CREATE CHARTER HIGH SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

AS OF JUNE 30, 2010

CREATE CHARTER HIGH SCHOOL

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

TABLE OF CONTENTS

INTRODUCTORY SECTION:

LETTER OF TRANSMITTAL	1
ORGANIZATIONAL CHART	5
ROSTER OF OFFICIALS	6
CONSULTANTS AND ADVISORS	7

FINANCIAL SECTION:

INDEPENDENT AUDITOR'S REPORT	8

REQUIRED SUPPLEMENTARY INFORMATION - PART I:

MANAGEMENT DISCUSSION AND ANALYSIS	10

BASIC FINANCIAL STATEMENTS:

STATEMENT OF NET ASSETS - ALL FUNDS	17
STATEMENT OF ACTIVITIES - ALL FUNDS	18
STATEMENT OF CHANGES IN NET ASSETS	19
BALANCE SHEET - GENERAL AND SPECIAL REVENUE FUNDS	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL AND SPECIAL FUNDS	21
SUPPLENTARY SCHEDULE - I DETAIL EXPENDITURES BY ACTIVITY - GENERAL AND SPECIAL REVENUE FUNDS	22

RECONCILIATION OF THE STATEMENT OF REVNUES, EXPENDITURES AND CHANGES INFUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATMENT OF ACTIVITIES 23

STATEMENT OF NET ASSETS - FOOD SERVICE FUND 24

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - FOOD SERVICE FUND 25

STATEMENT OF CASH FLOWS - FOOD SERVICE FUND 26

STATEMENT OF NET ASSETS - FIDUCIARY (STUDENT) FUND 27

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUND 28

NOTES TO FINANCIAL STATEMENTS: 29

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHDULE - GENERAL FUND 40

BUDGETARY COMPARISON SUPPLEMENTARY SCHEDULE - DETAIL EXPENDITURES - GENERAL FUND 41

BUGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND 42

STATISTICAL SECTION (UNAUDITED)

DEMOGRAPHIC STATISTICS 43

ATTENDANCE DATA 44

INSURANCE DATA 45

MISCELLANEOUS DATA 46

REVENUE BY SOURCE 47

SINGLE AUDIT SECTION

REPORT ON ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS	48
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORANCE WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR LETTER 04-04	50
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
SCHEDULE OF EXPENDITURES OF STATE AWARDS	54
NOTES TO SCHEDULES OF AWARD AND FINANCIAL ASSISTANCE	55
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	57
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	63

CREATE CHARTER HIGH SCHOOL

INTRODUCTORY SECTION

CREATE CHARTER HIGH SCHOOL

164 Lembeck Avenue
Jersey City, New Jersey

LETTER OF TRANSMITTAL

November 22, 2010

Honorable President and
Members of the Board of Trustees
CREATE Charter High School
County of Hudson, New Jersey

Dear Board Members and Constituents of CREATE:

The Comprehensive Annual Financial Report (CAFR) of the Center for Responsible Economic, Academic, and Technological Excellence ("CREATE" or the "District") for the fiscal year ended June 30, 2010, 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 CREATE. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the basic financial statements, Management's Discussion and Analysis, required supplementary information and the combining fund financial statement and schedules, as well as the auditor's report therein. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the *Single Audit Act Amendments of 1996* and the *U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations;* and *New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.* Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single

audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** CREATE Charter High School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board as established by Statement No. 14. All funds of the District are included in this report.

CREATE Charter High School was incorporated as a not for profit entity and is exempt from income tax under section 501(c) (3). The School operates under the New Jersey Charter School provisions and provides a full range of educational services appropriate to grade levels nine through twelve.

Supervising school-wide goals is a Chief School Administrator with the support of a vice principal.

CREATE is governed by a Board of Trustees, comprised of seven members, as revised. Each member is elected for a term of two years. The Board meets during the fourth week of each month to determine School the goals and priorities and to monitor their implementation. Board meetings are open to the public and minutes of the meetings are available upon request.

CREATE's parents and community members help set goals, meet challenges, and share pride in its accomplishments.

The following details the changes in the student average daily enrollment of the District over the last three years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2009-10	369	(.05)%
2008-09	367	(3.00)%
2007-08	378	(5.74)%
2006-07	401	3.30%
2005-06	388	113.00%

2) **INTERNAL ACCOUNTING CONTROLS:** Management of CREATE is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District 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. 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 District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District's management.

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

3) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District 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 Board of Trustees. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

4) **ACCOUNTING SYSTEM AND REPORT:** CREATE's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and accounting groups are explained in "Notes to the Financial Statements", Note 1.

5) **DEBT ADMINISTRATION:** CREATE has no outstanding debt at June 30, 2009.

6) **CASH MANAGEMENT:** CREATE has 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 a failed banking institution in

New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8) **OTHER INFORMATION: Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountant. The Board selected the accounting firm of MARSAN ASSOCIATES, PC. 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* and *State Treasury Circular Letter 04-04 OMB*. The auditors' report on the basic financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

9) **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the CREATE's Board for their concern in providing fiscal accountability to the constituents of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

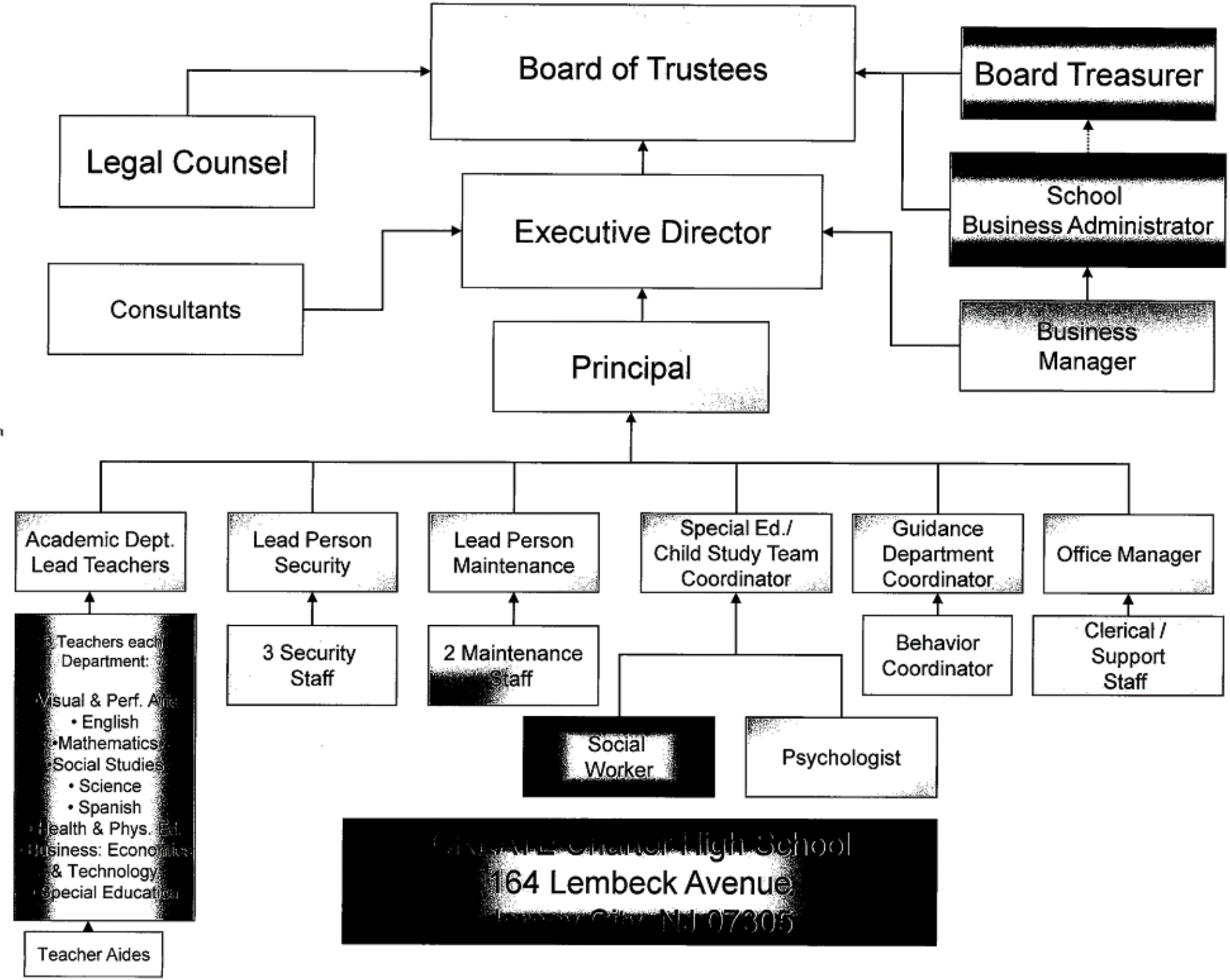
10) **CESSATION OF ACADEMIC ACTIVITIES**

