-	-	-	-	-	-	-	-	-
Student & instruction related services	1,703,745	1,476,935	957,536	872,987	706,190	530,992	442,153	336,541	379,024
General administration	1,644,468	1,535,254	1,975,545	1,490,751	1,532,668	1,451,780	1,229,099	974,090	591,556
School Administrative Services	-	-	-	-	-	-	-	-	-
Central Services	-	-	-	-	-	-	-	-	-
Administrative information technology	-	-	-	-	-	-	-	-	-
Plant Operations and Maintenance	1,340,119	1,366,294	1,186,301	324,104	249,481	216,300	229,000	301,980	151,000
Pupil transportation	-	-	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-	-	-
Special Schools	-	-	-	-	-	-	-	-	-
Charter Schools	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-
Unallocated depreciation	92,040	21,130	17,458	17,458	15,994	22,736	465,828	25,991	32,561
Total governmental activities expenses	<u>10,541,838</u>	<u>9,157,477</u>	<u>8,018,808</u>	<u>6,196,936</u>	<u>4,556,411</u>	<u>4,062,335</u>	<u>3,955,152</u>	<u>3,219,452</u>	<u>2,728,307</u>
Business-type activities:									
Food service	454,124	346,568	196,092	181,515	175,194	181,515	164,234	128,171	159,162
Child Care	18,181	20,412	33,518	14,587	-	-	-	-	-
Total business-type activities expense	<u>472,305</u>	<u>366,980</u>	<u>229,610</u>	<u>196,102</u>	<u>175,194</u>	<u>181,515</u>	<u>164,234</u>	<u>128,171</u>	<u>159,162</u>
Total district expenses	<u>\$ 11,014,143</u>	<u>\$ 9,524,457</u>	<u>\$ 8,248,418</u>	<u>\$ 6,393,038</u>	<u>\$ 4,731,605</u>	<u>\$ 4,243,850</u>	<u>\$ 4,119,386</u>	<u>\$ 3,347,623</u>	<u>\$ 2,887,469</u>
Program Revenues									
Governmental activities:									
Charges for services:									
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,538,536	1,021,779	1,080,476	454,137	412,281	450,877	307,598	468,417	404,038
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total governmental activities program revenue	<u>1,538,536</u>	<u>1,021,779</u>	<u>1,080,476</u>	<u>454,137</u>	<u>412,281</u>	<u>450,877</u>	<u>307,598</u>	<u>468,417</u>	<u>404,038</u>
Business-type activities:									
Charges for services:									
Food service	17,854	13,095	9,306	44,723	53,293	44,723	26,513	29,348	31,960
Child care	27,426	25,018	31,275	39,713	-	-	-	-	-
Operating grants and contributions	373,778	253,957	198,019	144,126	143,754	144,126	133,073	92,624	118,727

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

CHANGES IN NET ASSETS

Last Nine Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Capital grants and contributions	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	419,058	292,070	238,600	228,562	197,047	188,849	159,586	121,972	150,687
Total district program revenues	<u>\$ 1,957,594</u>	<u>\$ 1,313,849</u>	<u>\$ 1,319,076</u>	<u>\$ 682,699</u>	<u>\$ 609,328</u>	<u>\$ 639,726</u>	<u>\$ 467,184</u>	<u>\$ 590,389</u>	<u>\$ 554,725</u>
Net (Expense)/Revenue									
Governmental activities	\$ (9,003,302)	(8,135,698)	(6,938,332)	(5,742,799)	\$ (4,144,130)	\$ (3,611,458)	\$ (3,647,554)	\$ (2,751,035)	\$ (2,324,269)
Business-type activities	(53,247)	(74,910)	8,990	32,460	21,853	7,334	(4,648)	(6,199)	(8,475)
Total district-wide net expense	<u>\$ (9,056,549)</u>	<u>\$ (8,210,608)</u>	<u>\$ (6,929,342)</u>	<u>\$ (5,710,339)</u>	<u>\$ (4,122,277)</u>	<u>\$ (3,604,124)</u>	<u>\$ (3,652,202)</u>	<u>\$ (2,757,234)</u>	<u>\$ (2,332,744)</u>
									continued
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purpose:	\$ 8,793,320	7,932,991	7,280,051	6,376,798	\$ 3,591,784	\$ 3,591,784	\$ 3,316,631	\$ 2,776,792	\$ 2,310,216
Taxes levied for debt service	-	-	-	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-	82,393	224,167
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-
Tuition Received	-	-	-	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-	-	-	-
Miscellaneous income	3,166	981	82,999	21,213	27,893	27,893	73,634	37,141	27,557
Transfers	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>8,796,486</u>	<u>7,933,972</u>	<u>7,363,050</u>	<u>6,398,011</u>	<u>3,619,677</u>	<u>3,619,677</u>	<u>3,390,265</u>	<u>2,896,326</u>	<u>2,561,940</u>
Business-type activities:									
Investment earnings	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 8,796,486</u>	<u>\$ 7,933,972</u>	<u>\$ 7,363,050</u>	<u>\$ 6,398,011</u>	<u>\$ 3,619,677</u>	<u>\$ 3,619,677</u>	<u>\$ 3,390,265</u>	<u>\$ 2,896,326</u>	<u>\$ 2,561,940</u>
Change in Net Assets									
Governmental activities	\$ (206,816)	(201,726)	424,718	655,312	\$ (524,453)	\$ 8,219	\$ (257,289)	\$ 145,291	\$ 237,671
Business-type activities	(53,247)	(74,910)	8,990	32,460	21,853	7,334	(4,648)	(6,199)	(8,475)
Total district	<u>\$ (260,063)</u>	<u>\$ (276,636)</u>	<u>\$ 433,708</u>	<u>\$ 687,772</u>	<u>\$ (502,600)</u>	<u>\$ 15,553</u>	<u>\$ (261,937)</u>	<u>\$ 139,092</u>	<u>\$ 229,196</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

