COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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JUNE 30, 2010
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NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

August 17, 2010

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

Dear Commissioner:

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

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

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

10 WASHINGTON PLACE, NEWARK, NEW JERSEY 07102
TEL: 973-642-0101 FAX: 973-642-5800

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

North Star operates an extended school year. Students attend classes from 8:00 to 4:00, which is more than an hour longer than most public schools. In addition, programs are available from 7:30 a.m. to 5:00 p.m. There are approximately 22 students per class. Students wear uniforms. Parents are heavily involved in school activities and governance. Teachers are recruited nationally.

2) **ENROLLMENT OUTLOOK:** North Star has enrolled 902 students, over four campuses, two middle schools, high school and an elementary school for the 2009–2010 school year.

3) **MAJOR ACCOMPLISHMENTS** – In 2009–2010, North Star students maintained in excess of 96% attendance rate for the twelfth consecutive year. Parents and students reported a high level of satisfaction in all areas. Fifth, 6th, 7th, 8th and 11th grade test scores were well above district averages in all areas: math, language, arts, and science. Every member of the senior class graduated and planned to attend four year colleges. The school has more than 1700 students on a waiting list. The school was the most widely visited charter school in the state.

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

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

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

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

   An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2010.

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

7) **FINANCIAL INFORMATION AT FISCAL YEAR–END:** As demonstrated by the various statements and schedules included in the financial section of report, the school continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2010.

Revenue	Amount	Percent of Total
Local	$ 1,610,416	10%
State	11,793,317	73%
Federal	1,249,738	8%
Philanthropic Support	926,643	6%
Enterprise Fund	493,551	3%
Miscellaneous Revenue	157	0%
Total	$ 16,073,822	100%

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2010.

Expenditures	Amount	Percent of Total
Current - General Fund	$ 12,966,074	87%
Special Revenue Fund	1,451,693	10%
Enterprise Fund	493,079	3%
Total	$ 14,910,846	100%

8) **CASH MANAGEMENT:** The investment policy of the school is guided in large by the state Statute as detailed in ―Notes to the Financial Statements," Note 2. The school had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant (CPA) or, Registered Municipal Accountant. The Accounting firm of Scott J. Loeffler, CPA was selected by the Charter School. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133 and the state Treasury Circular letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial statement of this report. The auditor's reports related specifically to the single audit act are included in the single audit section of this report.

Respectfully submitted,

Michael Ambriz
Chief Operating Officer
Lead Person

NORTH STAR ACADEMY
CHARTER SCHOOL OF NEWARK

ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2010

BOARD OF DIRECTORS	TERM EXPIRES
Rick Rieder, (Chair)	6/2011
Altorice Frazier, Trustee	9/2010
Micheal Lytle, Trustee	9/2012
Arthur Wilson, Trustee Emeritus	6/2010
Robert Howitt, Trustee	6/2011
Gia Rys, Trustee	6/2012
Nicole Albano	6/2012
L'Quentus Thomas	3/2010
Paul Bambrick-Santoyo, (Secretary)	6/2012
Trisha Scipio-Derrick, Trustee	9/2010
Ravi Bellur, Trustee	6/2011

Other Officers

Carolyn Hack, Treasurer
James Verrilli, Principal, Downtown Campus MS & Co-Founder
Julie Jackson, Founding Elementary School Principal
Michael Mann, High School Head of School
Jesse Rector, Clinton Hill Principal
Pamela Inbasekaran, Director of Programs
Michael Ambriz, Chief Operating Officer/Lead Person & Vice-President

CONSULTANTS AND ADVISORS

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

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

OFFICIAL DEPOSITORY
Sovereign Bank
905 Broad Street
Newark, New Jersey 07102

FINANCIAL SECTION

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936
TELEPHONE 973-585-4989
FAX 973-240-7318

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

Independent Auditor's Report

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the North Star Academy Charter School of Newark Board of Trustee's, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the charter schools' basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustees' management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the North Star Academy Charter School of Newark Board of Trustee's, in the County of Essex, State of New Jersey, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2010 on my consideration of the North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 9 through 18 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the North Star Academy Charter School of Newark Board of Trustee's, basic financial statements. The accompanying introductory section, other supplementary information including combining fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

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

Licensed Public School Accountant No. 870

Scott J. Loeffler CPA
August 17, 2010

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

This section of North Star Academy Charter School of Newark annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2009-10) and the prior year (2009-08) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

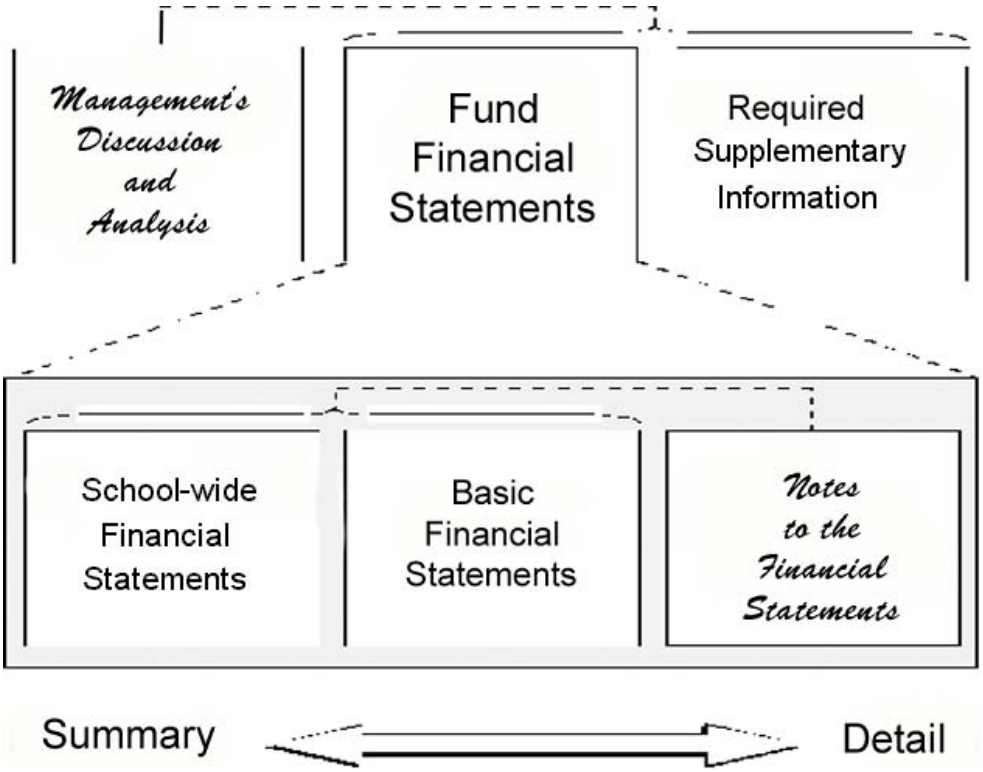
Key financial highlights for the 2009-10 fiscal year include the following:

