

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NORTH STAR ACADEMY CHARTER
SCHOOL OF NEWARK
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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JUNE 30, 2012
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NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

September 15, 2012

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

Dear Commissioner:

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

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

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

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

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

- 2) **ENROLLMENT OUTLOOK:** North Star has enrolled 1,677 students, over seven campuses; three middle schools, one high school and three elementary schools for the 2011–2012 school year.
- 3) **MAJOR ACCOMPLISHMENTS** – In 2011–2012, North Star students maintained in excess of 96% attendance rate for the twelfth consecutive year. Parents and students reported a high level of satisfaction in all areas. The 3rd, 5th-8th and 11th grade test scores were well above district averages in all areas: math, language arts, and science. Every member of the senior class graduated and planned to attend four year colleges. The school has more than 2,700 students on a waiting list. The school was the most widely visited charter school in the state.
- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2012.

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

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2012.

Revenue	Amount	Percent of Total
Local	\$ 3,046,200	10%
State	23,056,513	73%
Federal	2,526,235	8%
Philanthropic Support	2,123,838	7%
Enterprise Fund	<u>934,677</u>	<u>2%</u>
Total	<u>\$31,687,463</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012.

Expenditures	Amount	Percent of Total
Current - General Fund	\$ 26,507,553	85%
Special Revenue Fund	3,627,756	12%
Enterprise Fund	<u>934,288</u>	<u>3%</u>
Total	<u>\$ 31,069,597</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
- 9) **RISK MANAGEMENT:** The school carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor’s report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Respectfully submitted,



Michael Ambriz
 Chief Operating Officer
 Lead Person

**ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2012**

<u>BOARD OF DIRECTORS</u>	<u>TERM EXPIRES</u>
Rick Rieder, (Chair)	6/2013
Micheal Lytle, Trustee	9/2012
Robert Howitt, Trustee	6/2013
Gia Rys, Trustee	6/2012
Nicole Albano, Trustee	6/2012
Crystal Wortham, Trustee	9/2011
Paul Bambrick-Santoyo, (Secretary)	6/2012
Trisha Scipio-Derrick, Trustee	9/2011
Ravi Bellur, Trustee	6/2013

Other Officers

Carolyn Hack, Treasurer
Kelly Dowling, Downtown Middle School Principal
Julie Jackson, Founding Vailsburg Elementary School Principal
Michael Mann, High School Head of School
Jesse Rector, Clinton Hill Middle School Principal
Aja Settles, West Side Park Elementary School Principal
Serena Savarirayan, Vailsburg Middle School Principal
Juliana Worrell, Fairmount Elementary School Principal
Michael Ambriz, Chief Operating Officer/Lead Person & Vice-President

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEYS

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

OFFICIAL DEPOSITORY

Sovereign Bank
905 Broad Street
Newark, New Jersey 07102

FINANCIAL SECTION

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

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the North Star Academy Charter School of Newark, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the charter schools' basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; 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 Administration and Finance, Department of Education, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides reasonable basis for my opinion.

In my 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 North Star Academy Charter School of Newark, Board of Trustees, in the County of Essex, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 15, 2012 on my consideration of the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of

that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Star Academy Charter School of Newark's Board of Trustees' basic financial statements. The accompanying supplementary information schedules such as the combining and individual fund financial statements and the Schedules of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and New Jersey OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the financial statements as a whole. The accompanying other information, such as the introductory and statistical sections, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Licensed Public School Accountant No. 870

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

Scott J. Loeffler CPA
September 15, 2012

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

This section of North Star Academy Charter School of Newark annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year include the following:

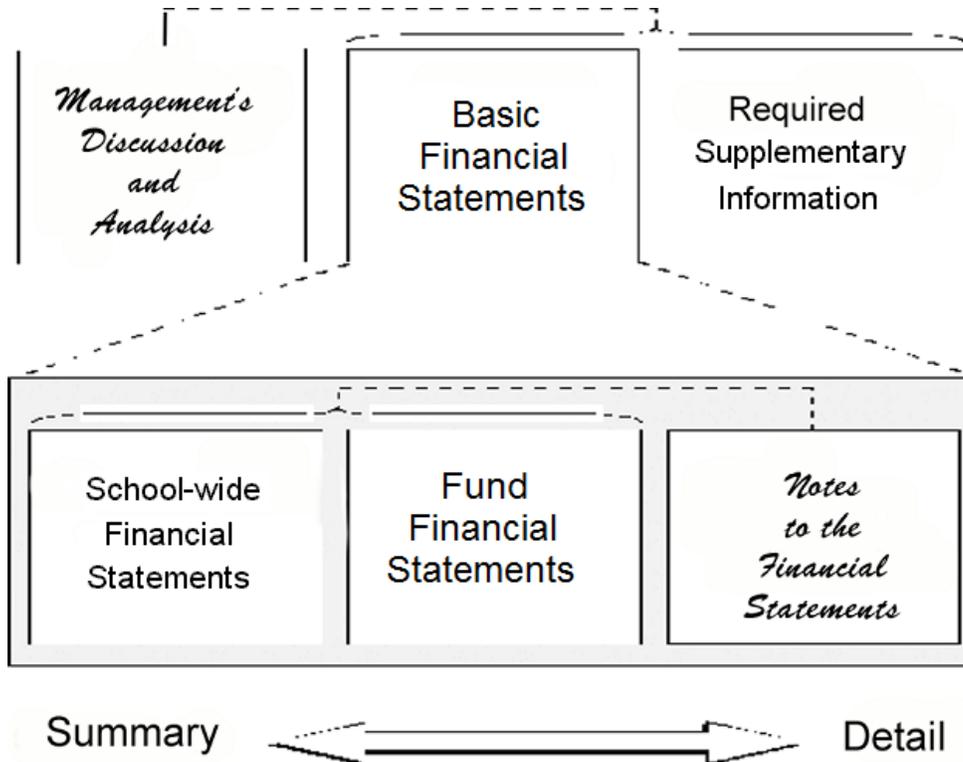
- Net assets were \$8,798,190.
- Net Assets increased by \$2,786,953 from July 1, 2011 to June 30, 2012.
- The General Fund balance at June 30, 2012 is \$3,765,557, an increase of \$617,477 when compared with the beginning balance at July 1, 2011.
- The Enterprise Fund balance at June 30, 2012 is \$8,467, an increase of \$389 when compared with the beginning at July 1, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

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



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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

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

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

School-wide Statements

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

The two school-wide statements report the North Star Academy Charter School of Newark's net assets and how they have changed. Net assets – the difference between the North Star Academy Charter School of Newark's assets and liabilities – are one way to measure the North Star Academy Charter School of Newark's financial health or position.

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

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

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

Fund Financial Statements

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

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

- Some funds are required by State law.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

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

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

- **Governmental funds-** Most of the North Star Academy Charter School of Newark's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the North Star Academy Charter School of Newark's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the North Star Academy Charter School of Newark's government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations.

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

Net assets. The North Star Academy Charter School of Newark's net assets are \$8,798,190 on June 30, 2012. (See Table A-1).

Governmental	\$ 8,789,723
Business Activities Food Service	<u>8,467</u>
Total	<u>\$ 8,798,190</u>

The assets of \$5,024,166 reflects total capital assets at net of assumed depreciation from inception.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

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

- Total revenues during the 2011-12 school year were \$31,687,463.
- Total expenditures during the 2011-12 school year were \$31,069,597.