FUND BALANCES - GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund									
Reserved	\$ 56,983	\$ -	\$ 108,227	\$ 103,873	\$ 114,011	\$ 130,005	\$ 152,741	\$ 363,325	\$ 295,523
Unreserved	342,529	654,180	771,437	302,214	19,170	62,777	31,822	78,527	1,038
Total general fund	<u>\$ 399,512</u>	<u>\$ 654,180</u>	<u>\$ 879,664</u>	<u>\$ 406,087</u>	<u>\$ 192,782</u>	<u>\$ 192,782</u>	<u>\$ 184,563</u>	<u>\$ 441,852</u>	<u>\$ 296,561</u>
All Other Governmental Funds									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:									
Special revenue fund	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(Unaudited)

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Local Sources:									
Local tax levy	\$ 1,099,724	\$ 1,003,418	\$ 910,681	\$ 830,218	\$ 827,904	\$ 632,331	\$ 569,593	\$ 447,810	\$ 405,139
Miscellaneous	53,166	45,981	82,999	21,313	148,996	27,893	73,634	37,141	27,557
State sources	8,268,574	7,047,413	6,620,898	5,546,580	3,107,609	2,959,453	2,751,038	2,328,982	1,905,077
Federal sources	690,511	695,037	828,948	454,137	412,281	450,877	303,598	550,810	628,205
Total Revenues	10,111,975	8,791,849	8,443,526	6,852,248	4,496,790	4,070,554	3,697,863	3,364,743	2,965,978
Current expense									
Instruction									
Salaries	3,306,744	2,986,861	2,501,308	2,206,612	1,659,627	1,507,045	\$ 1,356,071	\$ 1,186,512	\$ 1,001,573
Professional /Technical service	323,957	105,876	35,684	104,968	97,926	94,935	62,436	80,260	116,924
Other purchased services	123,070	28,272	18,544	62,145	-	-	4,318	0	366
General educational supplies	348,915	335,950	249,877	192,239	176,320	169,264	121,938	219,827	182,053
Instructional text and books	192,550	163,502	57,414	65,230	65,228	18,565	5,310	59,471	4,636
Other instructional expenses	11,083	11,813	21,201	20,631	52,977	50,718	38,999	34,780	16,837
Administrative cost:									
Salaries	1,020,462	856,940	1,064,663	871,985	526,905	536,677	492,909	351,522	290,578
Total benefit costs	1,968,677	1,474,239	1,532,695	1,263,342	741,028	719,399	488,215	397,795	332,105
Professional /Technical service	94,408	131,152	196,798	52,754	57,109	39,000	41,449	87,492	46,618
Other purchased services	73,946	58,339	46,479	34,047	27,741	22,150	32,333	10,116	76,704
Communications and Telephones	38,704	51,917	70,064	52,343	41,279	26,564	24,441	32,964	43,056
Supplies and materials	44,965	88,122	86,929	69,654	29,197	37,186	29,048	41,679	27,617
Judgments against charter school	57	-	950	-	-	-	-	-	3,000
Interest on current loans	12,101	7,930	8,745	13,987	9,105	11,718	11,070	5,839	5,607
Miscellaneous expenses	19,776	17,919	76,152	64,114	100,304	59,086	109,634	46,683	36,204
Support services:									
Salaries	971,890	700,472	398,150	363,655	219,842	88,434	72,530	135,055	84,856
Purchased Professional /Technical serv	101,314	120,354	47,151	34,932	32,555	24,000	11,640	1,819	21,190
Other purchased services	36,776	92,421	192,046	217,880	320,118	345,172	218,568	147,100	108,300
Rent on land and buildings	1,340,119	1,366,294	1,186,301	324,104	249,481	216,300	229,000	301,980	251,000
Insurance-fidelity, liability property	-	29,998	32,649	37,485	42,192	20,099	28,007	25,233	23,588
Transportation- other than to/from school	9,654	-	9,654	-	-	-	-	-	-
Supplies and materials	52,069	46,741	46,441	20,517	44,766	15,636	19,395	18,733	22,627