The State of New Jersey, Department of Education ("NJDOE") did not renew the District's academic charter causing the District to cease all academic activities effective June 30, 2010.

Respectfully submitted,

Stephen S. Lipski
Chief School Administrator

Rajaram Vasan
School Business Administrator


Board of Trustees
Board Treasurer
Legal Counsel
School Business Administrator
Executive Director
Consultants
Business Manager
Principal
Academic Dept. Lead Teachers
Lead Person Security
Lead Person Maintenance
Special Ed./ Child Study Team Coordinator
Guidance Department Coordinator
Office Manager
Teachers each Department:
Visual & Perf. Arts
• English
•Mathematics
Social Studies
• Science
• Spanish
Health & Phys. Ed.
Business: Economics & Technology
Special Education
3 Security Staff
2 Maintenance Staff
Behavior Coordinator
Clerical / Support Staff
Social Worker
Psychologist
Teacher Aides
164 Lembeck Avenue

CREATE CHARTER HIGH SCHOOL

ROSTER OF OFFICIALS

June 30, 2010

Members of the Board of Trustees	Position
Stephen Stamos (community)	President
Edward A. Wiersielis (community)	Vice President
Jon S. Rheinhardt (community)	Treasurer (non-voting)
Open Position (community)	Member
Wanda Benetiz-Trowell (community)	Member (Secretary)
Helen Castillo (community)	Member
Lourdes P. Corrales (community)	Member
Stephen S. Lipski	Member/CSA (non-voting)
Jerome Colwell (community)	Member

School Officials	Position
Stephen S. Lipski	Director/CSA
Rajaram Vasan	School Business Administrator
Diane Macon	School Business Manager
Frances D. Murrary	Assistant Business Manager
Lawrence Mc Hugh	Principal - Middle School
Alfredo Huerca	Principal - High School

CREATE CHARTER HIGH SCHOOL

CONSULTANTS & ADVISORS

June 30, 2010

AUDITOR OF RECORD

MARSAN ASSOCIATES, PC
Certified Public Accountants
85 Kinderkamack Road
Suite 200
Emerson, New Jersey 07630

Mark A. Santangelo, CPA, MBA, PSA

ATTORNEYS

SCHUMANN HANLON, LLC
Attorneys-at Law
30 Montgomery Street
Jerrsey City, New Jersey 07302

Eugene T. Paolino, ESQ.

FINANCIAL CONSULTANT

DONOHUE, GIRONDA & DORIA
310 Broadway
Bayonne, New Jersey 07002

Robert Doria, CPA

OFFICIAL DEPOSITORY

PROVIDENT BANK
850 Bergen Avenue
Jersey City, New Jersey 07306

Paul Pantozzi, Vice President

CREATE CHARTER HIGH SCHOOL

June 30, 2010

FINANCIAL SECTION

MARSAN ASSOCIATES, PC

Certified Public Accountants

85 Kinderkamack Road, Emerson, New Jersey 07630
Telephone: (201) 599-2235 • Fax: (201) 599-0017

Mark A. Santangelo, N.J. & N.Y.

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
CREATE CHARTER HIGH SCHOOL
County of Hudson
Jersey City, NJ

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Board of Trustees of the CREATE CHARTER HIGH SCHOOL, in the County of Hudson, State of New Jersey as of and for the fiscal year ended June 30, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the CREATE CHARTER HIGH SCHOOL Board of Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of CREATE CHARTER HIGH SCHOOL Board of Trustees, in the County of Hudson, State of New Jersey as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund, and the Special Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 22, 2010, on our consideration of CREATE CHARTER HIGH SCHOOL Board of Trustees internal control over

financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CREATE CHARTER HIGH SCHOOL Board of Trustees basic financial statements. The introductory section, other supplementary information including combining fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Circular letter 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid,* and are also not a required part of the basic financial statements of CREATE CHARTER HIGH SCHOOL. The combining fund financial statements and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying financial statements have been prepared on the basis that the District ceased academic operations effective June 30, 2010, and will no longer continue as a going concern. As discussed in Note 16 to the financial statements, the District's charter has not been renewed by the New Jersey Department of Education.

November 22, 2010

MARSAN ASSOCIATES, PC

CREATE CHARTER HIGH SCHOOL

June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION - PART I

CREATE CHARTER HIGH SCHOOL
HUDSON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The Management Discussion and Analysis ("MD&A") of the Comprehensive Annual Financial Report ("CAFR") provides an overview of the Center for Responsible Economic, Academic, and Technological Excellence Charter High School's ("CREATE") financial activities for the fiscal year ended June 30, 2010. Please note that in addition to this discussion, it is important to review the entire annual report in order to gain a full understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The Charter School's net assets increased by approximately $199,537 as a result of this year's operations. The Charter School's governmental activities increased by $185,587 while the business-type activities increased by $21,186.

- Total categorical per pupil aid increased by approximately $598,515 (13.0%) in light of the decrease in enrollment.

- Special Revenues decreased by $52,010 (8.78%). Primarily the result of a decrease in E-Grants, No Child Left Behind, and Individuals with Disabilities Education Act. In addition, the District received $0 and $0 in TARA Aid and Security grants, in the current year, respectively.

- The Charter School enrollment increased by 2 students to 369 students in the current year.

- **The District' s charter was not renewed and therefore ceased academic activities June 30, 2010.**

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17 and 18) provide information about the activities of the Charter School as a whole and present a longer-term view on the Charter School's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Charter School's operation in more detail than the government-wide statements by providing information about the Charter School's most financially significant funds.

Reporting the Charter School as a Whole

Our analysis of the Charter School as a whole begins on page 17. One of the most important questions asked about the Charter School's finances is "Is the Charter School as a whole better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Charter School as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues

and expenses are taken into account regardless of when cash received or paid. These two statements report the Charter School's net assets and changes in them. The change in net assets is a key indicator as to whether the financial well being of the Charter School has improved or deteriorated over a set period of time.

In the Statement of Net Assets and the Statement of Activities, the charter school is categorized into two different kinds of activities:

- Governmental Activities: Most of the Charter School's basic programs and services are reported here, including instruction, support services and general administration. These activities are financed through the Jersey City Public School Board of Education, the State of New Jersey and the Federal government.

- Business-type Activities: The Food Service Enterprise Fund is currently the only fund reported as a business activity.

Reporting the Charter School's Most Significant Funds

The fund financial statements begin on page 20. The Charter School's two types of funds – *governmental and proprietary* – use different account approaches.