- Net assets were $4,824,924.
- Net Assets increased by $1,555,980 from July 1, 2009 to June 30, 2010.
- The General Fund balance at June 30, 2010 is $2,806,380, an increase of $1,162,504 when compared with the beginning balance at July 1, 2009.
- The Enterprise Fund balance at June 30, 2010 is $7,731, an increase of $472 when compared with the beginning at July 1, 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

School-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

- Some funds are required by State law.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

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

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

- **Governmental funds**- Most of the North Star Academy Charter School of Newark's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the North Star Academy Charter School of Newark's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds**- Services for which the North Star Academy Charter School of Newark charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.

- **Fiduciary funds**- The North Star Academy Charter School of Newark is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The North Star Academy Charter School of Newark is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the North Star Academy Charter School of Newark's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the North Star Academy Charter School of Newark's government-wide financial statements because the North Star Academy Charter School of Newark cannot use these assets to finance its operations.

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

Net assets. The North Star Academy Charter School of Newark's net assets are $4,824,924 on June 30, 2010. (See Table A-1).

Governmental	$ 4,817,193
Business Activities Food Service	7,731
Total	$ 4,824,924

The Statement of Net Assets of $1,555,980 reflects total capital assets at net of assumed depreciation from inception.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

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

- Total revenues during the 2009-10 school year were $16,073,822.
- Total expenditures were $14,910,846.

Table A-1
The North Star Academy Charter School
Statement of Net Assets
As of June 30, 2010

	Total
Current and Other Assets	3,106,767
Capital Assets (Including Business Activities)	2,010,813
Total Assets	**$5,117,580**
Long-Term Liabilities	-
Other Liabilities	292,656
Total Liabilities	**$292,656**
Net Assets:	
Invested In Capital Assets, Net of Related Debt	2,010,813
Unrestricted Enterprise Fund	7,731
General Fund	2,806,380
Total Net Assets	**$4,824,924**

Total Governmental and Business Activities revenues and beginning assets minus net adjusted expenditures resulting in a calculation of net assets of $4,824,924 on June 30, 2010.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

Table A-2
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

Revenues	**Total**
Program revenues	
Charges for services	---
Operating grants and contributions	
General revenues	
Local Share	1,610,416
Federal and State Aid-Unrestricted	10,557,444
Federal and State Aid-Restricted	2,909,162
Board Subsidy	70,000
Miscellaneous Revenue	157
Philanthropic Support	926,643
Increase in Net Capital Outlay	393,004
Total revenues	**$ 16,466,826**
Expenses	
Regular Instruction	7,234,698
General Administrative	3,983,827
School Administrative	2,272,879
On-behalf TPAF Social Security	475,850
Capital Outlay	450,513
Food Service	493,079
Total expenses	**$ 14,910,846**
Increase (Decrease) in net assets	1,555,980
Net Assets, Beginning July 1	3,268,944
Net Assets, End of Year June 30	**$ 4,824,924**

Changes in Net Assets. The North Star Academy Charter School of Newark's total revenues were $16,073,822. Local shares of $1,610,416 represented 10% of revenues. The state aid of $11,793,317 represented 73% of revenues. The philanthropic support of miscellaneous revenues of $926,800 represented 6% of revenues. The Special Revenue Fund revenues total $1,249,738 and the Proprietary Fund (food service) total $493,551. The revenues represent 8% and 3% respectfully.

The North Star Academy Charter School of Newark's expenses of $14,910,846 are predominantly related to instruction and support services. Instruction expenditures totaled $7,183,069 (49%) (of total expenditures.) Support services, are $7,183,175 (48%) of total expenditures) and Food Service Enterprise Expenditure is $493,079 (3%).

Total revenues of the exceeded expenditure, increasing net assets $1,555,980 in the General Fund Balance and an increase of $472 in the Enterprise's Funds net asset balance from the beginning balance at July 1, 2009.

Table A-3 (See Exhibit A-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Source	Total Cost of Services	Net Cost of Services
Governmental Activities			
Instruction			
Regular	B-2	7,234,698	7,234,698
Support Services			
General Administrative Services	B-2	3,983,827	3,983,827
School Administrative Services	B-2	2,272,879	2,272,879
On-behalf TPAF Social Security	B-2	475,850	475,850
Capital Outlay	B-2	450,513	450,513
Food Service		493,079	493,079
Total Governmental Activities		$ 14,910,846	$ 14,910,846

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

The financial performance of the North Star Academy Charter School of Newark as a whole is reflected in its governmental activities Exhibit A-2. As the North Star Academy Charter School of Newark completed the year, its general funds reported a combined fund balance of $2,806,380.

The business activities retained earnings at June 30, 2010 is $7,731.