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(Unaudited)**

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004
Utilities	139,731	166,232	70,204	59,765	46,717	35,366	62,516		
Miscellaneous	45,666	34,595	2,392	350	-	2,285	29,497	8,601	307
Capital outlay	54,553	11,016	21,812	7,320	-	-	255,244	93,793	232,293
Total Expenditures	10,331,187	8,886,955	7,974,303	6,140,059	4,039,599	4,039,599	3,744,568	3,287,254	2,928,039
Excess (Deficiency) of Revenues Over Expenditures	(219,212)	(95,106)	469,223		30,955	30,955	(46,705)	77,489	37,939
Other financing sources(uses):									
Long term debt	-	-	-		-	-	-	-	-
Operating transfers in/(out)	-	-	-		-	-	-	-	-
Total other financing sources/(uses)	-	-	-		-	-	-	-	-
Net change in fund balances	\$ (219,212)	\$ (95,106)	\$ 469,223	\$ -	\$ 30,955	\$ 30,955	\$ (46,705)	\$ 77,489	\$ 37,939
Debt service as a percentage of noncapital expenditures	0.12%	0.09%	0.11%	0.23%	0.29%	0.29%	0.32%	0.18%	0.21%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Nine Fiscal Years**

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction									
Regular	48	58	48	49	39	39	39	33	26
Special education	2	2	2	1	1	1	1	1	1
Other special education									
Vocational									
Other instruction									
Nonpublic school programs									
Adult/continuing education programs									
Support Services:									
Student & instruction related services	2	2	2						
General administration	6	3	6	11	6	6	6	7	6
School administrative services									
Other administrative services	2	3	2						
Central services	2	4	2						
Administrative Information Technology		1							
Plant operations and maintenance	4	-	4						
Pupil transportation									
Other support services	6	-	6	7	1	1	1	2	2
Special Schools									
Food Service	4	4	4	4	4	4	4	3	3
Child Care									
Total	<u>76</u>	<u>77</u>	<u>76</u>	<u>72</u>	<u>51</u>	<u>51</u>	<u>51</u>	<u>46</u>	<u>38</u>

Source: Charter School's personnel records

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

OPERATING STATISTICS

**Last Nine Fiscal Years
(Unaudited)**

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	% Change in Average Daily Enrollment	Student Attendance Percentage
						Kindergarten	Elementary				
2004	254	\$ 2,859,079	\$ 11,256	N/A	27.00	10.1	12.3	254.0	249	N/A	98.00%
2005	297	3,287,254	11,068	16.9%	34.00	13.1	12.5	300.0	294	18.11%	98.00%
2006	337	3,517,534	10,438	13.5%	40.00	12.3	12.7	339.0	332	13.00%	98.00%
2007	357	3,945,620	11,052	5.9%	40.00	12.3	12.7	357.0	350	40.55%	98.00%
2008	361	4,039,599	11,190	1.12%	40.00	12.3	12.7	357.0	350	19.00%	98.00%
2009	468	6,132,739	13,104	17.1%	50.00	12.3	12.7	468.0	459	38.05%	98.00%
2010	510	7,952,491	15,596	19.0%	50.00	12.3	12.7	510.0	500	50.44%	98.00%
2011	573	9,054,062	15,801	12.0%	60.00	12.9	12.9	573.0	562	12.35%	98.00%
2012	659	10,546,267	16,011	15.0%	50.00	12.3	12.7	510.0	500	50.44%	98.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Nine Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>Elementary</u>									
Backman Elementary (1982)									
Square Feet	45,002	60,000	45,002	45,002	18,000	18,000	18,000	18,000	18,000
Capacity (students)	525	600	525	480	360	360	360	360	300
Enrollment	517	573	510	480	339	339	339	300	254