Governmental funds: A majority of the Charter School's basic programs are reported in governmental funds. These funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The accounting method used to report these funds is called modified accrual accounting. This form of accounting measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Charter School's general government operations and the basic programs it provides. Governmental fund information helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the Charter School's programs. The governmental activities in the Statement of Net Assets are reconciled to the governmental funds in the fund financial statements at the bottom of the fund financial statements.

Proprietary funds: Proprietary funds report the government services that charge service fees to its customers. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Charter School's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as a cash flows statement.

The Charter School as Trustee

Fiduciary funds are used to report resources held for the benefit of parties outside of the Charter School. Fiduciary funds are not reflected in the government-wide financial statements because the Charter School cannot use the assets to finance its operations. The Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CHARTER SCHOOL AS A WHOLE

The Charter School implemented GASB Statement No. 34 during the fiscal year ended June 30, 2004. Comparative data has been presented based upon key information presented in the fund financial statements for total governmental funds and total enterprise fund. The Charter School's *combined* net assets increased from a year ago from $972,115 in 2009 to $1,169,776 in 2010.

TABLE 1

Table 1 provides a summary of the Charter School's balance sheet as of June 30, 2010 and 2009

	Governmental Activities 2010	Business-Type Actvities 2010	Total 2010
Assets			
Current and Other Assets	$ 1,202,771	$ 69,179	$ 1,271,950
Capital Assets, Net	720,453	-	720,453
Total Assets	$ 1,923,224	$ 69,179	$ 1,992,403
Liabilities			
Current and Other Liabilities	$ 822,627	$ -	$ 822,627
Long-Term Liabilities			
	$ 822,627	$ -	$ 822,627
Net Assets			
Invested at Capital Assets - Net of Related Debt	$ 720,453	$ -	$ 720,453
Restricted	-	-	0
Unrestricted	380,144	69,179	449,323
	$ 1,100,597	$ 69,179	$ 1,169,776

CREATE CHARTER HIGH SCHOOL
HUDSON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE 1

NET ASSETS

	Governmental Activities 2009	Business-Type Atvities 2009	Total 2009
Assets			
Current and Other Assets	$ 1,054,451	$ 56,978	$ 1,111,429
Capital Assets, Net	537,446		$ 537,446
Total Assets	$ 1,591,897	$ 56,978	$ 1,648,875
Liabilities			
Current and Other Liabilities	$ 669,829	$ 6,931	$ 676,760
Long-Term Liabilities	-	-	-
	$ 669,829	$ 6,931	$ 676,760
Net Assets			
Invested at Capital Assets - Net of Related Debt	$ 537,446	$ -	$ 537,446
Restricted	9,112	-	9,112
Unrestricted (Restated)	425,557	-	425,557
	$ 972,115	$ -	$ 972,115

CREATE CHARTER HIGH SCHOOL
HUDSON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE 2

CHANGES IN NET ASSETS

	Governmental Activities 2010	Business-Type Atvities 2010	Total 2010
REVENUES:			
Program Revenues:			
Local Share of Charter School Funding	$ 1,085,323	$ -	$ 1,085,323
State Share of Charter School Funding	3,722,310		3,722,310
Other State Aid	454,906		454,906
Social Security Reimbursements	131,239		131,239
Charges for Services		36,875	36,875
Total Program Revenues	$ 5,393,778	$ 36,875	$ 5,430,653
General Revenues			
Grants and Entitlements	539,758	107,139	646,897
Miscellaneous	5,351		5,351
Total General Revenues	545,109	107,139	652,248
Total Revenues	5,938,887	144,014	6,082,901
FUNCTION/PROGRAM EXPENSE:			
Instructional	2,408,869	-	2,408,869
Administrative	1,725,906	-	1,725,906
Support Services	1,587,079	-	1,587,079
Capital Outlay	214,453	-	214,453
Food Service	-	122,828	122,828
Total Expenses	5,936,307	122,828	6,059,135
Excess (Deficiency) Before Special Items and Transfers	2,580	21,186	23,766
Special Items	-	-	-
Transfers	-	-	-
Increase (Decrease) in Net Assets	2,580	21,186	23,766
Net Assets - Beginning of the Year	377,564	47,993	425,557
Net Assets - End of Year	$ 380,144	$ 69,179	$ 449,323

CREATE CHARTER HIGH SCHOOL
HUDSON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE 2

CHANGES IN NET ASSETS

	Governmental Activities 2009	Business-Type Atvities 2009	Total 2009
REVENUES:			
Program Revenues:			
Local Share of Charter School Funding	$ 982,672	$ -	$ 982,672
State Share of Charter School Funding	3,514,064		3,514,064
Other State Aid	534,786		534,786
Social Security Reimbursements	125,909		125,909
Charges for Services		26,828	26,828
Total Program Revenues	$ 5,157,431	$ 26,828	$ 5,184,259
General Revenues			
Grants and Entitlements	591,768	92,505	684,273
Miscellaneous	3,489		3,489
Total General Revenues	595,257	92,505	687,762
Total Revenues	5,752,688	119,333	5,872,021
FUNCTION/PROGRAM EXPENSE:			
Instructional	2,504,649		2,504,649
Administrative	1,561,973		1,561,973
Support Services	1,320,373		1,320,373
Capital Outlay	61,836		61,836
Food Service		100,989	100,989
Total Expenses	5,448,831	100,989	5,549,820
Excess (Deficiency) Before Special Items and Transfers	303,857	18,344	322,201
Special Items		-	0
Transfers			
Increase (Decrease) in Net Assets	303,857	18,344	322,201
Net Assets - Beginning of the Year	73,707	29,649	103,356
Net Assets - End of Year	$ 377,564	$ 47,993	$ 425,557

CAPITAL ASSETS

The Charter School's investment in capital assets at June 30, 2010 of $850,472 net of $130,819 accumulated depreciation consisted of leasehold improvements to the building, instructional and non-instructional equipment.

DEBT ADMINISTRATION

The Charter School does not carry any long-term debt.

DISSOLUTION PLAN

The State of New Jersey, Department of Education ("NJDOE") did not renew the District's academic charter causing the District to cease all academic activities effective June 30, 2010. On May 29, 2010, the Board of Trustees adopted and approved the Dissolution Plan as prescribed by the NJDOE and began the orderly wind down of its operations. The terms of the Plan, as amended on June 29, 2010, call for the complete cessation of all academic activities, transfer of all Capital assets owned by the district, including the expired lease on the high school facility to the Jersey City Board of Education on July 1, 2010. The remaining unexpired lease term for the middle school facility was assumed by a Montessori School as of July 1, 2010.

In addition, an independent trustee was appointed by the Board to oversee the dissolution including, but not limited to, the collection of amounts due to the District, payment of outstanding liabilities and expenses owed by the District, assistance with the final audit for the fiscal year ended June 30, 2010 and to issue a report on the District's post June 30th dissolution activities.

The financial statements, Comprehensive Annual Financial Report (CAFR) reflect all known adjustments to reflect the cessation of operations effective June 30, 2010. There may be adjustments that could result from the actual outcome of the dissolution that could affect the reported assets, liabilities, revenue and expenses.

CONTACTING THE CHARTER SCHOOL'S FINANCIAL MANAGEMENT

For questions regarding this report or requests for additional financial information, contact the School Dissolution Trustee, Robert Doria, CPA, at Donohue, Gironda & Doria, Certified Public Accountants, 310 Broadway, Bayonne, New Jersey 07002 – (201)437-9846.