Table A-1
The North Star Academy Charter School
Statement of Net Assets
As of June 30, 2012

	<u>Total</u>
Current and Other Assets	4,647,669
Capital Assets (Including Business Activities)	5,024,166
Total Assets	<u>\$9,671,835</u>
Long-Term Liabilities	-
Other Liabilities	873,645
Total Liabilities	<u>\$873,645</u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	5,024,166
Unrestricted Enterprise Fund	8,467
General Fund	3,765,557
Total Net Assets	<u><u>\$8,798,190</u></u>

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net assets of \$8,798,190 on June 30, 2012.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Table A-2
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

<u>Revenues</u>	<u>Total</u>
Program revenues	
Charges for services	---
Operating grants and contributions	
General revenues	
Local Share	3,046,200
State Aid-Unrestricted	23,056,513
Federal Aid-Restricted	2,526,235
Philanthropic Support	2,123,838
Enterprise Fund	934,677
Increase in Net Capital Outlay	2,169,476
Total revenues	<u>\$ 33,856,939</u>
Expenses	
Regular Instruction	13,319,253
General Administrative	8,008,480
School Administrative	5,218,176
On-behalf TPAF Social Security and Pension	1,274,360
Capital Outlay	2,315,040
Food Service	934,288
Total expenses	<u>\$ 31,069,597</u>
Increase (Decrease) in net assets	2,787,342
Net Assets, Beginning July 1	6,010,848
Net Assets, End of Year June 30	<u>\$ 8,798,190</u>

Changes in Net Assets. The North Star Academy Charter School of Newark's total revenues were \$31,687,463. Local shares of \$3,046,200 represented 10% of revenues. The state aid of \$23,056,513 represented 73% of revenues. The philanthropic support of miscellaneous revenues of \$2,123,838 represented 7% of revenues. The Special Revenue Fund and Federal Aid revenues total \$2,526,235 and the Proprietary Fund (food service) total \$934,677. The revenues represent 8% and 2% respectively.

The North Star Academy Charter School of Newark's expenses of \$31,069,597 are predominantly related to instruction and support services. Instruction expenditures totaled \$13,319,253 (43%) (of total expenditures.) Support services, are \$14,501,016 (47%) of total expenditures), Capital outlay \$2,315,040 (79% of total expenditures) and Food Service Enterprise Expenditure is \$934,288 (3%).

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

Total revenues of the exceeded expenditure, increasing net assets \$617,477 in the General Fund Balance and an increase of \$389 in the Enterprise's Funds net asset balance from the beginning balance at July 1, 2011.

Table A-3 (See Exhibit A-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental Activities			
Instruction			
Regular	B-2	13,319,253	13,319,253
Support Services			
General Administrative Services	B-2	8,008,480	8,008,480
School Administrative Services	B-2	5,218,176	5,218,176
On-behalf TPAF Social Security and Pension	B-2	1,274,360	1,274,360
Capital Outlay	B-2	2,315,040	2,315,040
Food Service		934,288	934,288
Total Governmental Activities		\$ 31,069,597	\$ 31,069,597

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

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit A-2. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of \$3,765,557.

The business activities retained earnings at June 30, 2012 is \$8,467.

Revenues for the North Star Academy Charter School of Newark's business activities were \$863,677, \$71,000 in school subsidy while total expenses were \$934,288. (Table A-2) (Exhibit A-2)

GENERAL FUND

The General Fund includes the primary operations of the North Star Academy Charter School of Newark in providing educational services to students from kindergarten and grade 5 through grade 12.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

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

Table A-4 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Years Ended June 30, 2012 and 2011

General Fund Revenues	Year Ended June 30, 2012	Year Ended June 30, 2011	Amount of Increase (Decrease)
Local Sources:			
Local Share	3,046,200	2,178,570	867,630
Other Local Revenue	2,234,821	899,710	1,335,111
Total Local Sources	\$ 5,281,021	\$ 3,078,280	\$ 2,202,741
Intergovernmental			
State Sources	23,070,322	15,994,181	7,076,141
Federal Sources	3,336,120	2,373,586	962,534
Total Intergovernmental Sources	\$ 26,406,442	\$ 18,367,767	\$ 8,038,675
Total Revenue	\$ 31,687,463	\$ 21,446,047	\$ 10,241,416

Needs to be reviewed

The following schedule presents a summary of General Fund expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

Table A-5 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Years Ended June 30, 2012 and 2011

General Fund Expenditures	Year Ended 06/30/2012	Year Ended 06/30/2011	Amount of Increase (Decrease)
Current:			
Regular Instruction	13,319,253	10,361,359	2,957,894
General Administrative Services	8,008,480	5,506,704	2,501,776
School Administration	5,218,176	3,150,008	2,068,168
On-behalf TPAF Social Security and Pension	1,274,360	824,460	449,900
Capital outlay	2,315,040	939,964	1,375,076
Food Service	934,288	671,555	262,733
Total Expenditures	\$ 31,069,597	\$ 21,454,050	\$ 9,615,547

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2012
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2012

General Fund	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Unreserved-Undesignated Fund Balance	3,765,557	3,148,080	2,806,380	1,643,876	1,036,458	570,696
Expenditures	31,069,597	21,454,050	14,910,846	11,266,211	7,866,483	5,586,822
Percentage	12%	15%	19%	15%	13%	10%

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

FACTORS BEARING ON THE SCHOOL'S FUTURE

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

- The State of New Jersey passed legislation which imposes a 2% cap on the underlying school District's tax levy.
- Future State Aid may be reduced due to the State's new criteria utilized in calculating allocations of State Aid.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the North Star Academy Charter School of Newark's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2012.

SCHOOL-WIDE FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,653,737	\$ (140,523)	\$ 3,513,214
Investments	-	-	-
Receivables, net	985,467	148,990	1,134,457
Inventory	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	<u>5,024,166</u>	<u>-</u>	<u>5,024,166</u>
Total Assets	<u>9,663,370</u>	<u>8,467</u>	<u>9,671,837</u>
LIABILITIES			
Cash Overdraft		0	-
Accounts payable	713,254	-	713,254
Due to Newark Board of Ed.	151,504	-	151,504
Deposits payable	-	-	-
Payable to federal government	-	-	-
Payable to state government	-	-	-
Deferred revenue	8,889	-	8,889
Noncurrent liabilities (Note 3):			
Due within one year	-	-	-
Due beyond one year	-	-	-
Total liabilities	<u>873,647</u>	<u>-</u>	<u>873,647</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,024,166	-	5,024,166
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	<u>3,765,557</u>	<u>8,467</u>	<u>3,774,024</u>
Total net assets	<u>\$ 8,789,723</u>	<u>\$ 8,467</u>	<u>\$ 8,798,190</u>

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ (13,319,253)	\$ -	\$ (2,638,765)	\$ -	(10,680,488)	\$ -	\$ (10,680,488)
Support services:	-						
General administratrion	(8,008,480)	-	(988,991)	-	(7,019,489)	-	(7,019,489)
School administrative services/ operations plant serv.	(5,218,176)	-	-	-	(5,218,176)	-	(5,218,176)
On - behalf TPAF Social Security	(1,274,360)	-	-	-	(1,274,360)	-	(1,274,360)
Capital Outlay	(2,315,040)	-	-	-	(2,315,040)	-	(2,315,040)
Total governmental activities	<u>(30,135,309)</u>	<u>-</u>	<u>(3,627,756)</u>	<u>-</u>	<u>(26,507,553)</u>	<u>-</u>	<u>(26,507,553)</u>
Business-type activities:							
Food Service	-	(934,288)	-	-	-	(934,288)	(934,288)
Total business-type activities	<u>-</u>	<u>(934,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(934,288)</u>	<u>(934,288)</u>
Total primary government	<u>\$ (30,135,309)</u>	<u>\$ 0</u>	<u>\$ (3,627,756)</u>	<u>\$ -</u>	<u>\$ (26,507,553)</u>	<u>\$ (934,288)</u>	<u>\$ (27,441,841)</u>
General revenues:							
					3,046,200		3,046,200
					20,400,537	13,809	20,414,346
						809,885	809,885
					2,655,976		2,655,976
					1,022,317	110,983	1,133,300
					2,169,476	0	2,169,476
Total general revenues, special items, extraordinary					<u>29,294,506</u>	<u>934,677</u>	<u>30,229,183</u>
Change in Net Assets					<u>2,786,953</u>	<u>389</u>	<u>2,787,342</u>
Net Assets—beginning					<u>6,002,770</u>	<u>8,078</u>	<u>6,010,848</u>
Net Assets—ending					<u>\$ 8,789,723</u>	<u>\$ 8,467</u>	<u>\$ 8,798,190</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>CAPITAL Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,176,751			\$ -	\$ 4,176,751
Investments					
Receivables, net	453,564	531,903	-		985,467
Inventory					
Restricted cash and cash equivalents					
Total assets	<u>\$ 4,630,315</u>	<u>\$ 531,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,162,218</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft		523,014	-		523,014
Accounts payable	713,254				
Due to Newark Board of Ed.	151,504				151,504
Payable to federal government	-				
Payable to state government	-				
Deferred revenue		8,889			
Total liabilities	<u>864,758</u>	<u>531,903</u>	<u>-</u>		<u>1,396,661</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	3,765,557		-		3,765,557
Capital projects fund					
Permanent fund					
Total Fund balances	<u>3,765,557</u>				<u>3,765,557</u>
Total liabilities and fund balances	<u>\$ 4,630,315</u>	<u>\$ 531,903</u>	<u>\$ -</u>	<u>\$ -</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. The cost of the assets is \$ 5,628,691 and the accumulated depreciation is (\$604,525)