Revenues for the North Star Academy Charter School of Newark's business activities were $423,551, $70,000 in school subsidy while total expenses were $493,079. (Table A-2) (Exhibit A-2)

GENERAL FUND

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

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

Table A-4 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Years Ended June 30, 2010 and 2009

General Fund Revenues	Year Ended June 30, 2010	Year Ended June 30, 2009	Amount of Increase (Decrease)
Local Sources:			
Local Share	1,610,416	1,338,553	271,863
Other Local Revenue	926,800	610,933	315,867
Total Local Sources	$ 2,537,216	$ 1,949,486	$ 587,730
Intergovernmental			
State Sources	12,297,168	9,749,810	2,547,358
Federal Sources	1,239,438	559,226	680,212
Total Intergovernmental Sources	$ 13,536,606	$ 10,309,036	$ 3,227,570
Total Revenue	$ 16,073,822	$ 12,258,522	$ 3,815,300

Needs to be reviewed

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

Table A-5 (See Exhibit B-2)
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Years Ended June 30, 2010 and 2009

General Fund Expenditures	Year Ended 06/30/2010	Year Ended 06/30/2009	Amount of Increase (Decrease)
Current:			
Regular Instruction	7,234,698	6,438,518	796,180
General Administrative Services	3,983,827	2,693,473	1,290,354
School Administration	2,272,879	1,708,473	564,406
On-behalf TPAF Social Security	475,850	406,037	69,813
Capital outlay	450,513	19,710	430,803
Food Service	493,079	384,154	108,925
Total Expenditures	$ 14,910,846	$ 11,650,365	$ 3,260,481

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

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

Table A-6
The North Star Academy Charter School
Changes in Net Assets - School Wide
For the Fiscal Year Ended June 30, 2010

General Fund	2010	2009	2008	2007	2006	2005
Unreserved-Undesignated Fund Balance	2,806,380	1,643,876	1,036,458	570,696	284,676	257,741
Expenditures	14,910,846	11,266,211	7,866,483	5,586,822	4,070,639	2,823,145
Percentage	19%	15%	13%	10%	7%	9%

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

FACTORS BEARING ON THE SCHOOL'S FUTURE

State Aid—As part of the "time-out" decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2010-11 school year. The practical implication of this ruling is that the North Star Academy Charter School of Newark 2010-11 budget can be not greater than its kindergarten through grade 12 expenditures in the 2010-11 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2010-11 school year.

No Child Left Behind (NCLB)—The integration of the requirements of this federal legislation needs to be implemented into in a way that eliminates duplication. The challenge before the State of New Jersey is development of a single, seamless process of assessment, planning, implementation, and evaluation that satisfies both State and federal authorities.

The North Star Academy Charter School of Newark Board of Trustees intends to appropriate a majority of its' unrestricted fund balance to a restricted deferred maintenance and capital reserve of fund balance during the 2010-11 school year. The amount will be determined based upon a comprehensive facility needs analysis which is presently being performed and is to be completed in the 2010-11 school year.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Management's Discussion and Analysis
Year Ended June 30, 2010

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the North Star Academy Charter School of Newark's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2010.

SCHOOL-WIDE FINANCIAL STATEMENTS

Exhibit A-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,510,096	$ (70,866)	$ 2,439,230
Investments	-	-	-
Receivables, net	588,940	78,597	667,537
Inventory	-	-	-
Restricted assets:			
Cash and cash equivalents	-	-	-
Capital reserve account - cash	-	-	-
Capital assets, net (Note 2):	2,010,813	-	2,010,813
Total Assets	5,109,849	7,731 -	5,117,580
LIABILITIES			
Cash Overdraft		0	-
Accounts payable	127,643	-	127,643
Due to Newark Board of Ed.	142,083	-	142,083
Deposits payable	-	-	-
Payable to federal government		-	-
Payable to state government	22,930	-	22,930
Deferred revenue	-	-	-
Noncurrent liabilities (Note 3):			
Due within one year		-	-
Due beyond one year	-	-	-
Total liabilities	292,656	-	292,656
NET ASSETS			
Invested in capital assets, net of related debt	2,010,813	-	2,010,813
Restricted for:			
Debt service	-	-	-
Capital projects	-	-	-
Permanent endowment - nonexpendable	-	-	-
Other purposes	-	-	-
Unrestricted	2,806,380	7,731	2,814,111
Total net assets	$ 4,817,193	$ 7,731	$ 4,824,924

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

Exhibit A-2

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Activities
For the Year Ended June 30, 2010

		Program Revenues			Changes in Net Assets		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
Instruction:							
Regular	$ (7,234,698)	$ -	$ (1,281,013)	$ -	(5,953,685)	$ -	$ (5,953,685)
Support services:	-						
General administatrion	(3,983,827)	-	(170,680)	-	(3,813,147)	-	(3,813,147)
School administrative services/ operations plant serv.	(2,272,879)	-	-	-	(2,272,879)	-	(2,272,879)
On - behalf TPAF Social Security	(475,850)	-	-	-	(475,850)	-	(475,850)
Capital Outlay	(450,513)	-	-	-	(450,513)	-	(450,513)
Total governmental activities	(14,417,767)	-	(1,451,693)	-	(12,966,074)	-	(12,966,074)
Business-type activities:							
Food Service	-	(493,079)	-	-		(493,079)	(493,079)
Total business-type activities	-	(493,079)	-	-		(493,079)	(493,079)
Total primary government	$ (14,417,767)	$ 0	$ (1,451,693)	$ -	$ (12,966,074)	$ (493,079)	$ (13,459,153)
	General revenues:						
		Local Share			1,610,416		1,610,416
		State Share			10,557,444	19,582	10,577,026
		Federal Aid				403,969	403,969
		State Aid			1,235,873		1,235,873
		Miscellanous Income			724,845	70,000	794,845
		Decrease in net Capital Outlay			393,004	0	393,004
	Total general revenues, special items, extraordinary				14,521,582	493,551	15,015,133
	Change in Net Assets				1,555,508	472	1,555,980
	Net Assets—beginning				3,261,685	7,259	3,268,944
	Net Assets—ending				$ 4,817,193	$ 7,731	$ 4,824,924