CREATE CHARTER HIGH SCHOOL

June 30, 2010

BASIC FINANCIAL STATEMENTS

CREATE CHARTER HIGH SCHOOL

STATEMENT OF NET ASSETS

June 30, 2010

ASSETS	General Fund	Special Revenue Fund	Food Service Fund	Fiduciary (Student) Fund	InterFund Eliminations	Total All Funds
Cash	$ 235,427	$ -	$ 50,452	$ 1,876	$ -	$ 287,755
Receivables, net	5,678	-	13	-	-	5,691
Due From State Agencies	13,066	22,964	-	-	-	36,030
Due From Federal Agencies	-	446,336	-	-	-	446,336
Due From Special Revenue Fund	469,300	-	-	-	(337,648)	131,652
Due From Other Funds	-	-	18,714	-	(12,284)	6,430
Other Assets - Security Deposits	10,000	-	-	-	-	10,000
Capitalized Assets, net	720,453	-	-	-	-	720,453
TOTAL ASSETS	$ 1,453,924	$ 469,300	$ 69,179	$ 1,876	$ (349,932)	$ 1,644,347
LIABILITIES						
Accounts Payable	$ 101,960	$ -	$ -	$ -	$ -	$ 101,960
Interfund Payable	18,714	469,300	-	-	(349,932)	138,082
Due to State Agencies	222,079	-	-	-	-	222,079
Other Liabilities - Due to JCBOE	10,574	-	-	-	-	10,574
TOTAL LIABILITIES	353,327	469,300	-	-	(349,932)	472,695
NET ASSETS	-	-	-	-	-	-
Invested in Capital Assets, net	720,453	-	-	-	-	720,453
Unrestricted	380,144	-	69,179	-	-	449,323
Restricted	-	-	-	1,876	-	1,876
TOTAL NET ASSETS	1,100,597	-	69,179	1,876	-	1,171,652
TOTAL LIABILITIES & NET ASSETS	$ 1,453,924	$ 469,300	$ 69,179	$ 1,876	$ (349,932)	$ 1,644,347

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF ACTIVITIES

For the Year Ending June 30, 2010

FUNCTION/PROGRAM:	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants & Revenue	Net (Expense) Revenue All Activities: Governmental Activities	Student Activities	Food Service Activity	Total All Activities
Governmental Activities:							
Instructional:							
Regular	$ 2,140,515	$ -	$ 5,802,297	$ 3,661,782	$ -	$ -	$ 3,661,782
Other Instructional	236,865	-		(236,865)			(236,865)
Support Services:							
Student & Instructional Services	560,004	-	-	(560,004)	-	-	(560,004)
Other Purchased Services	216,001	-	-	(216,001)	-	-	(216,001)
Plant Operations & Maintenance	779,448	-	-	(779,448)	-	-	(779,448)
Other Support Services	860	-	-	(860)	-	-	(860)
Transportation Services	30,766	-	-	(30,766)	-	-	(30,766)
General & Administrative Services:							
School Administration	1,476,025	-	-	(1,476,025)	-	-	(1,476,025)
Other Administrative	281,370	-	-	(281,370)	-	-	(281,370)
Depreciation Expense - Unallocated	31,446	-	-	(31,446)			(31,446)
Total Governmental Activities	5,753,300	-	5,802,297	48,997	-	-	48,997
Business Activities:							
Food Service	122,828	36,875	107,139	-	-	21,186	21,186
Fiduciary Activities:							
Student Activities	24,622	17,386	-	-	(7,236)	-	(7,236)
Total Business & Fiduciary Activities	147,450	54,261	107,139	-	(7,236)	21,186	13,950
TOTALS	$ 5,900,750	$ 54,261	$ 5,909,436	$ 48,997	$ (7,236)	$ 21,186	$ 62,947

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF CHANGES IN NET ASSETS

ALL FUNDS

For the Year Ending June 30, 2010

	Governmental Activities	Food Service Activity	Student Activity	Total All Activities
Net (Expense)/Revenue Per Statement of Activities:	$ 48,997	$ 21,186	$ (7,236)	$ 62,947
Items of Income not Reflected in Statement:				
FICA Reimbursement	131,239	-	-	131,239
Interest & Dividend Income	755	-	-	755
Miscellaneous Income, net	4,596	-	-	4,596
(Decrease)/Increase in Net Assets	185,587	21,186	(7,236)	199,537
Net Assets - June 30, 2009	915,010	47,993	9,112	972,115
Net Assets - June 30, 2010	$ 1,100,597	$ 69,179	$ 1,876	$ 1,171,652

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	$ 235,427	$ -	$ 235,427
Receivables, net	5,678	-	5,678
Due From State Agencies	13,066	22,964	36,030
Due From Federal Agencies	-	446,336	446,336
Due From Special Revenue Fund	469,300	-	469,300
Other Assets - Security Deposits	10,000	-	10,000
TOTAL ASSETS	$ 733,471	$ 469,300	$ 1,202,771
LIABILITIES			
Accounts Payable	$ 101,960	$ -	$ 101,960
Interfund Payable	18,714	469,300	488,014
Due to State Agencies	222,079	-	222,079
Other Liabilities - Due to JCBOE	10,574	-	10,574
TOTAL LIABILITIES	353,327	469,300	822,627
FUND BALANCES	380,144	-	380,144
TOTAL LIABILITIES & FUND BALANCES	$ 733,471	$ 469,300	$ 1,202,771

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES:			
Local Share of Charter School Funding	$ 1,085,323	$ -	1,085,323
State Share of Charter School Funding	3,722,310	-	3,722,310
Other State Aid	454,906	-	454,906
Social Security Reimbursement	131,239	-	131,239
Total State & Local Sources	5,393,778	-	5,393,778
Federal Sources	-	539,758	539,758
Interest & Dividend Income	755	-	755
Miscellaneous Income	4,596	-	4,596
TOTAL REVENUE	5,399,129	539,758	5,938,887
EXPENDITURES:			
Instructional	1,875,072	533,797	2,408,869
Administrative	1,725,906	-	1,725,906
Support Services	1,587,079	-	1,587,079
Capital Outlay	208,492	5,961	214,453
TOTAL EXPENDITURES	5,396,549	539,758	5,936,307
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	2,580	-	2,580
FUND BALANCE - JUNE 30, 2009	377,564	-	377,564
Transfers Between Funds	-	-	-
FUND BALANCE - JUNE 30, 2010	$ 380,144	$ -	$ 380,144

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

SUPPLEMENTARY SCHEDULE I

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Total Governmental Funds
INSTRUCTIONAL			
Salaries & Wages	$ 1,748,836	$ 319,381	$ 2,068,217
Technical & Professional Services	19,155	84,632	103,787
Textbooks & Supplies	105,196	128,441	233,637
Other Instructional	1,885	1,343	3,228
Total Instructional	$ 1,875,072	$ 533,797	$ 2,408,869
ADMINISTRATIVE			
Salaries & Wages	$ 1,444,537	$ -	$ 1,444,537
Technical & Professional Services	191,276	-	191,276
Communications	67,489	-	67,489
Supplies	17,572	-	17,572
Other Administrative	5,032	-	5,032
Total Administrative	$ 1,725,906	$ -	$ 1,725,906
SUPPORT			
Salaries & Wages	$ 514,364	$ -	$ 514,364
Technical & Professional Services	261,641	-	261,641
Insurance	28,281	-	28,281
Facilities Rental	590,923	-	590,923
Materials & Supplies	35,983	-	35,983
Energy	124,261	-	124,261
Other Support Services	31,626	-	31,626
Total Support	$ 1,587,079	$ -	$ 1,587,079
CAPITAL OUTLAY			
Instructional Equipment	$ 75,097	$ -	$ 75,097
Non-instructional Equipment	60,264	5,961	66,225
Land & leasehold Improvements	73,131	-	73,131
Total Capital Outlay	$ 208,492	$ 5,961	$ 214,453

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, & CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

ALL FUNDS

For the Year Ending June 30, 2010

	Governmental Activities	Food Service Activity	Student Activities	Total All Activities
Net Change in Fund balances Per Statement of Revenues, Expenditures, & Changes in Fund Balances	$ 2,580	$ 21,186	$ (7,236)	$ 16,530
Capital Outlays 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.				
Capital Outlays	214,453	-	-	214,453
Depreciation Expense	(31,446)	-	-	(31,446)
Change in Net Assets Per Statement of Activities	$ 185,587	$ 21,186	$ (7,236)	$ 199,537