5,024,166

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)

Net assets of governmental activities

\$ 8,789,723

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local share	\$ 3,046,200	\$ -	\$ -		\$ 3,046,200
State Share	20,400,537	-	-	-	20,400,537
Other Restricted Miscellaneous Revenues	-				-
Philanthropic Support	1,022,317	1,101,521		-	2,123,838
Total - Local Sources	<u>24,469,054</u>	<u>1,101,521</u>	<u>-</u>	<u>-</u>	<u>25,570,575</u>
State sources	2,655,976			-	2,655,976
Federal sources	-	2,526,235	-	-	2,526,235
Total revenues	<u>27,125,030</u>	<u>3,627,756</u>	<u>-</u>	<u>-</u>	<u>30,752,786</u>
EXPENDITURES					
Current:					
Regular instruction	\$ 10,680,488	\$ 2,638,765	\$ -	\$ -	\$ 13,319,253
Support services- General Administrative	7,019,489	988,991	-	-	8,008,480
Support Services- School Admin/ operations plant se	5,218,176				5,218,176
On-behalf TPAF Social Security and Pension	1,274,360				1,274,360
Capital outlay	2,315,040			-	2,315,040
Total expenditures	<u>26,507,553</u>	<u>3,627,756</u>	<u>-</u>	<u>-</u>	<u>30,135,309</u>
Excess (Deficiency) of revenues over expenditures	<u>617,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617,477</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	617,477	-	-	-	617,477
Fund balance—July 1	3,148,080	-	-	-	3,148,080
Fund balance—June 30	<u>\$ 3,765,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,765,557</u>

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2) \$ 617,477

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

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

Depreciation expense	\$ (121,351)	
Capital outlays	<u>2,290,827</u>	2,169,476

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

Change in net assets of governmental activities \$ 2,786,953

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

PROPRIETARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
Proprietary Funds
June 30, 2012

		Business-type Activities Enterprise funds Food Service
ASSETS		
Current assets:		
Cash and cash equivalents	\$	-
Investments		
Accounts receivable - Federal Aid		146,504
Accounts receivables - State Aid		2,486
Inventories		
Total current assets		148,990
Noncurrent assets:		
Restricted cash and cash equivalents		-
Furniture, machinery & equipment		-
Less accumulated depreciation		-
Total noncurrent assets		-
Total assets		148,990
LIABILITIES		
Current liabilities:		
Cash overdraft		140,523
Deposits payable		-
Compensated absences		-
Total current liabilities		140,523
Total liabilities		140,523
NET ASSETS		
Invested in capital assets net of related debt		-
Restricted for:		
Capital projects		-
Unrestricted		8,467
Total net assets	\$	8,467

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

Exhibit B-5

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

		Business-type Activities Enterprise Fund Food Service
Operating revenues:		
Charges for services:		
Daily sales - Reimbursable programs and Special Lunch Program	\$	39,983
Special functions		-
Total operating revenues		<u>39,983</u>
Operating expenses:		
Cost of sales		(934,288)
Salaries and Benefits		-
Professional Fees		-
Supplies, Materials and Other Expenses		-
Depreciation		0
Total Operating Expenses		<u>(934,288)</u>
Operating income (loss)		<u>(894,305)</u>
Nonoperating revenues (expenses):		
Board Subsidy		71,000
State sources:		
State Breakfast Program		--
State school lunch program		13,809
Federal sources:		
National school breakfast program		189,172
National school lunch program		601,397
National snack program		19,316
Total nonoperating revenues (expenses)		<u>894,694</u>
Income (loss) before contributions & transfers		389
Capital contributions		-
Transfers in (out)		0
Change in net assets		<u>389</u>
Total net assets—beginning		8,078
Total net assets—ending	\$	<u><u>8,467</u></u>

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

Exhibit B-6

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

		Business-type
		Activities
		Enterprise Funds
		Food
		Service
		<hr/> <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	39,983
Payments to employees and benefits		0
Payments to suppliers		(934,288)
Net cash provided by (used for) operating activities		<hr/> <hr/> (894,305)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State and Federal Sources		794,529
Operating subsidies and transfers to other funds		71,000
Net cash provided by (used for) non-capital financing activities		<hr/> <hr/> 865,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase In Fixed Assets		---
Proceeds from sale/maturities of investments		---
Net cash provided by (used for) investing activities		<hr/> <hr/> -
Net increase (decrease) in cash and cash equivalents		(28,776)
Cash Balances—beginning of year		(111,747)
Cash Balances—end of year	\$	<hr/> <hr/> (140,523)
Reconciliation of operating income (loss) to net cash provided		
(used) by operating activities:		
Operating income (loss)	\$	389
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(29,165)
(Increase) decrease in inventories		-
(Increase) decrease in USDA Communities		-
Increase (decrease) in accounts payable		-
Increase (decrease) in accrued compensated absences		0
Total adjustments		<hr/> <hr/> (29,165)
Net cash provided by (used for) operating activities	\$	<hr/> <hr/> (28,776)

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

FIDUCIARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Unemployment Compensation Trust	Gear Up Scholarship Fund	Agency fund
ASSETS			
Cash and cash equivalents	\$ 5,818	\$ 82,709	\$ -
Investments, at fair value:			
U.S. government obligations	-	-	-
NJ municipal bonds	-	-	-
Total investments	-	-	-
Total assets	5,818	82,709	\$ -
LIABILITIES			
Accounts payable		-	-
Payable to district	-	-	-
Payable to student groups	-	-	-
Payroll deductions and withholdings	-	-	-
Total liabilities	-	-	\$ -
NET ASSETS			
Held in trust for unemployment claims and other purposes	\$ 5,818		
Reserved for scholarships		\$ 82,709	

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	Unemployment Compensation Trust	GEAR UP Scholarship Fund
ADDITIONS		
Contributions:		
Plan member		
Other	43,834	
Total Contributions	<u>43,834</u>	
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		17
Dividends		
Less investment expense		
Net investment earnings		<u>17</u>
Total additions	<u>43,834</u>	<u>17</u>
DEDUCTIONS		
Quarterly contribution reports		
Unemployment claims	38,331	20,000
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions	<u>38,331</u>	<u>20,000</u>
Change in net assets	5,503	(19,983)
Net assets—beginning of the year	315	102,692
Net assets—end of the year	<u>\$ 5,818</u>	<u>\$ 82,709</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Star Academy Charter School of Newark been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the North Star Academy Charter School of Newark's accounting policies are described 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. Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

The North Star Academy Charter School of Newark is an instrumentality of the State of New Jersey, established to function as an education institution. The North Star Academy Charter School of Newark Board of Trustees is responsible for the fiscal control of the North Star Academy Charter School of Newark. A Managing Director is appointed by the North Star Academy Charter School of Newark and is responsible for the administrative control of the North Star Academy Charter School of Newark. Under existing statutes, the North Star Academy Charter School of Newark's duties and powers include, but are not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

The accompanying financial statements present the government and its component units, entities for which the school is considered to be financially accountable. The North Star Academy Charter School of Newark has no blended or discretely presented component units. Furthermore, the North Star Academy Charter School of Newark is not includable in any other reporting entity as a component unit.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the North Star Academy Charter School of Newark and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *miscellaneous revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. All assets and all liabilities associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this measurement focus and basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available).

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the North Star Academy Charter School of Newark considers revenues to be available if they are collected within 90 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures, which are recorded when payment is due and compensated absences and claims and judgments which are recorded only to the extent that there are expendable financial resources available.

Other items associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the North Star Academy Charter School of Newark.

The North Star Academy Charter School of Newark reports the following major governmental funds:

The *general fund* is the North Star Academy Charter School of Newark's primary operating fund. It accounts for all financial resources of the North Star Academy Charter School of Newark, except those required to be accounted for in another fund.