Source: Charter School's Records

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2012
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Property:		
Building and Contents	\$ 14,260,000	\$ 1,000
Electronic Data Processing	270,000	1,000
Boiler & Machinery	Included	1,000
Crime Coverage:		
Blanket Faithful Performance	25,000	500
Money & Securities	5,000	500
Depositors' Forgery	25,000	500
Bond Board Secretary	159,000	1,000
Bond Board Treasurer	159,000	1,000
Comprehensive General Liability	1,000,000	-
Automobile	6,000,000	N/A
Supplemental Indemnity	Statutory	7-day waiting period
School Leaders Errors & Omissions:		
Coverage A	1,000,000	5,000
Coverage B	100,000	5,000
Coverage B - Annual Aggregate	300,000	-
Workers Compensation	2,000,000	-
Umbrella	6,000,000	-
Student Accident Liability	1,000,000	1,000

Source: Charter School's Records

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter School
Essex County, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Marion P. Thomas Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Charter School Board of Trustees' basic financial statements as listed in the table of contents, and have issued our report thereon, dated November 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter School Board of Trustees' 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 Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter School Board of Trustees' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 the Charter School Board of Trustees' 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, Department of Education, State of New Jersey.

However, we noted certain matters that we have reported to the Board of Trustees of the Marion P. Thomas Charter School in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 26, 2012.

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



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 26, 2012

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

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter School
Essex County, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Marion P. Thomas Charter School (the Charter School) in the County of Essex, 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 its major federal and state programs for the fiscal year ended June 30, 2012. 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, Department of Education, State of New Jersey; *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations*; and *New Jersey OMB Letter 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 Letter Circular 04-04*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

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 LETTER CIRCULAR 04-04 – CONTINUED

In our opinion, the Marion P. Thomas Charter School Board of Trustees, in the County of Essex, State of New Jersey, complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The 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 its 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 its major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Charter School's internal control over compliance.

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

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

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



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400

November 26, 2012

MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Grant No.	Grant Period	Award Amount	Balance at June 30, 2011	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2011	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
U.S. Department of Education:												
Passed-through New Jersey State Department Educator												
No Child Left Behind:												
Title I, Part A - Grants to Local Educationa Agencie	84.010		9/1/11-8/31/12	\$ 664,888	\$ -	\$ -	\$ 370,161	\$ (448,081)	\$ -	\$ (77,920)	\$ -	\$ -
Title I, Part A - Grants to Local Educationa Agencie	84.010		9/1/10-8/31/11	481,401	42,459	-	81,296	(81,296)	42,459	-	-	-
Title II, Part A	84.281		9/1/11-8/31/12	46,136	-	-	18,000	(38,532)	-	(20,532)	-	-
Title II, Part D	84.318		9/1/11-8/31/12	1,114	-	-	-	(1,114)	-	(1,114)	-	-
IDEA , Basic	84.027		9/1/11-8/31/12	122,619	-	-	76,377	(115,374)	-	(38,997)	-	-
IDEA - Basic	84.027		9/1/10-8/31/11	2,339	-	-	2,339	(2,339)	-	-	-	-
IDEA - ARRA FY 2009-2010	84.027		7/1/09-8/31/11	3,775	3,775	-	-	(3,775)	-	-	-	-
Total U.S. Department of Education					46,234	-	548,173	(690,511)	42,459	(138,563)	-	-
U.S. Department of Agriculture												
Passed-through New Jersey State Department of Agriculture												
Fresh Fruits and Vegetables	10.582		7/1/11-6/30/12	30,559	-	-	23,471	(30,559)	-	(7,088)	-	-
National School Lunch Program	10.555		7/1/11-6/30/12	270,967	-	-	247,798	(270,967)	-	(23,169)	-	-
National School Lunch Program	10.555		7/1/10-6/30/11	203,530	(17,293)	-	17,293	-	-	-	-	-
National School Breakfast Program	10.553		7/1/11-6/30/12	41,540	-	-	37,700	(41,540)	-	(3,840)	-	-
National School Breakfast Program	10.553		7/1/10-6/30/11	29,856	(2,798)	-	2,798	-	-	-	-	-
Total U.S. Department of Agriculture					(20,091)	-	329,060	(343,066)	-	(34,097)	-	-
Total Expenditures of Federal Awards					\$ 26,143	\$ -	\$ 877,233	\$ (1,033,577)	\$ 42,459	\$ (172,660)	\$ -	\$ -