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF NET ASSETS

FOOD SERVICE FUND

June 30, 2010

ASSETS	
Cash	$ 50,452
Receivables, net	13
Due From Other Funds	18,714
TOTAL ASSETS	$ 69,179
LIABILITIES	
Interfund Payable	-
TOTAL LIABILITIES	-
NET ASSETS	-
Unrestricted	69,179
TOTAL NET ASSETS	69,179
TOTAL LIABILITIES & NET ASSETS	$ 69,179

CREATE CHARTER HIGH SCHOOL

STATEMENT OF REVENUE, EXPENDITURES, & CHANGES IN NET ASSETS

FOOD SERVICE FUND

For the Year Ended June 30, 2010

REVENUES:	
Daily Sales - Federal Reimbursable Programs	$ 102,831
Daily Sales - State Reimbursable Programs	4,308
Daily Sales - Non-Reimbursable Programs	36,875
TOTAL REVENUE	144,014
EXPENDITURES:	
Food Supplies & Concession Services	122,828
TOTAL EXPENDITURES	122,828
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	21,186
NET ASSETS - JUNE 30, 2009	47,993
Transfers Between Funds	-
NET ASSETS - JUNE 30, 2010	$ 69,179

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF CASH FLOWS

FOOD SERVICE FUND

For the Year Ended June 30, 2010

CASH FLOW FROM OPERATIONS:	
Receipts From Customers	$ 36,875
Receipts From Federal & State Sources	107,139
Payments to Suppliers	(122,828)
Net Cash Provided by (Used for) Operating Activities	21,186
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net Cash Provided by (Used for) Non-capital Financing Activities	-
CASH FLOW FROM CAPTIAL FINANCING ACTIVITIES	
Net Cash Provided by (Used for) Capital Financing Activities	-
CASH FLOW FROM INVESTING ACTIVITIES:	
Net Cash Provided by (Used for) Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	21,186
NET ASSETS - JUNE 30, 2009	47,993
NET ASSETS - JUNE 30, 2010	$ 69,179

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF NET ASSETS

STUDENT ACTIVITY FUND

June 30, 2010

ASSETS	
Cash	$ 1,876
TOTAL ASSETS	$ 1,876
LIABILITIES	
Interfund Payable	-
TOTAL LIABILITIES	-
NET ASSETS	-
Restricted	1,876
TOTAL NET ASSETS	1,876
TOTAL LIABILITIES & NET ASSETS	$ 1,876

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

STATEMENT OF CHANGES IN NET ASSETS

STUDENT ACTIVITY FUND

For the Year Ended June 30, 2010

ADDITIONS:	
Student Deposits	$ 17,386
TOTAL ADDITIONS	17,386
DEDUCTIONS:	
Student Trips and Expenses	24,622
TOTAL DEDUCTIONS	24,622
CHANGE IN NET ASSETS	(7,236)
NET ASSETS - JUNE 30, 2009	9,112
Transfers Between Funds	-
NET ASSETS - JUNE 30, 2010	$ 1,876

See Accountants' Report and Accompanying Notes

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial Statements of Create Charter High School (hereinafter the "District" or "CREATE") have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Organization & Nature of Activities

The Center for Responsible Economic, Academic, and Technological Excellence Charter High School, Inc. (CREATE Charter high School) was organized in May 2000 under the Charter School Program Act of 1995 and the Administrative Code for the Charter Schools (N.J.S.A.18A:36A-16(B) and N.J.A. C.6A:11-2.2, respectively). The Mission of CREATE is to assist students in mastering a rigorous mathematics, science and humanities curricula, and to assist students in developing a conceptual understanding of a technology based curricula which will facilitate their ability to think critically, analyze and solve problems, and apply knowledge in the corporate and business worlds of the 21st Century. Effective June 30, 2010, the District ceased all academic activities and operations pursuant to the non-renewal of its charter by the New Jersey Department of Education. See Note 16.

A) Financial Reporting Entity

The District is a Charter School located in the County of Hudson, State of New Jersey. Its Board of Trustees is comprised of seven (7) voting and two (2) non-voting members. The purpose of the District is to educate students in grades 6-12.

The District meets the criteria established by the Governmental Accounting Standards Board (GASB) to be considered a primary governmental entity for financial reporting purposes. As required by generally accepted accounting principles, these financial statements present CREATE as the Primary Government without component units. Effective June 30, 2005, The District has adopted GASB # 34. In addition, the District has adopted subsequent Statements and related interpretations issued through June 30, 2010.

B) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. All interfund receivables and payables have been eliminated in the statement of net assets. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are 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 of activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Special Revenue Fund) and individual enterprise funds are reported as separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting, and Financial Statement Presentations

The government-wide and enterprise fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is 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.

Private-sector standards of accounting and financial reporting issued 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 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 District has elected not to follow subsequent private-sector guidance.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available expendable resources. This means that only current liabilities are generally included on their balance sheets.

Governmental fund revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with an enterprise fund's ongoing operations. The principle operating revenues of the District's enterprise funds are charges to student for food sales. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D) Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expense, as appropriate.

Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required legally or by sound financial management to be accounted for in another fund.

The *Special Revenue Fund* is used to account for the proceeds of specific revenue from State or Federal agencies other than major capital projects, debt service or enterprise activities.

Proprietary Funds or Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges. Enterprise funds are considered major fund because of community interests in the activities and sources of funding supporting these operations.

The *Food Service Fund* accounts for all financial activities associated with the District's school breakfast and lunch programs.

E) Cash and Cash Equivalents and Investments

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District (under N.J.S.A. 40A:5-15.1) is permitted to invest in the following types of investments: short- term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations all having a maturity date of not more than twelve months form the date of purchase. The District records nonparticipating interest-earning investment contracts at cost. All other securities are recorded at fair market value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. See Note 5 for further discussion.

F) Receivables

Intergovernmental receivable of governmental activities includes amounts due from grantors for specific program grants. Program grants are recorded as receivable and revenues at the time reimbursable project costs are incurred. As of June 30, 2010, the District had $446,336 and $36,030 due from Federal and State government agencies, respectively, reflected in the accompanying basic financial statements.

G) Prepayments and Deposits

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. Fund equity is reserved for the prepayments and deposits in the General Fund. Deposits represent rental security deposit on the facilities. As of June 30, 2010 deposits amounted to $10,000.

H) Capital Assets

Capital assets, which include leasehold improvements, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental of business-typed activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate governmental fund. The District reports gains and losses on the disposal of capital assets (carrying value less sale proceeds, if any) in the government-wide statement of activities and enterprise fund operating statement. The District does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is $2,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the month the asset is placed in service for real property improvements and the half year convention is utilized for all capitalized assets. Depreciation expense for June 30, 2010 was $31,446.

The estimated useful lives are as follows:

Motor vehicles and Light Trucks	5 years
Equipment, built-in	10 to 40 years
Equipment, movable	5 to 20 years
Site improvements	39 years
School buildings	39 years
Portable classrooms	25 years

I) Compensated Absences - Sick and Vacation Leave

District policy allows for 10 sick days per fiscal year for all employee groups. Payment for unused sick leave is made upon the conclusion of each fiscal year at a rate of $25 per unused day, as there is no accumulation or carryover of unused days. Should an employee not use any sick days during the current fiscal year a $250 incentive bonus is paid in addition to the unused days payment.

Custodial, maintenance and administrative employee groups are granted vacation leave. Accrued vacation time must be used within the current fiscal year, as there are no carryover or accumulation provisions.

J) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

L) Risk of Loss

The District purchases commercial insurance policies on an annual basis to handle risk of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the District with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

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

The governmental funds sheet includes a reconciliation between *fund balances-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances-total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities.

The reconciliations detail items that require adjustments to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

See Note 7 for a more detailed discussion of the interfund transfer activity between funds.

NOTE 3: BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

1.) Annual operating budgets are prepared in the spring of each year for the general, special revenue and enterprise funds using the modified accrual basis of accounting, except for the special revenue fund. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)

NOTE 3 CONT'D: BUDGETARY INFORMATION

2.) The Board approved budgets are then submitted to various state agencies for their files.

Budgetary amounts are integrated into the accounting system as a management control device throughout the year. These amounts may be amended within each fund by the Board of Trustees during the year as required. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund.

The encumbrance system of accounting is used wherein encumbrances outstanding at year-end are not reported as expenditures in the financial statements for generally accepted accounting principles purposes, but are reported as reservations of fund balances for balance for subsequent years' expenditures based on the encumbered appropriation authority carried over. District policy requires recording of an encumbrance as a charge against appropriation in the accounting period in which a purchase order is issued, rather than in the accounting period when goods or services are received as required by generally accepted accounting principles. Unencumbered appropriations lapse at fiscal year end. All purchase orders issued as of year end in which delivery of the goods or services are not received within ninety days of the fiscal year end are lapsed and charged against the subsequent years' budget

The accounting records for 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 basis recognizes encumbrances as expenditures and recognizes the related revenue, whereas the GAAP basis does not. Supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING-LEGAL COMPLIANCE

New Jersey Budget Law requires that all funds have legally adopted budgets and appropriations. Total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased provided they are offset by unanticipated revenues. All appropriations lapse at the end of each fiscal year to the extent that they have not been expended or encumbered. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the District's Board of Trustees. Revised and/or supplemental appropriations that alter the total budget of any fund must be approved by the Board of Education.

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance for the General and Special Funds and the statement of Budgetary Comparison (budget and actual) have been prepared on a legally prescribed basis of accounting, which differs from GAAP. The accompanying statement of Budget to GAAP Reconciliation has been provided to identify these revenue and expenditure differences for governmental activities.

NOTE 5: DEPOSITS AND INVESTMENTS

At June 30, 2010 the District had $96,105 in money market accounts reflected in cash.

Credit Risk - The District's cash and deposit policies are approved by the Board of Education and governed by New Jersey Statute. N.J.S.A. 40A:5-15.1(a) limits the District investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or local units in which the District is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Interest Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2010, $0 of the District's bank balance of $287,755 was exposed to custodial credit risk.

NOTE 6: CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets for the year ended June 30, 2010:

Depreciable assets:	06/30/09	Additions	Deletions	06/30/10
Land Improvements	$ 398,014	$ -	$ -	$ 398,014
Buildings	-	-	-	-
Equipment & vehicles	238,007	214, 453	-	452,460
Total depreciable assets	$ 636,021	$ 214,453	$ -	$ 850,474
Less accumulated depreciation for:				
Land improvements	$ 38,809	$ 9,794	$ -	$ 48,603
Buildings	-	-	-	-
Equipment & vehicles	59,766	$ 21,652	$ -	$ 81,418
Total accumulated depreciation	$ 98,575	$ 31,446	$ -	$ 130,021
Total capital assets, net	$ 537,446	$ 183,007	$ -	$ 720,453

Effective June 30, 2010 title to all assets of the District reverted to the Jersey City Board of Education. See Note 16.

NOTE 7: INTERFUND TRANSFERS

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them or 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All interfund transfers are approved by the Board of Trustees.

NOTE 8: ACCRUED SALARIES AND BENEFITS

The major component of accrued salaries and benefits relates to salaries and benefits of certain contractually employed personnel which are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned along with the related employer taxes incurred but unpaid at June 30, 2010 are estimated to be $16,083 for the General Fund. The change in the liability at June 30, 2010 from the prior year end has been included in the expenditures of the General Fund for GAAP purposes.

NOTE 9: PENSION PLANS

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

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

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school board or public agency provided the employee is not required to be a member of another state-administered retirement system or other sate or local jurisdiction. The Vesting and Benefit Provisions for PERS are set by 43:15A and 43:3B and N.J.S.A. 18A:6C for TPAF. System.

NOTE 9 CONT'D: PENSION PLANS

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey was required to reimburse the District during the year ended June 30, 2010 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Plan member and employer contributions may be amended by State of New Jersey Legislation.

NOTE 10: POST-EMPLOYMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after reaching age 60 and accumulating 25 years of credited service. The New Jersey State Health Benefits Plan (SHBP) provides access to health care coverage to eligible retirees who qualify based on state law and local requirements. Coverage under the current program includes medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees, spouses and covered dependents. New Jersey pays a portion of the cost for retirees, spouses and dependents.

The District is a member of the SHBP and provides that it retirees will be covered if they have met the requisite service requirements.

NOTE 11: RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District 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 District is billed quarterly for amounts due to the State.

The District made no payments in excess of the insurance coverage during the fiscal year, nor were there any reductions in insurance coverage.

NOTE 12: DEFERRED COMPENSATION

The District offers a Deferred Compensation plan to the employee created in accordance with the Internal Revenue section 403(b). The plan, which is administered by the entities, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 13: CONTINGENCIES

The District, in the normal course of its business, may be periodically involved in various claims, litigations and judgments. It is the opinion of management, supported by legal counsel, that the impact of any such matters, if adversely determined, would not have a material adverse effect on the financial statements or operations of the District. See Note 14.

NOTE 14: SETTLEMENT OF VIOLATIONS

On October 28, 2004 the District received notice from the State of New Jersey, Department of Education that based upon a review of the District's purchasing files, that various violations of had occurred in the quotation and bidding process in connection with the purchase of various goods and services for the District for the period ending June 30, 2004. Effective March 15, 2007 the District and the Department of Education entered into a settlement agreement whereby neither party conceded to the allegations previously made and that the District would withdraw its pending appeal. In addition, both sides agreed to a settlement payment of $142,590.38 to be paid by the District without interest over twelve (12) quarterly installments to be deducted from the District's share of State Aid beginning January 2008. As of June 30, 2010 no payments have been deducted from the District's share of state aid. An estimate as to what management believed would be ultimately payable had been previously reserved for in the financial statements and was adjusted to reflect the settlement amount.

NOTE 15: LEASE ON FACILITIES

High School - The District entered into a 10 year non-cancelable lease in 2000 expiring June 30, 2010.

Middle School - The District entered into a a 5 year non cancelable lease August 15, 2009 through August 14, 2014. The terms of the lease call for base per square foot amounts to be paid monthly with annual increases, plus utilities.

Effective June 30, 2010, the District ceased all operations and vacated its facilities, unexpired leases were assumed by the Jersey City Board of Education.
See Note 16.

NOTE 16: PLAN OF DISSOLUTION

The State of New Jersey, Department of Education ("NJDOE") did not renew the District's academic charter causing the District to cease all academic activities effective June 30, 2010. On May 29, 2010, the Board of Trustees adopted and approved the Dissolution Plan as prescribed by the NJDOE and began the orderly wind down of its operations. The terms of the Plan, as amended on June 29, 2010, call for the complete cessation of all academic activities, transfer of all capital assets owned by the District, including the remaining unexpired term of facility leases, to the Jersey City Board of Education on July 1, 2010.

In addition, an independent trustee was appointed by the Board to oversee the dissolution including, but not limited to, the collection of amounts due the District, payment of outstanding liabilities and expenses owed by the District, assistance with the final audit for the fiscal year ended June 30, 2010 and to issue a report on the District's post June 30th dissolution activities.

The financial statements reflect all known adjustments to reflect the cessation of operations effective June 30, 2010. There maybe adjustments that could result from the actual outcome of the dissolution that could affect the reported amounts of assets, liabilities, revenue and expenses.