The North Star Academy Charter School of Newark reports the following major proprietary fund which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for private donations for scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the intended purposes. There is no requirement that any portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:
(continued)

Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation.

The North Star Academy Charter School of Newark has elected not to follow FASB guidance issued subsequent to December 1, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* in the North Star Academy Charter School of Newark -wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

D. Assets, Liabilities and Net Assets or Equity:

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

E. Assets, Liabilities and Net Assets or Equity:

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories and Prepaid Items*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred revenue.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accrued Liabilities and Payables

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

Net Assets

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

E. Assets, Liabilities and Net Assets or Equity: (continued)

3. *Inventories and Prepaid Items (continued)*

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

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in the government-wide financial statements.

Capital assets are defined by the North Star Academy Charter School of Newark as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method.

5. *Fund Reserve Restrictions, Commitments and Assignments*

The Charter School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current fiscal year. The objective of this standard is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied by

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

E. Assets, Liabilities and Net Assets or Equity (continued):

Fund Reserves Restrictions, Commitments and Assignments (continued)

clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Charter School has no funds restricted at June 30, 2012.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2012.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources at June 30, 2012.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

E. Assets, Liabilities and Net Assets or Equity (continued):

Fund Reserves Restrictions, Commitments and Assignments (continued)

Reserve for Capital Reserve Account - This reserve is created by budget appropriation to fund future capital expenditures.

Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures

This reserve is created to represent the portion of fund balance at June 30, 2012 restricted and utilized in the adopted subsequent year's budget. At June 30, 2012 there were no reserves.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

No difference noted.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

In accordance with the requirements of the New Jersey Department of Education, the North Star Academy Charter School of Newark annually prepares its operating budget for the forthcoming year. The budget, except for the special revenue fund, which is more fully explained below, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent and is voted upon by the Board of Trustees. Budget adoptions and amendments are recorded in the North Star Academy Charter School of Newark minutes.

The budget is properly amended by the North Star Academy Charter School of Newark trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

The legal level of budgetary control is established at the line item account 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. The school approved several budget transfers during 2011-2012.

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 accounting principles generally accepted in the United States of America, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the special revenue fund from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

	<u>Revenues</u>	<u>Expenditures</u>	Operating <u>In</u>	Transfers <u>Out</u>
Budgetary Basis	\$3,627,756	\$3,627,756	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2011	-	-	-	-
Less encumbrances at June 30, 2012	-	-	-	-
GAAP Basis	<u>\$3,627,756</u>	<u>\$3,627,756</u>	-	-

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation.

Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

B. Capital Reserve Account:

Funds placed in the capital reserve account are restricted to capital projects in the North Star Academy Charter School of Newark's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR).

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking Institution that is a member of the Federal Reserve System, and has capital funds of not less than \$25,000,000.00. Under (GUDPA), 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 the deposits to the governmental unit.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Cash Equivalents (continued)

As of June 30, 2012, North Star Academy Charter School of Newark cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	\$4,176,751	(\$523,014)	(\$140,523)	\$3,513,214

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

Category 2 - Collateralized with securities held by the pledging financial institutions trust department or agent in the School's name.

Category 3 - Uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the North Star Academy Charter School of Newark's name.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Bank Balance</u>
Deposits	\$3,513,214	\$ 0	\$ 0	\$3,513,214

The North Star Academy Charter School of Newark's cash deposits as June 30, 2012 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The school does not have a formal policy for custodial credit risk. As of June 30, 2012 the school bank balances of \$3,513,214 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Cash Equivalents (continued)

Investments (continued)

New Jersey statutes permit the North Star Academy Charter School of Newark to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States of America.
- b. Government Money Market Mutual Funds.
- c. Any obligations that a federal agency or a federal instrumentality has issued, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest.
- d. Bonds or other obligations of the North Star Academy Charter School of Newark or bonds or other obligations of the local unit or units which the school district is located.
- e. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, that are approved by the New Jersey Department of Treasury, Division of Investments.
- f. Local Government investment pools.
- g. Agreements or the repurchase of fully collateralized securities, if transacted in accordance with N.J.S.A. 18A:20-37.

The North Star Academy Charter School of Newark had no outstanding investments at June 30, 2012.

B. Receivables

Receivables as of year-end for the government's individual major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$453,564</u>	<u>\$531,903</u>	<u>\$148,990</u>	<u>\$1,134,457</u>
Gross Receivables	<u>\$453,564</u>	<u>\$531,903</u>	<u>\$148,990</u>	<u>\$1,134,457</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

C. Deferred Revenue - Special Revenue

Gear Up - \$8,889

D. Capital Assets

Capital assets as of June 30, 2012 were as follows:

Primary Government:

	<u>Balance at June 30, 2012</u>
Governmental activities:	
Capital assets, not being depreciated:	\$ -
Land	<u>-</u>
Total capital assets, not being depreciated	<u>\$ -</u>
Capital assets, being depreciated:	
Building Improvements	4,997,033
Machinery and equipment	<u>631,658</u>
Total capital assets being depreciated	<u>\$ 5,628,691</u>
Less accumulated depreciation for:	
Building Improvements	(296,217)
Machinery and equipment	<u>(308,308)</u>
Total accumulated depreciation	<u>(\$604,525)</u>
Total capital assets, being depreciated, net	<u>\$5,024,166</u>
Total Net Capital Assets All Funds	<u>\$5,024,166</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Total depreciation expense - governmental activities	<u>\$121,351</u>

Capital assets are depreciated in the financial statements using the straight-line method over the estimated useful life of the asset.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

E. Interfund Receivables, Payables, and Transfers:

As of June 30, 2012, there were no interfund transactions reflected.

F. Management Estimates:

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

NOTE 5. OTHER INFORMATION

A. Contingent Liabilities

The North Star Academy Charter School of Newark participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the North Star Academy Charter School of Newark may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the various grantor agencies but the North Star Academy Charter School of Newark believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the North Star Academy Charter School of Newark.

B. Pension Plans

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

Substantially all of the North Star Academy Charter School of Newark's employees participate in one of the two contributory defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS) of New Jersey. The TPAF and PERS are sponsored and administered by the State of New Jersey.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 5. OTHER INFORMATION (continued)

B. Pension Plans (continued)

The TPAF is considered a cost-sharing, multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the North Star Academy Charter School of Newark and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan. As a general rule, all full-time employees are eligible to join the TPAF or the PERS.

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Effective with the first payroll to be paid on or after October 1, 2011 the employee contributions for PERS went from 5.5% to 6.5% of employees' annual compensation as defined. Employers are required to contribute at an actuarially determined rate in the PERS and TPAF.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums. Under current statute, the North Star Academy Charter School of Newark is a noncontributing employer of the TPAF.

During the fiscal year ended June 30, 2012, the State of New Jersey contributed \$200,148 to the TPAF for pension benefits on-behalf of the North Star Academy Charter School of Newark.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 5. OTHER INFORMATION (continued)

B. Pension Plans (continued)

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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding 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 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

The State's on behalf Post Retirement Medical Contributions to TPAF for the North Star Academy Charter School of Newark were \$402,350.

NOTE 6. RISK MANAGEMENT

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

The school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to the Basic Financial Statements
Year Ended June 30, 2012

NOTE 7. LONG-TERM LEASES

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2012 amounted to \$3,082,059. Future obligations over the primary terms of the long-term lease is as follows:

2013	3,438,723
2014	3,438,723
2015	3,082,059

NOTE 8. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The 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.

NOTE 9. LINE OF CREDIT

The school had entered into a Non-Revolver Line of Credit with Sovereign Bank in the amount of \$800,000 to finance cash flow during the school year. The line of credit was not utilized during the year ended June 30, 2012 and thus the amount outstanding under the line of credit was zero. The term is not to exceed 12 months. Interest is payable at the prime rate plus 1.25% and interest expense amounted to \$0 for the period ended June 30, 2012. The loan is subject to certain guarantees and security interests on assets of the school.