See notes to schedules of expenditures of federal awards and state financial assistance

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2011	Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2012	Deferred Revenue at June 30, 2012	Due to Grantor at June 30, 2012
New Jersey State Department of Education												
General Fund:												
Equalization Aic	12-495-034-5120-078	7/1/11-6/30/12	\$ 7,366,707	\$ -	\$ -	\$ -	\$ 7,273,409	\$ (7,366,707)	\$ -	\$ -	\$ -	\$ 93,298
Equalization Aic	11-495-034-5120-078	7/1/10-6/30/11	6,687,110	81,377	-	-	-	-	81,377	-	-	-
Special Education Categorical Aic	12-495-034-5120-089	7/1/11-6/30/12	56,372	-	-	-	56,372	(56,372)	-	-	-	-
TPAF-Social Security	12-495-034-5095-006	7/1/11-6/30/12	223,047	-	-	-	204,922	(223,047)	-	(18,125)	-	-
TPAF-Social Security	11-495-034-5095-006	7/1/10-6/30/11	163,902	(79,813)	-	-	79,813	-	-	-	-	-
On-behalf payments - TPAF	12-495-034-5095-007	7/1/11-6/30/12	202,858	-	-	-	202,858	(202,858)	-	-	-	-
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	270,517	-	-	-	270,517	(270,517)	-	-	-	-
Security Aid	11-495-034-5120-084	7/1/10-6/30/11	257,182	(9,412)	-	-	-	-	9,412	-	-	-
Total General Fund				(7,848)	-	-	8,087,891	(8,119,501)	90,789	(18,125)	-	93,298
Special Revenue Fund:												
Pre-School Education	12-495-034-5120-086	7/1/11-6/30/12	378,883	-	-	-	372,120	(372,120)	-	(6,763)	6,763	-
Enterprise Fund:												
State School Lunch Program	12-100-010-3350-023	7/1/11-6/30/12	5,700	-	-	-	5,227	(5,700)	-	(473)	-	-
State School Lunch Program	11-100-010-3350-023	7/1/10-6/30/11	4,096	(366)	-	-	366	-	-	-	-	-
Total Enterprise Fund				(366)	-	-	5,593.0	(5,700)	-	(473)	-	-
Total Expenditures of State Financial Assistance				\$ (8,214)	\$ -	\$ -	\$ 8,465,604	\$ (8,497,321)	\$ 90,789	\$ (25,361)	\$ 6,763	\$ 93,298

See notes to schedules of expenditures of federal awards and state financial assistance

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

FISCAL YEAR ENDED JUNE 30, 2012

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 of the Charter School. The Board of Trustees is defined in Note 1 to the Charter School'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 federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those 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 these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with the amounts reported in the Board's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary 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. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 8,119,502	\$ 8,119,502
Special Revenue Fund	690,511	372,120	1,062,631
Enterprise Fund	368,079	5,699	373,778
Total	<u>\$ 1,058,590</u>	<u>\$ 8,497,321</u>	<u>\$ 9,555,911</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$223,047 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012. The State had also made on-behalf TPAF payments for post retirement medical benefits in the amount of \$202,858.

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? Yes ✓ None reported

Significant deficiency(ies) identified not considered to be material weaknesses? Yes ✓ No

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

Dollar threshold used to determine Type A and B program \$300,000

Internal control over compliance:
 Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes ✓ None reported

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

Auditee qualified as low-risk auditee? Yes ✓ No

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

Identification of Major Programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.010	Title I Grants to Local Educational Agencies
	<i>Food Program Cluster:</i>
10.553	National School Breakfast Program
10.555	National School Lunch Program

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes ✓ No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes ✓ No

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Public Aid Cluster:	
12-495-034-5120-025	Equalization Aid
12-495-034-5120-084	Security Aid
12-495-034-5120-089	Special Education Aid
12-495-034-5120-086	Pre-School Education Aid

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

None Noted

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS**

None

**MARION P. THOMAS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS
PREPARED BY MANAGEMENT**

FISCAL YEAR ENDED JUNE 30, 2012

Finding 11-01 Receivables and Payables

Condition

In our review of the general ledger accounts we noted differences between interfund account balances of the General Fund and the Trust and Agency Fund. We also noted that receivables and deferred revenues in the Special Revenue Fund were not periodically analyzed during the year. These accounts were subsequently reconciled and adjusting journal entries were posted to correct the differences.

In addition, we noted that prior year payables and receivables were not reversed during 2012.

Current Status

The above finding has been corrected.