CREATE CHARTER HIGH SCHOOL

June 30, 2010

REQUIRED SUPPLEMENTARY INFORMATION - PART II

CREATE CHARTER HIGH SCHOOL

BUGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended June 30, 2010

REVENUES:	Actual	Final Budget	Variance Final to Actual
Local Share of Charter School Funding	$ 1,085,323	$ 1,085,323	-
State Share of Charter School Funding	3,722,310	3,722,310	-
Other State Aid	454,906	515,745	(60,839)
Social Security Reimbursement	131,239	-	131,239
Total State & Local Sources	5,393,778	5,323,378	70,400
Interest & Dividend Income	755	-	755
Miscellaneous Income	4,596	-	4,596
TOTAL REVENUE	5,399,129	5,323,378	75,751
EXPENDITURES:			
Instructional	1,875,072	2,054,073	(179,001)
Administrative	1,725,906	1,774,374	(48,468)
Support Services	1,587,079	1,653,656	(66,577)
Capital Outlay	208,492	208,492	-
TOTAL EXPENDITURES	5,396,549	5,690,595	(294,046)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	2,580	(367,217)	369,797
FUND BALANCE - JUNE 30, 2009	377,564	524,519	(146,955)
Transfers Between Funds	-	-	-
FUND BALANCE - JUNE 30, 2010	$ 380,144	$ 157,302	$ 222,842

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

BUGETARY COMPARISON SCHEDULE

GENERAL FUND SUPPLEMENTAL DETAIL

For the Year Ended June 30, 2010

	Actual	Final Budget	Final Buget to Actual
INSTRUCTIONAL			
Salaries & Wages	$ 1,748,836	$ 1,805,448	$ (56,612)
Technical & Professional Services	19,155	76,385	(57,230)
Textbooks & Supplies	105,196	152,240	(47,044)
Other Instructional	1,885	20,000	(18,115)
Total Instructional	$ 1,875,072	$ 2,054,073	$ (179,001)
ADMINISTRATIVE			
Salaries & Wages	$ 1,444,536	$ 1,445,899	$ (1,363)
Technical & Professional Services	191,276	221,361	(30,085)
Communications	67,489	75,573	(8,084)
Supplies	17,572	25,541	(7,969)
Other Administrative	5,031	6,000	(969)
Total Administrative	$ 1,725,904	$ 1,774,374	$ (48,470)
SUPPORT			
Salaries & Wages	$ 514,364	$ 519,344	$ (4,980)
Technical & Professional Services	261,641	274,349	(12,708)
Insurance	28,281	28,300	(19)
Facilities Rental	590,923	599,224	(8,301)
Materials & Supplies	35,983	39,000	(3,017)
Energy	124,261	141,850	(17,589)
Other Support Services	27,831	51,589	(23,758)
Total Support	$ 1,583,284	$ 1,653,656	$ (70,372)
CAPITAL OUTLAY			
Instructional Equipment	$ 75,097	$ 75,097	$ -
Non-instructional Equipment	60,264	60,264	-
Land & leasehold Improvements	73,131	73,131	-
Total Capital Outlay	$ 208,492	$ 208,492	$ -

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

BUGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

For the Year Ended June 30, 2010

REVENUES:	Actual	Final Budget	Variance Budget to Actual
Federal Sources	$ 539,758	$ 591,768	$ (52,010)
TOTAL REVENUE	539,758	591,768	(52,010)
EXPENDITURES:			
Instructional	533,797	562,181	(28,384)
Administrative	-	23,626	(23,626)
Capital Outlay	5,961	5,961	-
TOTAL EXPENDITURES	539,758	591,768	(52,010)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	-	-	-
FUND BALANCE - JUNE 30, 2009	-	-	-
Transfers Between Funds	-	-	-
FUND BALANCE - JUNE 30, 2010	$ -	$ -	$ -

CREATE CHARTER HIGH SCHOOL

June 30, 2010

STATISTICAL INFORMATION

(UNAUDITED)

CREATE CHARTER HIGH SCHOOL

DEMOGRAPHIC STATISTICS

(UNAUDITED)

Year Ended December 31,	City of Jersey City Unemployment Rate	Hudson County Per Capita Income (1)
1993-2000	N/A	$ 23,885
2001	7.70%	28,584
2002	10.00%	30,259
2003	7.40%	N/A
2004	4.00%	N/A
2005	4.90%	34,492
2006	10.0%	43,831
2007	5.5%	41,639
2008	5.4%	21,154

(1) State Department of Labor
average per Capita Income

N/A - Information not available

CREATE CHARTER HIGH SCHOOL

SCHEDULE OF ATTENDANCE DATA

(UNAUDITED)

Fiscal Year Ended June 30,	Average Daily Enrollment	Average Daily Attendance	Attendance %
2002	92.00	90.00	97.83
2003	143.70	134.31	93.47
2004	238.60	229.85	96.33
2005	342.90	321.80	93.90
2006	387.00	369.12	95.38
2007	401.30	360.77	89.90
2008	378.30	353.55	93.46
2009	367.40	339.00	93.45
2010	369.40	347.61	94.10

Source: State of N.J.

CREATE CHARTER HIGH SCHOOL

INSURANCE SCHEDULE

(UNAUDITED)

Year Ended June 30, 2010

Description	Coverage	Deductible
School Package Policy (1):	-	-
Building & Contents	$ 400,000	$ 1,000
Electronic Data Processing	300,000	1,000
Comprehensive General Liability	6,000,000	-
Automobile	1,000,000	1,000
Employers Liability	3,000,000	5,000
Workers Compensation	2,000,000	None
Boiler & Machinery (Includes Business Interuption & Extra Expense)	100,000,000	5,000
Surety Bonds:		
Board Treasurer	165,000	500
Board Secretary	165,000	500
Crime	25,000	500
Umbrella Liability	None	None
Student Accident	1,000,000	None
School Leaders Errors & Omissions	1,000,000	5,000

(1) New Jersey Public Charter School Fund

CREATE CHARTER HIGH SCHOOL

MISCELLANEOUS STATISTICS

(UNAUDITED)

Year Ended June 30, 2010

		HIGH SCHOOL	MIDDLE SCHOOL	COMBINED
Date Established:		2000	2008	
Number of Schools:		1	1	2
Employees:	Certified	32	6	38
	Other	31	0	31
Total Employees		63	6	69
Student Count		306	63	369

Source: District Records

CREATE CHARTER HIGH SCHOOL

REVENUE BY SOURCE - GOVERNMENTAL FUNDS

(UNAUDITED)

Fiscal Year Ended June 30,	Local Share	Other Local Revenue	State Revenue	Federal Revenue	Total
2001	$ -	$ 15,035	$ -	$ -	$ 15,035
2002	184,549	2	663,141	-	847,692
2003	462,461	56,471	855,358	-	1,374,290
2004	745,569	-	1,895,504	-	2,641,073
2005	851,412	-	2,874,408	-	3,725,820
2006	955,000	6,910	3,286,712	-	4,248,622
2007	1,073,162	144,013	3,439,502	529,043	5,185,720
2008	1,276,705	35,163	3,282,211	902,856	5,496,935
2009	982,672	3,489	4,174,759	591,768	5,752,688
2010	1,085,323	5,351	4,308,455	539,758	5,938,887
	$ 7,616,853	$ 227,782	$ 17,323,080	$ 1,068,801	$ 23,977,139

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

June 30, 2010

SINGLE AUDIT SECTION

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

The Honorable President and
Members of the Board of Trustees
CREATE CHARTER HIGH SCHOOL
County of Hudson
Jersey City, NJ

We have audited the financial statements of the governmental activities, business-type activities, each major fund of the Board of Trustees of the CREATE Charter High School, in the county of Hudson, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CREATE Charter High School Board of Trustees internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, and not for the purpose of expressing an opinion on the effectiveness of the CREATE Charter High School Board of Trustee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CREATE Charter High School Board of Trustee's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the CREATE Charter High School Board of Trustees ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CREATE Charter High School Board of Trustees financial statements that is more than inconsequential will not be prevented or detected by the CREATE Charter High School Board of Trustees internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CREATE Charter High School Board of Trustee's internal control.