NOTE 10. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of September 15, 2012, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$ 2,972,339	\$ 73,861	\$ 3,046,200	\$ 3,046,200	-
State Share	18,586,656	1,813,881	\$ 20,400,537	20,400,537	-
Other Restricted Miscellaneous Revenues	-	-	\$ -	-	-
Miscellaneous	750,000	272,317	1,022,317	1,022,317	-
Total - Local Sources	<u>22,308,995</u>	<u>2,160,059</u>	<u>24,469,054</u>	<u>24,469,054</u>	<u>-</u>
Categorical Aid					
Technology Aid Funds	-	-	-	-	-
Special Education Aid	455,040	(93,300)	361,740	361,740	-
Security Aid	651,843	67,872	719,715	719,715	-
T& E Gap	-	-	-	-	-
Demonstrably Effective	-	-	-	-	-
Non-Public Aid	-	300,161	300,161	300,161	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	602,498	(602,498)
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	671,862	(671,862)
Total State Sources	<u>1,106,883</u>	<u>274,733</u>	<u>1,381,616</u>	<u>2,655,976</u>	<u>(1,274,360)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>23,415,878</u>	<u>2,434,792</u>	<u>25,850,670</u>	<u>27,125,030</u>	<u>(1,274,360)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	\$ 9,500,179	(220,741)	9,279,438	9,279,438	-
Other Salaries	-	-	-	-	-
Prof/Tech Services	625,333	(261,042)	364,291	364,291	-
Other Purchased Services	575,521	(193,262)	382,259	382,259	-
General Supplies	800,876	(432,485)	368,391	368,391	-
Textbooks	44,756	(38,075)	6,681	6,681	-
Other Objects	164,449	114,979	279,428	279,428	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>11,711,114</u>	<u>(1,030,626)</u>	<u>10,680,488</u>	<u>10,680,488</u>	<u>-</u>

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	1,896,000	(127,801)	1,768,199	1,768,199	-
Salaries of Secretarial and Clerical Assistants	504,700	92,440	597,140	597,140	-
Cost of Benefits	1,969,901	(96,317)	1,873,584	1,873,584	-
Other Purchased Services	-	-	-	-	-
Consultants	1,355,394	(1,326,808)	28,586	28,586	-
Purchased Professional and Technical Services	385,556	2,230,787	2,616,343	2,616,343	-
Communications/Telephone	176,877	(122,745)	54,132	54,132	-
Interest on Current Loans	-	-	-	-	-
Supplies and Materials	26,394	7,992	34,386	34,386	-
Other Objects	36,582	10,537	47,119	47,119	-
	<u>6,351,404</u>	<u>668,085</u>	<u>7,019,489</u>	<u>7,019,489</u>	<u>-</u>
Support Services - School Admin/Operation Plant Services					
Salaries	496,864	249,757	746,621	746,621	-
Purchased Professional and Technical Services	139,852	(139,852)	-	-	-
Other Purchased Services	475,713	201,563	677,276	677,276	-
Rental of Land and Building- other than Lease Purchase Agreements	3,145,000	(62,941)	3,082,059	3,082,059	-
Insurance	157,784	(75,533)	82,251	82,251	-
General Supplies	69,444	77,689	147,133	147,133	-
Transportation- Trips	269,862	(269,862)	-	-	-
Energy (Energy and Electricity)	423,841	(12,005)	411,836	411,836	-
Other Objects	-	-	-	-	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>5,178,360</u>	<u>(31,184)</u>	<u>5,147,176</u>	<u>5,147,176</u>	<u>-</u>
Food Service					
Board Subsidy		71,000	71,000	71,000	
Other Purchsed Services		-	-	-	
Total Food Services		<u>71,000</u>	<u>71,000</u>	<u>71,000</u>	
On-behalf TPAF pension Contributions (non-budgeted)				602,498	(350,050)
Reimbursed TPAF Social Security Contributions (non-budgeted)				671,862	(671,862)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,360</u>	<u>1,274,360</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>11,529,764</u>	<u>707,901</u>	<u>12,237,665</u>	<u>13,512,025</u>	<u>(1,274,360)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>23,240,878</u>	<u>(322,725)</u>	<u>22,918,153</u>	<u>24,192,513</u>	<u>(1,274,360)</u>

NORTHSTAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The 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>
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	-	-	-	-	-
Non-Instructional Equipment	-	24,213	24,213	24,213	-
Miscellaneous	175,000	2,733,304	2,908,304	2,290,827	617,477
Total Equipment	<u>175,000</u>	<u>2,757,517</u>	<u>2,932,517</u>	<u>2,315,040</u>	<u>617,477</u>
TOTAL EXPENDITURES- GENERAL FUND	23,415,878	2,434,792	25,850,670	26,507,553	(656,883)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	617,477	(617,477)
Other Financing Sources:					
Operating Transfer In:	-	-	-	-	-
Total Other Financing Sources:	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	617,477	(617,477)
Fund Balance, July 1	-	-	3,148,080	3,148,080	
Fund Balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,148,080</u>	<u>\$ 3,765,557</u>	<u>\$ (617,477)</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Unaudited)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources	\$ 1,101,521		\$ 1,101,521	\$ 1,101,521	
State Sources	-		-	-	
Federal Sources	2,526,235		2,526,235	2,526,235	
Total Revenues	<u>3,627,756</u>		<u>3,627,756</u>	<u>3,627,756</u>	
EXPENDITURES:					
Instruction					
Salaries of Teachers	1,168,304		1,168,304	1,168,304	
Other Salaries for Instruction					
Purchased Professional -Educational Services	160,977		160,977	160,977	
Other Purchased Services	18,598		18,598	18,598	
Technical Supplies	64,038		64,038	64,038	
Instructional Supplies	956,165		956,165	956,165	
Textbooks	49,000		49,000	49,000	
General Supplies	-		-	-	
Personal Services- Employee Benefits	218,416		218,416	218,416	
Administrative Costs	3,267		3,267	3,267	
Instructional Supplies	-		-	-	
Total Instruction	<u>2,638,765</u>		<u>2,638,765</u>	<u>2,638,765</u>	
Support Services					
Salaries of Supervisor of Instruction	56,666		56,666	56,666	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Staff Recruitment	320,881		320,881	320,881	
Transportation	239,440		239,440	239,440	
Supplies	10,999		10,999	10,999	
Afterschool Supplies	33,732		33,732	33,732	
Scholarship Aid	46,925		46,925	46,925	
Photocopier Supplies	10,995		10,995	10,995	
Security	112,498		112,498	112,498	
Student Enrichment	68,415		68,415	68,415	
Travel	46,596		46,596	46,596	
Graduation Events	41,844		41,844	41,844	
Total Support Services	<u>988,991</u>		<u>988,991</u>	<u>988,991</u>	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Unaudited)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Transfer to Charter School	-	-	-	-	-
Total Expenditures	<u>3,627,756</u>	<u>-</u>	<u>3,627,756</u>	<u>3,627,756</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Total Outflows	<u>3,627,756</u>	<u>-</u>	<u>3,627,756</u>	<u>3,627,756</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$ 3,627,756</u>	<u>\$ -</u>	<u>\$ 3,627,756</u>	<u>\$ 3,627,756</u>	<u>\$ -</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2012**

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

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

SPECIAL REVENUE FUND

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2012

	TOTAL	IDEA PART B-Basic Reg. Prog.	TITLE I	Title IIA	FEDERAL CSP	ACE Grant	Gear Up	Private Grants
REVENUES								
Intergovernmental								
State								
Federal	2,526,235	283,361	1,033,659	25,434	1,183,781			
Other Sources								
Miscellaneous	1,101,521					263,553	17,560	820,408
Total Revenues	<u>3,627,756</u>	<u>283,361</u>	<u>1,033,659</u>	<u>25,434</u>	<u>1,183,781</u>	<u>263,553</u>	<u>17,560</u>	<u>820,408</u>
EXPENDITURES								
Instruction								
Salaries	1,168,304	141,103	680,908		200,676	145,617		
Purchased Prof. and Tech. Services	186,411	46,037		25,434	114,940			
Other Purchased Services	18,598		15,000					3,598
Instructional Supplies	956,165		109,533		829,973	16,659		
Technical Supplies	38,604		21,042		0	17,562		
Textbooks	49,000		49,000					
Personal Services - Employee Benefits	218,416	39,555	136,182		24,094	18,585		
Administration Costs	3,267				0	3,267		
Total Instruction	<u>2,638,765</u>	<u>226,695</u>	<u>1,011,665</u>	<u>25,434</u>	<u>1,169,683</u>	<u>201,690</u>	<u>0</u>	<u>3,598</u>
Support Services								
Salaries of Supervisors of Instruction	56,666	56,666						
Salaries of Program Directors	0							
Salaries of Other Prof. Staff	0							
Salaries of Secretarial and Clerical Ass't	0							
Staff Recruitment	320,881							320,881
Transportation	239,440							239,440
Afterschool Programs	33,732							33,732
Photocopier Supplies	10,995		10,995					
Supplies	10,999		10,999					
Scholarships Aid	46,925					29,365	17,560	
Security	112,498							112,498
Student Enrichment	68,415							68,415
Graduation Events	41,844							41,844
Travel	46,596				14,098	32,498		
Total Support Services	<u>988,991</u>	<u>56,666</u>	<u>21,994</u>	<u>0</u>	<u>14,098</u>	<u>61,863</u>	<u>17,560</u>	<u>816,810</u>
TOTAL EXPENDITURES	<u><u>3,627,756</u></u>	<u><u>283,361</u></u>	<u><u>1,033,659</u></u>	<u><u>25,434</u></u>	<u><u>1,183,781</u></u>	<u><u>263,553</u></u>	<u><u>17,560</u></u>	<u><u>820,408</u></u>