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

Exhibit B-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 2,510,096			$ -	$ 2,510,096
Investments					
Receivables, net	588,940	319,722	-		908,662
Inventory					0
Restricted cash and cash equivalents					0
Total assets	$ 3,099,036	$ 319,722	$ -	$ -	$ 3,418,758
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash Overdraft		319,722	-		319,722
Accounts payable	127,643				127,643
Due to Newark Board of Ed.	142,083				142,083
Payable to federal government	-				0
Payable to state government	22,930				22,930
Deferred revenue	-				0
Total liabilities	292,656	319,722	-		612,378
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	2,806,380		-		2,806,380
Capital projects fund					
Permanent fund					
Total Fund balances	2,806,380				2,806,380
Total liabilities and fund balances	$ 3,099,036	$ 319,722	$ -	$ -	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:	
Capital assets used in governmental activities are not financial rescources and therefore are not reported in the funds. The cost of the assets is $ 2,418,509 and the accumulated depreciation is ($407,696)	2,010,813
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)	
Net assets of governmental activities	$ 4,817,193

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

Exhibit B-2

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local share	$ 1,610,416	$ -	$ -		$ 1,610,416
State Share	10,557,444	-	-	-	10,557,444
Other Restricted Miscellaneous Revenues	157				157
Philanthropic Support	724,688	201,955		-	926,643
Total - Local Sources	12,892,705	201,955	-	-	13,094,660
State sources	1,235,873			-	1,235,873
Federal sources	-	1,249,738	-	-	1,249,738
Total revenues	14,128,578	1,451,693	-	-	15,580,271
EXPENDITURES					
Current:					
Regular instruction	$ 5,953,685	$ 1,281,013	$ -	$ -	$ 7,234,698
Support services- General Administrative	3,813,147	170,680	-	-	3,983,827
Support Services- School Admin/ operations plant se	2,272,879				2,272,879
On-behalf TPAF Social Security	475,850				475,850
Capital outlay	450,513			-	450,513
Total expenditures	12,966,074	1,451,693	-	-	14,417,767
Excess (Deficiency) of revenues over expenditures	1,162,504	-	-	-	1,162,504
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-
Transfer - Contribution to Whole School Reform	-	-	-	-	-
Transfer to Special Revenue Fund - ECPA	-				
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
SPECIAL ITEM					
Proceeds from sale of land	-	-	-	-	-
Net change in fund balances	1,162,504	-	-	-	1,162,504
Fund balance—July 1	1,643,876	-	-	-	1,643,876
Fund balance—June 30	$ 2,806,380	$ -	$ -	$ -	$ 2,806,380

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

Exhibit B-3

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Total net change in fund balances - governmental funds (from B-2)			$ 1,162,504
Amounts reported for governmental activities in the statement of activities (A-2) are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.			
	Depreciation expense	$ (64,147)	
	Capital outlays	457,151	393,004
Repayment of mortgage principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.			-
Change in net assets of governmental activities			$ 1,555,508

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

PROPRIETARY FUNDS

Exhibit B-4

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise funds Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	$ -
Investments	75,009
Accounts receivable - Federal Aid	3,588
Accounts receivables - State Aid	
Inventories	
Total current assets	78,597
Noncurrent assets:	
Restricted cash and cash equivalents	-
Furniture, machinery & equipment	-
Less accumulated depreciation	-
Total noncurrent assets	-
Total assets	78,597
LIABILITIES	
Current liabilities:	
Cash overdraft	70,866
Deposits payable	-
Compensated absences	-
Total current liabilities	70,866
Total liabilities	70,866
NET ASSETS	
Invested in capital assets net of related debt	-
Restricted for:	
Capital projects	-
Unrestricted	7,731
Total net assets	$ 7,731

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

Exhibit B-5

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities Enterprise Fund
	Food Service
Operating revenues:	
Charges for services:	
Daily sales - Reimbursable programs and Special Lunch Program	
Special functions	-
Total operating revenues	-
Operating expenses:	
Cost of sales	493,079
Salaries and Benefits	-
Professional Fees	-
Supplies, Materials and Other Expenses	-
Depreciation	0
Total Operating Expenses	493,079
Operating income (loss)	(493,079)
Nonoperating revenues (expenses):	
Board Subsidy	70,000
State sources:	
State Breakfast Program	12,380
State school lunch program	7,202
Federal sources:	
National school breakfast program	97,359
National school lunch program	295,146
National snack program	11,464
Total nonoperating revenues (expenses)	493,551
Income (loss) before contributions & transfers	472
Capital contributions	-
Transfers in (out)	0
Change in net assets	472
Total net assets—beginning	7,259
Total net assets—ending	$ 7,731

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

Exhibit B-6

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Business-type Activities Enterprise Funds Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ -
Payments to employees and benefits	0
Payments to suppliers	(493,079)
Net cash provided by (used for) operating activities	(493,079)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Federal Sources	434,969
Operating subsidies and transfers to other funds	70,000
Net cash provided by (used for) non-capital financing activities	504,969
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase In Fixed Assets	---
Proceeds from sale/maturities of investments	---
Net cash provided by (used for) investing activities	-
Net increase (decrease) in cash and cash equivalents	11,890
Cash Balances—beginning of year	(82,756)
Cash Balances—end of year	$ (70,866)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 472
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and net amortization	
(Increase) decrease in accounts receivable, net	11,418
(Increase) decrease in inventories	-
(Increase) decrease in USDA Commonities	-
Increase (decrease) in accounts payable	-
Increase (decrease) in accrued compensated absences	0
Total adjustments	11,418
Net cash provided by (used for) operating activities	$ 11,890

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

FIDUCIARY FUNDS

Exhibit B-7

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Unemployment Compensation Trust	Gear Up Scholarship Fund	Agency fund
ASSETS			
Cash and cash equivalents	$ 239	$ 102,692	$ -
Investments, at fair value:			
U.S. government obligations		-	-
NJ municipal bonds		-	-
Total investments	-	-	-
Total assets	239	102,692	$ -
LIABILITIES			
Accounts payable		-	-
Payable to district	-	-	
Payable to student groups	-	-	
Payroll deductions and withholdings	-	-	-
Total liabilities	-	-	$ -
NET ASSETS			
Held in trust for unemployment claims and other purposes	$ 239		
Reserved for scholarships		$ 102,692	