Our 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. We did not identify an deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

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

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

November 22, 2010

MARK A. SANTANGELO, CPA, PSA
LICENSE No. 20CS00240700
MARSAN ASSOCIATES, PC

MARSAN ASSOCIATES, PC

Certified Public Accountants

85 Kinderkamack Road, Emerson, New Jersey 07630
Telephone: (201) 599-2235 • Fax: (201) 599-0017

Mark A. Santangelo, N.J. & N.Y.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 133 AND NEW JERSEY OMB CIRCULAR 04-04

The Honorable President and
Members of the Board of Trustees
CREATE CHARTER HIGH SCHOOL
County of Hudson
Jersey City, NJ

Compliance

We have audited the compliance of the Board of Trustees of the CREATE Charter High School, in the County of Hudson, 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, 2010. CREATE Charter High School Board of Trustee's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the CREATE Charter High School Board of Trustees management. Our responsibility is to express an opinion on the CREATE Charter High School Board of Trustees compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 4-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.* Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable 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 CREATE Charter High School Board of Trustees compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CREATE Charter High School Board of Trustees compliance with those requirements.

In our opinion, the Board of Trustees of the CREATE Charter High School, in the County of Hudson, State of New Jersey, complied, in all material respects, 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, 2010.

Internal Control Over Compliance

The management of the Board of Trustees of the CREATE Charter High School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered CREATE Charter High School Board of Trustees 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Trustees of the CREATE Charter High School's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

November 22, 2010

MARK A. SANTANGELO, CPA, PSA
LICENSE No. 20CS00240700
MARSAN ASSOCIATES, PC

CREATE CHARTER HIGH SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE

For The Year Ending June 30, 2010

Federal Grantor/Pass-ThroughGrantor/ Program Title	Federal CFDA No.	Grant Period	Balance at June 30, 2009 Deferred Revenue/ Accts. Rec.	Balance at June 30, 2009 Due to Grantor	Carryover/ (Walkover)	Cash Received	Budgetary Expenditures	Adjust/Repymt Prior Year's	Balance at June 30, 2010 (Accts. Rec.)	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due to Grantor
U.S. Department of Education											
Pass through to N. J. Department of Education											
TITLE 1	84.010	09/01/08 to 08/31/09	$ 372,646	$ -	$ -	$ 372,646	$ -	$ -	$ -	$ -	$ -
		09/01/09 to 08/31/10				-	317,624		317,624		
TITLE 1 - PART B	84.318	09/01/08 to 08/31/09	-	-	-	-	-	-	-	-	-
TITLE 2	84.637	09/01/09 to 08/31/10	-	-	-	-	-	-	-	-	-
TITLE 2 - PART A	84.281	09/01/08 to 08/31/09	22,242	-	-	22,242	-	-	-	-	-
		09/01/09 to 08/31/10	-	-	-	-	13,032		13,032		
TITLE 2 - PART D	84.318	09/01/08 to 08/31/09	3,238	-	-	3,238	-	-	-	-	-
TITLE 5	84.298	09/01/08 to 08/31/09	-	-	-	-	-	-	-	-	-
TITLE 4	84.186A	09/01/08 to 08/31/09	19,423	-	-	19,423	-	-	-	-	-
		09/01/09 to 08/31/10	-	-	-	-	3,249	-	3,249	-	-
Other		09/01/09 to 08/31/10	-	-	-	5,961	5,961	-	-	-	-
			-	-	-	-	-	-	-		
IDEA PART B	84.027	09/01/08 to 08/31/09	94,914	-	-	94,914	-	-	-	-	-
		09/01/09 to 08/31/10				87,460	199,892		112,432		
Total U. S. Department of Education			$ 512,463	$ -	$ -	$ 605,884	$ 539,758	$ -	$ 446,337	$ -	$ -

See Accountants' Report and Accompanying Notes

CREATE CHARTER HIGH SCHOOL

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For The Year Ending June 30, 2010

State Grantor Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2009 Deferred Revenue (Accounts Rec.)	Balance at June 30, 2009 Due to Grantor	Carryover/ (Walkover)	Cash Received	Budgetary Expenditures	Adjust/Repymt Prior Year's	Balance at June 30, 2010 (Accts. Rec.)	Balance at June 30, 2010 Deferred Revenue	Balance at June 30, 2010 Due to Grantor
State Department of Education Operating Fund												
Core Curriculum Standards Aid - Local	495-034-5120-022	07/01/09 to 06/30/10	$ 5,393,757	$ -	$ -	-	$ 5,380,691	$ 5,391,177	$ -	$ 13,066	$ -	$ -
Other		07/01/07 to 06/30/08		5,837	-	-	5,837	-	-	-	-	
		07/01/09 to 06/30/10	5,370	-	-	-	5,370	5,370				
Total State Department of Education			$ 5,399,127	$ 5,837	$ -	$ -	$ 5,386,528	$ 5,391,177	$ -	$ 13,066	$ -	$ -

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: RELATIONSHIP TO 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 (GASB 34).

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

The net adjustment to reconcile from the budgetary basis to GAAP basis is $26,595 for the general fund and $0 for the special revenue fund. The adjustment represents the accounting for capitalized assets and related depreciation expense in the GAAP statements. See Notes 2 and 6 for further discussion on the reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	$ 0	$ 5,393,757	$ 5,393,757
Special Revenue Fund	539,758	0	539,758
Food Service Fund	102,831	4,308	107,139
Total Awards & Financial Assistance	$642,589	$ 5,398,065	$ 6,040,654

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

Revenues and expenditures reported under the Food Service Program represent current year revenue received and current year expenditures respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the CREATE Charter High School for the year ended June 30, 2010. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section I – Summary of Auditor's Results

Financial Statements

(Reference – Section .510 of Circular OMB-133)

Type of auditor's report issued: UNQUALIFIED

Internal control over financial reporting:

1) Material weakness(es) identified? ____ yes __X__ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? ____ yes __X__ no

Noncompliance material to basic financial statements noted? ____ yes __X__ no

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? ____ yes __X__ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? ____ yes __X__ no

Type of auditor's report issued on compliance for major programs: UNQUALIFIED.

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? ____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster

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

Auditee qualified as low risk auditee? _____yes __X__ no

State Awards

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

Auditee qualified as low risk auditee? _____yes __X__ no

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

Internal Control over major programs:

1) Material weakness(es) identified? _____yes __X__ no

2) Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes __X__ no

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04? _____ yes __X__ no

Identification of major programs:

State Grant/Project Number(s)	Name of State Program
LOCAL AID 495-034-5120-022	STATE DOE – OTHER FUNDING

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section II – Financial Statement Findings

Finding:

N/A

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's Response:

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section III- Federal Awards and State Financial Assistance Findings and Questioned Costs

Finding:

N/A

Information on the federal program (1):

Criteria or specific requirement:

Condition (2):

Questioned Costs (3):

Context (4):

Effect:

Cause:

Recommendation:

Management's Response (5):

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section IV- State Awards and State Financial Assistance Findings and Questioned Costs

Finding:

N/A

Information on the state program (1):

Criteria or specific requirement:

Condition:

Questioned Costs:

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Section IV- State Awards and State Financial Assistance Findings and Questioned Costs

Management's Response (5):

CREATE CHARTER HIGH SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary Schedule of Prior Audit Findings

There were no audit findings issued in the prior year.