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
JUNE 30, 2012**

	Business-Type Activities	
	<u>Enterprise Fund</u>	<u>Food Services</u>
ASSETS		
Current Assets		
Cash	\$0	
Intergovernmental Receivable		
Federal	\$143,864	
State	5,126	
Accounts Receivable		
Total Current Assets	<u>148,990</u>	
Total Assets	<u><u>148,990</u></u>	
LIABILITIES		140,523
Cash Overdraft		
Total Current Liabilities		<u>140,523</u>
Net Assets		
Unrestricted	8,467	
Invested in capital assets net of related debt	0	
Total Net Assets	<u><u>\$8,467</u></u>	

Exhibit G-2

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Business-Type
	Activities
	Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	39,983
Special Lunch and Breakfast Program	
Special Functions	
Total Operating Revenues	39,983
OPERATING EXPENSES	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(934,288)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(934,288)
Income (Loss) From Operations	(894,305)
Nonoperating Revenues	
Board Subsidy	71,000
State Sources	
National School Lunch	13,809
State Breakfast	---
Federal Sources	
School Breakfast Program	189,172
National School Lunch Program	601,397
National Snack Program	19,316
Total Nonoperating Revenues	894,694
Net Income (Loss)	389
Total Net Assets- Beginning of Year	8,078
Total Net Assets- End of Year	\$8,467

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2012

	<u>2012</u>
Cash flows from operating activities	
Cash Received from Customers	39,983
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(934,288)
Net Cash (Used) by Operating Activities	<u>(894,305)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	71,000
Cash Received from State and Federal Subsidy Reimbursements	794,529
Net Cash Provided by Noncapital Financing Activities	<u>865,529</u>
 Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net Increase in Cash and Cash Equivalents	(28,776)
Cash and Cash Equivalents, Beginning of Year	(111,747)
Cash and Cash Equivalents, End of Year	<u>(\$140,523)</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating Profit (Loss)	\$389
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	(29,165)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(29,165)</u>
 Net Cash Used by Operating Activities	<u>(\$28,776)</u>

FIDUCIARY FUNDS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2012

	<u>Unemployment</u> <u>Insurance</u>	<u>Gear Up</u> <u>Scholarships</u>	<u>Parent</u> <u>Council</u>	<u>Payroll</u> <u>Account</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
ASSETS						
Cash	\$5,817	\$82,709	\$68,389	\$0	\$0	\$156,915
Total Assets	<u>\$5,817</u>	<u>\$82,709</u>	<u>\$68,389</u>	<u>\$0</u>	<u>\$0</u>	<u>\$156,915</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Intergovernmental Payble - State						
Payroll Deductions and Withholdings				0	0	0
College Trust Fund		82,709				102,666
Due to Student Groups			68,389			68,389
Total Liabilities	<u>0</u>	<u>82,709</u>	<u>68,389</u>	<u>0</u>	<u>0</u>	<u>151,098</u>
Fund Balances						
Reserve For Unemploy. Trust Fund	5,817	0	0	0	0	5,817
Total Fund Balances	<u>5,817</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,817</u>
Total Liabilities and Fund Balances	<u>\$5,817</u>	<u>\$82,709</u>	<u>\$68,389</u>	<u>\$0</u>	<u>\$0</u>	<u>\$156,915</u>

Exhibit H-2

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2012**

NOT APPLICABLE

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Parent Council Funds
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
Parent Council Fund	<u>\$66,479</u>	<u>\$190,841</u>	<u>(\$122,452)</u>	<u>\$134,868</u>
Total	<u><u>\$66,479</u></u>	<u><u>\$190,841</u></u>	<u><u>(\$122,452)</u></u>	<u><u>\$134,868</u></u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Cash Equivalents	\$0	\$11,363,960	\$11,363,960	\$0
Total Liabilities	<u>0</u>	<u>11,363,960</u>	<u>11,363,960</u>	<u>0</u>
LIABILITIES				
Payroll Deductions and Withholdings	0	5,293,902	5,293,902	
Accrued Salaries and Wages		9,129,911	9,129,911	
Total Liabilities	<u>\$0</u>	<u>\$14,423,813</u>	<u>\$14,423,813</u>	<u>\$0</u>

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Cash Equivalents	\$315	\$43,834	\$38,331	\$5,818
Total Assets	<u>\$315</u>	<u>\$43,834</u>	<u>\$38,331</u>	<u>\$5,818</u>
LIABILITIES				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
FUND BALANCE				
Reserve for Unemployment Compensation	\$315	\$43,834	\$38,331	\$5,818
Total Liabilities and Fund Balance	<u>\$315</u>	<u>\$43,834</u>	<u>\$38,331</u>	<u>\$5,818</u>

FINANCIAL TRENDS

NORTH STAR ACADEMY CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164	\$ 1,736,832
Restricted						-
Unrestricted	<u>3,765,557</u>	<u>3,148,080</u>	<u>2,806,380</u>	<u>1,643,876</u>	<u>1,036,458</u>	<u>570,696</u>
Total governmental activities net assets	<u>\$ 8,789,723</u>	<u>\$ 6,002,770</u>	<u>\$ 4,817,193</u>	<u>\$ 3,261,685</u>	<u>\$ 2,712,622</u>	<u>\$ 2,307,528</u>
Business-type activities						
Invested in capital assets, net of related debt						\$ -
Restricted						-
Unrestricted	<u>8,467</u>	<u>8,078</u>	<u>7,731</u>	<u>7,259</u>	<u>6,520</u>	<u>51,247</u>
Total business-type activities net assets	<u>\$ 8,467</u>	<u>\$ 8,078</u>	<u>\$ 7,731</u>	<u>\$ 7,259</u>	<u>\$ 6,520</u>	<u>\$ 51,247</u>
School-wide						
Invested in capital assets, net of related debt	\$ 5,024,166	\$ 2,854,690	\$ 2,010,813	\$ 1,617,809	\$ 1,676,164	\$ 1,736,832
Restricted						-
Unrestricted	<u>3,774,024</u>	<u>3,156,158</u>	<u>2,814,111</u>	<u>1,651,135</u>	<u>1,042,978</u>	<u>621,943</u>
Total school net assets	<u>\$ 8,798,190</u>	<u>\$ 6,010,848</u>	<u>\$ 4,824,924</u>	<u>\$ 3,268,944</u>	<u>\$ 2,719,142</u>	<u>\$ 2,358,775</u>