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

Exhibit B-8

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	Unemployment Compensation Trust	GEAR UP Scholarship Fund
ADDITIONS		
Contributions:		
Plan member		
Other		
Total Contributions		
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest		26
Dividends		
Less investment expense		
Net investment earnings		26
Total additions		26
DEDUCTIONS		
Quarterly contribution reports		
Unemployment claims	3,437	
Scholarships awarded		
Refunds of contributions		
Administrative expenses		
Total deductions	3,437	
Change in net assets	(3,437)	26
Net assets—beginning of the year	3,676	102,666
Net assets—end of the year	$ 239	$ 102,692

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

NOTES TO THE FINANCIAL STATEMENTS

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Notes to Financial Statements
Year Ended June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Star Academy Charter School of Newark have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the North Star Academy Charter School of Newark's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) unanimously approved basic Financial Statements and Management's Discussion and Analysis for State and Local governments (Statement No. 34). This statement provides for significant changes in financial reporting and was first implemented by the North Star Academy Charter School of Newark for the fiscal year ending June 30, 2003. In addition, the school has implemented GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity:

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

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

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

B. Government-wide and Fund Financial Statements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the government reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The North Star Academy Charter School of Newark has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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

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

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

D. Assets, Liabilities and Net Assets or Equity:

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaid Items

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

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

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

Accrued Liabilities and Payables

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

Net Assets

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

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

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the North Star Academy Charter School of Newark as assets with an initial, individual cost of $2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

5. Fund Equity

Reservations/Designations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations/designations of the fund balance accounts are summarized below.

Reserve for Encumbrances - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30. There was no reserve for encumbrance at June 30, 2010.

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

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

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

This reserve is created to represent the portion of fund balance at June 30, 2010 restricted and utilized in the adopted subsequent year's budget. At June 30, 2010 there were no reserves.

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

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

No difference noted.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information:

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

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

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

The budget is properly amended by the North Star Academy Charter School of Newark trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2009/2010.

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

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

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Information: (continued)

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

	Revenues	Expenditures	Operating In	Transfers Out
Budgetary Basis	$1,451,693	$1,451,693	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2009	-	-	-	-
Less encumbrances at June 30, 2010	-	-	-	-
GAAP Basis	$1,451,693	$1,451,693	-	-

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

B. Capital Reserve Account:

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

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

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

As of June 30, 2010, North Star Academy Charter School of Newark cash and cash equivalents consisted of the following:

	General Fund	Special Revenue	Enterprise Fund	Total
Operating Account	$2,510,096	($319,722)	($70,866)	$2,119,508

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

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

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

	Category 1	2	3	Bank Balance
Deposits	$2,119,508	$ 0	$ 0	$2,119,508

The North Star Academy Charter School of Newark's cash deposits as June 30, 2010 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The school does not have a formal policy for custodial credit risk. As of June 30, 2010 the school bank balances of $2,119,508 was not exposed to custodial credit risk since all deposits were considered insured by either FDIC or GUDPA.

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Investments

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

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

The North Star Academy Charter School of Newark had no outstanding investments at June 30, 2010.

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

	General	Special Revenue	Food Service	Total
Receivables:				
Accounts	$588,940	$319,722	$78,597	$987,259
Gross Receivables	$588,940	$319,722	$78,597	$987,259

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

B. Deferred Revenue

There was no deferred revenue at June 30, 2010.

C. Capital Assets

Capital assets as of the year ended June 30, 2010 was as follows:

Primary Government:

	Balance at June 30, 2010
Governmental activities:	
Capital assets, not being depreciated:	$ -
Land	-
Total capital assets, not being depreciated	$ -
Capital assets, being depreciated:	
Building Improvements	1,786,851
Machinery and equipment	631,658
Total capital assets being depreciated	$ 2,418,509
Less accumulated depreciation for:	
Building Improvements	(216,720)
Machinery and equipment	(190,976)
Total accumulated depreciation	($407,696)
Total capital assets, being depreciated, net	$2,010,813
Total Net Capital Assets All Funds	$2,010,813

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

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

Governmental activities:	
Total depreciation expense - governmental activities	$64,147

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

D. Interfund Receivables, Payables, and Transfers:

As of June 30, 2010, there were no interfund transactions reflected.

NOTE 5. OTHER INFORMATION

A. Contingent Liabilities

The North Star Academy Charter School of Newark participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the North Star Academy Charter School of Newark may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by the various grantor agencies but the North Star Academy Charter School of Newark believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the North Star Academy Charter School of Newark.

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

B. Employee Retirement Systems and Pension Plans

Plan Description

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

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible school employees.

Public Employees' Retirement System (PERS) -Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Teachers' Pension and Annuity Fund (TPAF) -Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems and are considered in the annual actuarial calculation of the required State contribution for the system. According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trusts.

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Other Pension Funds (continued)

The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.ni.us/treasurv/pensions.

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Significant Legislation

P.L. 2007, c.92, implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform: established a Defined Contribution Retirement Program (DCRP) for elected and certain appointed officials, effective July 1, 2007; closed the Workers' Compensation Judges part of PERS to new members, effective July 1, 2007;

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Significant Legislation (continued)

eliminated the four percent fixed rate of interest for loans from the defined benefit plans and provided that the rate of interest will be set by the State Treasurer at a commercially reasonable rate as required by the Internal Revenue Code and permitted that an administrative processing fee may be charged for such loans.

It also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the system when excess assets are available.

P.L. 2007, c.103, certain parts effective July 1, 2007, provided for the following: changed employee contribution rates of TPAF, PERS (State employees only) and DCRP to 5.5 percent of annual compensation; imposed an annual maximum wage contribution base and a new retirement age to new employees; implemented changes to State Health Benefits Program (SHBP) and established for State employees an employee contribution of 1.5 percent of the employee's base salary.

Public Law 2009, c. 19 (S-21) was enacted on March 17, 2009 and allows the Division of Pensions and Benefits to provide non-state government pension system employers the option of paying the full amount, or an amount that reflects a 50 percent reduction of the normal and accrued liability component of the PERS and/or PFRS obligations for payments due in the State fiscal year ending June 30,2010. These payments were due on April 1,2010.