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses						
Governmental activities						
Instruction						
Regular	\$ 13,319,253	\$ 10,361,359	\$ 7,234,698	\$ 6,438,518	\$ 4,579,208	\$ 3,478,748
Support Services:						
General administration	8,008,480	5,506,704	3,983,827	2,693,473	1,916,395	1,196,198
School Administrative Services	5,218,176	3,150,008	2,272,879	1,708,473	1,032,856	699,683
On-behalf TPAF Social Security	1,274,360	824,460	475,850	406,037	332,818	212,193
Capital outlay	2,315,040	939,964	450,513	19,710	5,206	-
Unallocated depreciation	121,351	75,478	64,147	58,355	60,668	60,668
Total governmental activities expenses	<u>30,256,660</u>	<u>20,857,973</u>	<u>14,481,914</u>	<u>11,324,566</u>	<u>7,927,151</u>	<u>5,647,490</u>
Business-type activities:						
Food service	934,288	671,555	493,079	384,154	319,660	252,479
Child Care	-	-	-	-	-	-
Total business-type activities expense	<u>934,288</u>	<u>671,555</u>	<u>493,079</u>	<u>384,154</u>	<u>319,660</u>	<u>252,479</u>
Total school expenses	<u>\$ 31,190,948</u>	<u>\$ 21,529,528</u>	<u>\$ 14,974,993</u>	<u>\$ 11,708,720</u>	<u>\$ 8,246,811</u>	<u>\$ 5,899,969</u>
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation	-	-	-	-	-	-
Central and other support services	-	-	-	-	-	-
Operating grants and contributions	3,627,756	1,964,866	1,451,693	689,664	822,440	798,009
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	<u>3,627,756</u>	<u>1,964,866</u>	<u>1,451,693</u>	<u>689,664</u>	<u>822,440</u>	<u>798,009</u>
Business-type activities:						
Charges for services						
Food service	934,677	671,902	493,551	384,893	262,899	262,899
Child care	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	<u>934,677</u>	<u>671,902</u>	<u>493,551</u>	<u>384,893</u>	<u>262,899</u>	<u>262,899</u>
Total school program revenues	<u>\$ 4,562,433</u>	<u>\$ 2,636,768</u>	<u>\$ 1,945,244</u>	<u>\$ 1,074,557</u>	<u>\$ 1,085,339</u>	<u>\$ 1,060,908</u>
Net (Expense)/Revenue						
Governmental activities	\$ (26,628,904)	\$ (19,564,662)	\$ (13,523,300)	\$ (11,019,056)	\$ (7,424,371)	\$ (6,697,978)
Business-type activities	389	347	472	739	(56,761)	10,420
Total school-wide net expense	<u>\$ (26,628,515)</u>	<u>\$ (19,564,315)</u>	<u>\$ (13,522,828)</u>	<u>\$ (11,018,317)</u>	<u>\$ (7,481,132)</u>	<u>\$ (6,687,558)</u>

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Local share	\$ 3,046,200	\$ 2,178,570	\$ 1,610,416	\$ 1,338,553	\$ 1,331,527	\$ 825,039
State Share	20,400,537	14,493,444	10,557,444	8,269,897	3,259,946	2,997,628
State aid	2,655,976	1,840,605	1,235,873	1,095,020	2,271,296	976,504
Philanthropic Support	1,022,317	646,615	724,688	480,110	646,086	275,662
Increase in Net Capital Outlay	2,290,827	919,355	457,151	-	-	-
Investment earnings	-	95	-	385	950	-
Miscellaneous income	-	-	157	-	-	-
Transfers	-	-	-	-	-	-
Total governmental activities	<u>29,415,857</u>	<u>20,078,684</u>	<u>14,585,729</u>	<u>11,183,965</u>	<u>7,509,805</u>	<u>5,074,833</u>
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total school-wide	<u>\$ 29,415,857</u>	<u>\$ 20,078,684</u>	<u>\$ 14,585,729</u>	<u>\$ 11,183,965</u>	<u>\$ 7,509,805</u>	<u>\$ 5,074,833</u>
Change in Net Assets						
Governmental activities	\$ 2,786,953	\$ 514,022	\$ 1,062,429	\$ 164,909	\$ 85,434	\$ (1,623,145)
Business-type activities	389	347	472	739	56,761	(10,420)
Total school	<u>\$ 2,787,342</u>	<u>\$ 514,369</u>	<u>\$ 1,062,901</u>	<u>\$ 165,648</u>	<u>\$ 142,195</u>	<u>\$ (1,633,565)</u>

**NORTH STAR ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund						
Reserved						
Unreserved	3,765,557	3,148,080	2,806,380	1,643,876	1,036,458	570,696
Total general fund	<u>\$ 3,765,557</u>	<u>\$ 3,148,080</u>	<u>\$ 2,806,380</u>	<u>\$ 1,643,876</u>	<u>\$ 1,036,458</u>	<u>\$ 570,696</u>
 All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds	<u> </u>					

**NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues						
Local tax Levy	\$3,046,200	\$2,178,570	\$1,610,416	\$1,338,553	\$1,331,527	\$825,039
Other local revenue	2,234,821	899,710	926,800	610,933	769,776	366,350
State sources	23,070,322	16,344,231	11,793,317	9,364,917	5,531,242	3,974,132
Federal sources	3,336,120	2,373,586	1,249,738	559,226	699,700	707,321
Total revenue	<u>31,687,463</u>	<u>21,796,097</u>	<u>15,580,271</u>	<u>11,873,629</u>	<u>8,332,245</u>	<u>5,872,842</u>
Expenditures						
Instruction						
Regular Instruction	9,279,438	7,660,203	5,261,755	4,777,831	3,484,927	2,404,925
Undistributed Instruction	1,401,050	937,930	691,930	1,063,637	623,004	459,690
Support Services:						
General administration	7,019,489	5,305,064	3,813,147	2,600,859	1,565,232	1,012,322
School administrative services/Plant	5,218,176	3,150,008	2,272,879	1,708,473	1,032,856	699,683
TPAF Social Security	1,274,360	824,460	475,850	406,037	332,818	212,193
Food Service	934,288	671,555				
Capital outlay	2,315,040	939,964	450,513	19,710	5,206	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Special Revenue	3,627,756	1,964,866	1,451,693	689,664	822,440	798,009
Total expenditures	<u>31,069,597</u>	<u>21,454,050</u>	<u>14,417,767</u>	<u>11,266,211</u>	<u>7,866,483</u>	<u>5,586,822</u>
Excess (Deficiency) of revenues over (under) expenditures	617,866	342,047	1,162,504	607,418	465,762	286,020
Other Financing sources (uses)						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$617,866</u>	<u>\$342,047</u>	<u>\$1,162,504</u>	<u>\$607,418</u>	<u>\$465,762</u>	<u>\$286,020</u>
Debt service as a percentage of noncapital expenditures						
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

**NORTH STAR ACADEMY CHARTER SCHOOL
REVENUE CAPACITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-6

**NORTH STAR ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-7

**NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-8

**NORTH STAR ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**NORTH STAR ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-10

**NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-11

**NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-12

**NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**NORTH STAR ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

Exhibit J-14

**NORTH STAR ACADEMY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

NORTH STAR ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Year Ended June 30, 2012
(Unaudited)

<u>Function/Program</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Instruction						
Regular	160	123	99	75	50	30
Special education						
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						
General administration						
School administrative services						
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools						
Food Service						
Child Care						
Total	<u>160</u>	<u>123</u>	<u>99</u>	<u>75</u>	<u>50</u>	<u>30</u>

Source: School Personnel Records

NORTH STAR ACADEMY CHARTER SCHOOL
Operating Statistics
For the Year Ended June 30, 2012
(Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	439	4,788,813	10,908	2.51%	50	10	10	10	430.2	422	13.50%	98.07%
2008	583	7,044,043	12,082	10.76%	50	9	29	12	586.3	568	36.28%	96.90%
2009	758	11,584,365	15,283	26.49%	75	16	40	19	703.9	731	20.06%	96.50%
2010	902	14,460,330	16,031	4.90%	99	10	10	10	906.2	875	28.74%	96.60%
2011	1,247	20,110,036	16,127	0.59%	123	37	54	32	1256.8	1209	38.69%	96.20%
2012	1,677	30,421,990	18,141	12.49%	160	61	71	28	1671.0	1625	32.96%	96.90%

Sources: District records

NORTH STAR ACADEMY CHARTER SCHOOL
School Building Information
For the Year Ended June 30, 2012
(Unaudited)