Funding Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems including TPAF and PERS, is 76.0 percent with an unfunded actuarial accrued liability of $28.4 billion.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Funding Status and Funding Progress (continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time.

The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2007 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (1) 8.25 percent for investment rate of return for the retirement systems and (2) 5.45 percent for projected salary increases for the PERS and 5.74 percent for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.0% for PERS and 5.5% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and TPAF.

Annual Pension Costs (APC)

During the year ended June 30, 2010 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals the annual required contribution.

NOTE 5. OTHER INFORMATION (continued)

B. Employee Retirement Systems and Pension Plans (continued)

Annual Pension Costs (APC) (continued)

TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the school to the pension system in accordance with Chapter 114, P.L. 1997.

During the years ended June 30, 2010, 2009, 2008 and 2007 the school was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal cost pension contributions (including non-contributory group life insurance (NCGI)).

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the school $475,850 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. This amount, along with the on-behalf TPAF pension contribution, has been included in the school-wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

C. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other than Pension Plans (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund -State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF are combined and reported as Health Benefits Program Fund -Local classified as a cost-sharing multiple-employer plan in the State's CAFR.

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

The health benefit programs had a total of 452 state and local participating employers and contributing entities for Fiscal Year 2008.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Funds. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.ni.us/treasury/pensions.

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the State had a $50.6 billion unfunded actuarial accrued liability for other post employment benefits (OPEB) which is made up to $18.4 billion for state active and retired members and $32.2 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the June 30, 2007, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 45.0 percent for investment rate of return for the OPEB.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2009, there were 80,181 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education with 25 years of service. The State paid $116.0 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2009.

NOTE 5. OTHER INFORMATION (continued)

C. Post-Retirement Medical Benefits (continued)

Post-Retirement Medical Benefits Contributions (continued)

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF and PERS retirees' post-retirement benefits on behalf of the school was not determined or made available by the State of New Jersey.

NOTE 6. RISK MANAGEMENT

The North Star Academy Charter School of Newark is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 7. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

The school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the charter school is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State.

NOTE 8. SUBSEQUENT EVENTS

The school has evaluated subsequent events occurring after the balance sheet through the date of August 17, 2010, which is the date the financial statements were available to be issued. Based on this evaluation, the school has determined no subsequent events require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

Exhibit C-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Share	$ 1,724,351	$ (113,935)	1,610,416	$ 1,610,416	$ -
State Share	10,592,443	(34,999)	10,557,444	10,557,444	-
Other Philanthropic Support		724,688	724,688	724,688	-
Miscellaneous	-	157	157	157	-
Total - Local Sources	12,316,794	575,911	12,892,705	12,892,705	-
Categorical Aid					
Special Education Aid	281,670	(101,940)	179,730	179,730	-
Security Aid	352,299	19,558	371,857	371,857	-
Non Public Aid	-	208,436	208,436	208,436	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	-	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)	-	-	-	475,850	475,850
Total State Sources	633,969	126,054	760,023	1,235,873	475,850
Federal Sources:					
Impact Aid	-	-	-	-	-
Medical Assistance Program	-	-	-	-	-
Total - Federal Sources	-	-	-	-	-
Total Revenues	12,950,763	701,965	13,652,728	14,128,578	475,850
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	$ 6,028,468	(1,276,237)	$ 4,752,231	$ 4,752,231	$ -
Other Salaries	-	-	$ -	-	-
Prof/Tech Services	588,642	(280,213)	308,429	308,429	-
Other Purchased Services	276,787	(75,692)	201,095	201,095	-
General Supplies	517,920	(71,796)	446,124	446,124	-
Textbooks	56,962	(39,902)	17,060	17,060	-
Other Objects	140,109	88,637	228,746	228,746	-
TOTAL REGULAR PROGRAMS - INSTRUCTION	7,608,888	(1,655,203)	5,953,685	5,953,685	-

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administative Salaries	774,401	627,867	1,402,268	1,402,268	-
Salaries of Secretarial and Clerical Assistants	216,930	76,543	293,473	293,473	-
Cost of Benefits	1,057,304	(60,198)	997,106	991,781	5,325
Consultants	16,800	14,861	31,661	31,661	-
Other Purchased Services	135,738	54,012	189,750	189,750	
Charter Management Org.	811,672	75,869	887,541	887,541	
Communications/Telephone	103,000	(121,304)	(18,304)	(18,304)	-
Supplies and Materials	4,120	8,105	12,225	12,225	-
Other Objects	13,184	9,568	22,752	22,752	-
	3,133,149	685,323	3,818,472	3,813,147	5,325
Support Services - School Admin/Operation Plant Services					
Salaries	295,020	(14,674)	280,346	280,346	-
Purchased Professional and Technical Services	41,151	(41,151)	-	-	-
Other Purchased Services	194,928	122,791	317,719	317,719	-
Rental of Land and Building- other than Lease Purchase Agreements	1,089,519	7,768	1,097,287	1,097,287	-
Insurance	37,400	5,462	42,862	42,862	-
General Supplies	42,230	5,668	47,898	47,898	-
Transportation- Trips	215,838	(77,822)	138,016	138,016	-
Energy (Energy and Electricity)	156,240	120,598	276,838	276,838	-
Other Objects	-	1,913	1,913	1,913	-
Total Undist. Expend. - Other Oper. & Maint. Of Plant	2,072,326	130,553	2,202,879	2,202,879	-
Food Service					
Other Purchased Services	-	70,000	70,000	70,000	-
Total Food Services	-	70,000	70,000	70,000	-
On-behalf TPAF pension Contributions (non-budgeted)	-	-	-	-	-
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	475,850	(475,850)
TOTAL ON-BEHALF CONTRIBUTIONS	-	-	-	475,850	(475,850)
TOTAL UNDISTRIBUTED EXPENDITURES	5,205,475	885,876	6,091,351	6,086,026	(470,525)
TOTAL GENERAL CURRENT EXPENSE	12,814,363	(769,327)	12,045,036	12,515,561	(470,525)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	20,000	(20,000)	-	-	-
Non-Instructional Equipment	20,000	(16,338)	3,662	3,662	-
Miscellaneous	96,400	1,507,630	1,604,030	446,851	1,157,179
Total Equipment	136,400	1,471,292	1,607,692	450,513	1,157,179
TOTAL EXPENDITURES- GENERAL FUND	12,950,763	701,965	13,652,728	12,966,074	686,654
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	1,162,504	1,162,504
Other Financing Sources:					
Operating Transfer In:					
Total Other Financing Sources:	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	-	-	-	1,162,504	1,162,504
Fund Balance, July 1	-	-	1,643,876	1,643,876	-
Fund Balance, June 30	$ -	$ -	$ 1,643,876	$ 2,806,380	$ 1,162,504

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	$ 201,955		$ 201,955	$ 201,955	
State Sources	-		-	-	
Federal Sources	1,249,738		1,249,738	1,249,738	
Total Revenues	1,451,693		1,451,693	1,451,693	
EXPENDITURES:					
Instruction					
Salaries of Teachers	856,777		856,777	856,777	
Other Salaries for Instruction					
Purchased Professional -Educational Services	-		-	-	
Purchased Professional and Technical Services	64,550		64,550	64,550	
Tutoring Program	-		-	-	
Other Purchased Services (400-500 series)	59,999		59,999	59,999	
Instructional Supplies	118,884		118,884	118,884	
Textbooks	15,000		15,000	15,000	
General Supplies	2,381		2,381	2,381	
Personal Services- Employee Benefits	163,422		163,422	163,422	
Textbooks					
Instructional Supplies	-		-	-	
Total Instruction	1,281,013		1,281,013	1,281,013	
Support Services					
Salaries of Supervisor of Instruction					
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff					
Salaries of Secretaries & Clerical Assistants					
Communication	1,297		1,297	1,297	
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	20,863		20,863	20,863	
Other Purchased Professional Services	61,684		61,684	61,684	
Purchased Technical Services					
Transportation	24,159		24,159	24,159	
Scholarships	29,302		29,302	29,302	
Food Service Equipment	10,300		10,300	10,300	
Other Purchased Services (400-500 series)	14,767		14,767	14,767	
Parental Invaolment Expeditures	8,308		8,308	8,308	
Total Support Services	170,680		170,680	170,680	

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2010

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	-	-	-	-	-
Transfer to Charter School	-	-	-	-	-
Total Expenditures	1,451,693	-	1,451,693	1,451,693	-
Other Financing Sources (Uses)					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Total Outflows	**1,451,693**	**-**	**1,451,693**	**1,451,693**	**-**
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	$ 1,451,693	$ -	$ 1,451,693	$ 1,451,693	$ -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2010

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

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

SPECIAL REVENUE FUND

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

Exhibit E-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Year Ended June 30, 2010

	TOTAL	IDEA PART B-Basic Reg. Prog.	IDEA PART B-Basic ARRA	TITLE I	TITLE I ARRA	NCLB TITLE IIA	Title IID	ARRA Grant	ACE Grant
REVENUES									
Intergovernmental									
State									
Federal	1,239,438	138,884	228,343	536,562	294,210	35,863	5,576	10,300	
Other Sources									
Miscellaneous	201,955								201,955
Total Revenues	1,451,693	138,884	228,343	536,562	294,210	35,863	5,576	10,300	201,955
EXPENDITURES									
Instruction									
Salaries	856,777	100,000	156,227	315,505	157,753				127,292
Purchased Prof. and Tech. Services	64,550		40,870		23,680				
Purchased									
Other Purchased Services	59,999			55,000	4,999				
Instructional Supplies	118,884	18,884		45,000	55,000				
General Supplies	2,381								2,381
Textbooks	15,000			15,000					
Personal Services - Employee Benefits	163,422	20,000	31,246	63,101	31,551				17,524
Equipment Instructional									
Total Instruction	1,281,013	138,884	228,343	493,606	272,983	0	0	0	147,197
Support Services									
Salaries of Supervisors of Instruction									
Salaries of Program Directors									
Salaries of Other Prof. Staff									
Salaries of Secretarial and Clerical Ass't									
Personal Services - Employee Benefits									
Transportation	24,159								24,159
Communication	1,297								1,297
Other Purchased Services	61,684			40,457	21,227				
Purchased Professional/Educational Ser.	20,863					20,863			
Scholarships Aid	29,302								29,302
Parental Involvement									
Other Purchases	23,075			2,499		15,000	5,576		
Food Service Equipment	10,300							10,300	
Field Trip Fees									
Total Support Services	170,680			42,956	21,227	35,863	5,576	10,300	54,758
TOTAL EXPENDITURES	1,451,693	138,884	228,343	536,562	294,210	35,863	5,576	10,300	201,955

PROPRIETARY FUNDS

ENTERPRISE FUND

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

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

Exhibit G-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Net Assets
JUNE 30, 2010

	Business-Type Activities
	Enterprise Fund
ASSETS	Food Services
Current Assets	
Cash	$0
Intergovernmental Receivable	
Federal	$75,009
State	3,588
Accounts Receivable	
Total Current Assets	78,597
Total Assets	78,597
LIABILITIES	70,866
Cash Overdraft	
Total Current Liabilities	70,325
Net Assets	
Unrestricted	7,731
Invested in capital assets net of related debt	0
Total Net Assets	$7,731

Exhibit G-2

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2010

	Business-Type Activities Enterprise Fund Food Services
OPERATING REVENUES	
Local Sources	
Daily Sales - Reimbursable Programs	---
Special Lunch and Breakfast Program	
Special Functions	
Total Operating Revenues	---
OPERATING EXPENSES	
Salaries, wages and employee benefits	
Supplies, Materials & Other	(493,079)
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	(493,079)
Income (Loss) From Operations	(493,079)
Nonoperating Revenues	
Board Subsidy	70,000
State Sources	
National School Lunch	12,380
State Breakfast	7,202
Federal Sources	
School Breakfast Program	97,359
National School Lunch Program	295,146
National Snack Program	11,464
Total Nonoperating Revenues	493,551
Net Income (Loss)	472
Total Net Assets- Beginning of Year	7,259
Total Net Assets- End of Year	$7,731