<u>School Building</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Downtown Campus (MS#1, HS and Network Office)						
Square Feet	104,900	43,000	25,220	25,220	25,220	25,220
Capacity (students)	900	500	300	300	300	300
Enrollment	539	465			284	289
Vailsburg Campus (ES#1, MS#3)						
Square Feet	81,000	80,000	9,000	9,000	9,000	-
Capacity (students)	735	800	230	230	230	-
Enrollment	576	473	221	221	221	-
Clinton Hill Campus (MS#2)						
Square Feet	40,000	40,000	40,000	40,000	-	-
Capacity (students)	400	400	300	300	-	-
Enrollment	300	308			-	-
West Side Park Campus (ES#2)						
Square Feet	85,000	-	-	-	-	-
Capacity (students)	735	-	-	-	-	-
Enrollment	174	-	-	-	-	-
Fairmount Campus (ES#3)						
Square Feet	12,637	-	-	-	-	-
Capacity (students)	87	-	-	-	-	-
Enrollment	87	-	-	-	-	-
Number of Schools at June 30						
Elementary = 3						
Middle School = 3						
Senior High School = 1						
Other = 0						

Source: School Office

NORTH STAR ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2012
(Unaudited)

	Coverage	Deductible
School Package Policy (1)		
Commercial Property	\$ 36,200,000	\$ 5,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	16,000,000	-
School Board Legal Liability	6,000,000	
Umbrella	16,000,000	-
Workers' Compensation	2,000,000	-
Surety Bonds (3)		
School Board Legal Liability	50,000	
Public Official Bond	100,000	

NORTH STAR ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Year Ended June 30, 2012
(Unaudited)

Fiscal Year Ending June 30,	<u>Sale of Capital Assets</u>	<u>Donations</u>	<u>Rentals</u>	<u>Prior Year Refunds</u>	<u>Sale and Leaseback of Textbooks</u>	<u>Other Local</u>	<u>Annual Totals</u>
2007		274,748				914	275,662
2008		646,086				950	647,036
2009		480,110				385	480,495
2010		724,688				157	724,845
2011		646,618				92	646,710
2012		1,022,317					1,022,317

Source: School records

Exhibit J-20

**NORTH STAR ACADEMY CHARTER SCHOOL
Schedule of Allowable Maintenance Expenditures by School Facility
For the Year Ended June 30, 2012
(Unaudited)**

NOT APPLICABLE

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
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EAST HANOVER, NEW JERSEY 07936

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EXHIBIT K-1

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

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark as of and for the fiscal year ended June 30, 2012, which collectively comprise the North Star Academy Charter School of Newark's basic financial statements and have issued my report thereon dated September 15, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Board of Trustees of the North Star Academy Charter School of Newark is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing my audit, I considered the North Star Academy Charter School of Newark Board of Trustees internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the North Star Academy Charter School of Newark Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the North Star Academy Charter School of Newark Board of Trustee's internal control over financial reporting.

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

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Star Academy Charter School of Newark Board of Trustees' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey. However, I noted certain matters that I have reported to the Board in a separate report, the *Auditors' Management report on Administrative Findings - Financial, Compliance, and Performance*, dated September 15, 2012.

This report is intended solely for the information and use of the management of the North Star Academy Charter School of Newark, Board of Trustees and 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.

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J. Loeffler" with "CPA" written in smaller letters to the right of the name.

Scott J Loeffler, CPA
September 15, 2012

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EXHIBIT K-2

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

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

Compliance

I have audited the compliance of the Board of Trustee's of the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012. The Board of Trustee's of the North Star Academy Charter School of Newark 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 Board of Trustee's North Star Academy Charter School of Newark management. My responsibility is to express an opinion on the Board of Trustee's North Star Academy Charter School of Newark compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and Federal Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, Federal OMB Circular A-133 and New Jersey's OMB Circular NJOMB 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Board of Trustee's North Star Academy Charter School of Newark compliance with those requirements and performing such other procedures, as I considered

necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Board of Trustees of the North Star Academy Charter School of Newark compliance with those requirements.

In my opinion, the Board of Trustee's of the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

The management of the Board of Trustee's of the North Star Academy Charter School of Newark is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit, I considered the Board of Trustee's North Star Academy Charter School of Newark internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of the Board of Trustee's North Star Academy Charter School of Newark internal control over compliance.

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

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information and use of the audit committee, management, the Board of Trustee's North Star Academy Charter School of Newark, 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.

Licensed Public School Accountant No. 870



Scott J. Loeffler, CPA
September 15, 2012

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

EXHIBIT A

Schedule of Federal Financial Assistance

For the Fiscal Year Ended June 30, 2012

Federal/Grantor Program Title	FEDERAL CFDA Number	Grant Period	Award Amount	Balance July 1, 2011	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2012	Due to Grantor at June 30, 2012
Food Subsidy											
Federal School Lunch	10.555	07/01/11-06/30/12	601,397	(85,875)		\$578,405	\$601,397			(108,867)	
Federal Breakfast	10.553	07/01/11-06/30/12	189,172	(30,127)		184,302	189,172			(34,997)	
National Snack Program	10.558	07/01/11-06/30/12	18,964	(1,705)		18,381	19,316			(2,640)	
Special Revenue Fund											
Special Revenue											
NCLB											
Title I PART A	84.010 A	09/01/11-08/31/12	1,033,658	(161,428)		997,019	1,033,658			(198,067)	
Title II PART A	84.367 A	09/01/11-08/31/12	25,434			25,434	25,434				
Charter School Program	84.282	09/01/11-08/31/12	2,400,000	(164,213)		1,061,624	1,183,781			(286,370)	
IDEA PART B	84.027 A	09/01/11-08/31/12	283,361	(44,700)		280,595	283,361			(47,466)	
Total Special Revenue				(370,341)		2,364,672	2,526,234			(531,903)	---
				(\$488,048)		\$3,145,760	\$3,336,119			(\$678,407)	

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

EXHIBIT - B

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of State Financial Assistance
For the Fiscal Year Ended June 30, 2012**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2011</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Prior Years' Balances</u>	<u>Adjust.</u>	<u>Receivable at June 30, 2012</u>
GENERAL FUND									
TPAF Social Security	12-495-034-5095-002	7/1/11-06/30/12	671,862		671,862	671,862			
On Behalf Pension	12-495-034-5095-001	7/1/11-06/30/12	602,498		602,498	602,498			
Charter School Aid - Local	12-495-034-5120-078	7/1/11-06/30/12	3,046,200		3,046,200	3,046,200			
Charter School Aid - State	12-495-034-5120-078	7/1/11-06/30/12	20,400,537		20,400,537	20,400,537			
Non-Public Aid	12-495-034-5120-066	7/1/11-06/30/12	300,161		300,161	300,161			
Special Education	12-495-034-5120-089	7/1/11-06/30/12	361,740		361,740	361,740			
Security Aid	12-495-034-5120-084	7/1/11-06/30/12	719,715		719,715	719,715			
Total General Fund				--	26,102,713	26,102,713			
ENTERPRISE FUND									
State School Lunch	12-100-010-3350-023	7/1/11-06/30/12	13,809	(2,118)	13,441	13,809			(2,486)
Total Enterprise				(2,118)	13,441	13,809			(2,486)
GRAND TOTAL			--	(2,118)	26,116,154	26,116,522			(2,486)

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the school's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 GENERAL-PURPOSE FINANCIAL STATEMENTS

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS
(continued)**

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

	Federal	State	Total
General Fund	\$ ---	\$26,102,713	\$26,102,713
Special Revenue Fund	2,526,234	---	2,526,234
Food Service Fund	<u>809,885</u>	<u>13,809</u>	<u>823,694</u>
Total Awards and Financial Assistance	<u>\$3,336,119</u>	<u>\$26,116,522</u>	<u>\$29,452,641</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount paid as TPAF Pension Contributions represents the state on behalf of the Charter School for the year ended June 30, 2012 was \$602,498. TPAF Social Security Contributions represents the amount of \$671,862 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

PART 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statement Section

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

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	X
Significant deficiencies identified not considered to be material weakness(es)?	X
Type of auditor’s report on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 (section .510a)?	X

Identification of major programs:

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs (.520)	\$300,000	
Auditee qualified as low risk auditee:		X
Type of auditor’s report issued:		Unqualified
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?		X
Type of auditor’s report on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 04-04?		X

Identification of major programs:

<u>CDEA Number(s)</u>	<u>Name of State Program</u>
12-495-034-5120-071	Charter School Aid Local and State
12-495-034-5095-002	TPAF Social Security
12-495-034-5120-084	Security Aid
12-495-034-5120-066	Non Public aid
12-495-034-5120-089	Special Education

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2012**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2012**

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

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

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Status of Prior Year Findings

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