Exhibit G-3

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2010

	2010
Cash flows from operating activities	
Cash Received from Customers	
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(493,079)
Net Cash (Used) by Operating Activities	(493,079)
Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	70,000
Cash Received from State and Federal Subsidy Reimbursements	434,969
Net Cash Provided by Noncapital Financing Activities	504,969
Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net Increase in Cash and Cash Equivalents	11,890
Cash and Cash Equivalents, Beginning of Year	(82,756)
Cash and Cash Equivalents, End of Year	($70,866)
Reconcilliation of Operating (Loss) to Net Cash Used by Operating Activities	
Operating Profit (Loss)	$472
Adjustments to Reconcile Operating (Loss) to Net Cash Used by Operating Activities	
Depreciation	
Decrease in Accounts Receivable	11,418
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	11,418
Net Cash Used by Operating Activities	$11,890

FIDUCIARY FUNDS

Exhibit H-1

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2010

	Unemployment Insurance	Gear Up Scholarships	Parent Council	Payroll Account	Payroll Agency	TOTAL
ASSETS						
Cash	$239	$102,692	$50,579	$0	$0	$153,510
Total Assets	$239	$102,692	$50,579	$0	$0	$153,510
LIABILITIES AND FUND BALANCES						
Liabilities						
Intergovernmental Payble - State						
Payroll Deductions and Withholdings				0	0	0
College Trust Fund		102,692				102,666
Due to Student Groups			50,579			50,579
Total Liabilities	0	102,692	50,579	0	0	153,271
Fund Balances						
Reserve For Unemploy. Trust Fund	239	0	0	0	0	239
Total Fund Balances	239	0	0	0	0	239
Total Liabilities and Fund Balances	$239	$102,692	$50,579	$0	$0	$153,510

Exhibit H-2

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Assets
Fiduciary Funds
As of June 30, 2010

NOT APPLICABLE

Exhibit H-3

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Parent Council Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Cash Receipts	Cash Disbursements	Balance June 30, 2010
Parent Council Fund	$27,314	$76,464	($53,199)	$50,579
Total	$27,314	$76,464	($53,199)	$50,579

Exhibit H-4

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS				
Cash and Cash Equivalents	$0	$8,456,088	$8,456,088	$0
Total Liabilities	0	8,456,088	8,456,088	0
LIABILITIES				
Payroll Deductions and Withholdings	0	2,948,037	2,948,037	0
Accrued Salaries and Wages		5,508,051	5,508,051	
Total Liabilities	$0	$8,456,088	$8,456,088	$0

Exhibit H-5

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS				
Cash and cash Equivalents	$14,201	$12,015	$22,540	$3,676
Total Assets	$14,201	$12,015	$22,540	$3,676
LIABILITIES	$0	$0	$0	$0
FUND BALANCE				
Reserve for Unemployment Compensation	$14,201	$12,015	$22,540	$3,676
Total Liabilities and Fund Balance	$14,201	$12,015	$22,540	$3,676

FINANCIAL TRENDS

Exhibit J-1

NORTH STAR ACADEMY CHARTER SCHOOL
NET ASSETS BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	2010	2009	2008	2007	2006	2005
Governmental activities						
Invested in capital assets, net of related debt	$ 2,010,813	$ 1,617,809	$ 1,676,164	$ 1,736,832	$ 1,797,500	$ 1,819,891
Restricted				-	-	-
Unrestricted	2,806,380	1,643,876	1,036,458	570,696	284,676	257,741
Total governmental activities net assets	$ 4,817,193	$ 3,261,685	$ 2,712,622	$ 2,307,528	$ 2,082,176	$ 2,077,632
Business-type activities						
Invested in capital assets, net of related debt				$ -	$ -	$ -
Restricted				-	-	-
Unrestricted	7,731	7,259	6,520	51,247	61,667	3,492
Total business-type activities net assets	$ 7,731	$ 7,259	$ 6,520	$ 51,247	$ 61,667	$ 3,492
School-wide						
Invested in capital assets, net of related debt	$ 2,010,813	$ 1,617,809	$ 1,676,164	$ 1,736,832	$ 1,797,500	$ 1,819,891
Restricted				-	-	-
Unrestricted	2,814,111	1,651,135	1,042,978	621,943	346,343	261,233
Total school net assets	$ 4,824,924	$ 3,268,944	$ 2,719,142	$ 2,358,775	$ 2,143,843	$ 2,081,124

Exhibit J-2

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	2010	2009	2008	2007	2006	2005
Expenses						
Governmental activities						
Instruction						
Regular	$ 7,234,698	$ 6,438,518	$ 4,579,208	$ 3,478,748	$ 2,860,200	$ 2,102,023
Support Services:						
General administration	3,983,827	2,693,473	1,916,395	1,196,198	972,308	620,912
School Administrative Services	2,272,879	1,708,473	1,032,856	699,683	621,812	480,404
On-behalf TPAF Social Securituy	475,850	406,037	332,818	212,193	181,967	133,873
Capital outlay	450,513	19,710	5,206	-	26,314	6,854
Unallocated depreciation	64,147	58,355	60,668	60,668	48,705	48,163
Total governmental activities expenses	14,481,914	11,324,566	7,927,151	5,647,490	4,711,306	3,392,229
Business-type activities:						
Food service	493,079	384,154	319,660	252,479	189,428	172,099
Child Care	-	-	-	-	-	-
Total business-type activities expense	493,079	384,154	319,660	252,479	189,428	172,099
Total school expenses	$ 14,974,993	$ 11,708,720	$ 8,246,811	$ 5,899,969	$ 4,900,734	$ 3,564,328
Program Revenues						
Governmental activities:						
Charges for services:						
Instruction (tuition)	$ -	$ -	$ -	$ -	$ -	$ -
Pupil transportation	-	-	-	-	-	
Central and other support services	-	-	-	-	-	
Operating grants and contributions	1,451,693	689,664	822,440	798,009	618,897	520,921
Capital grants and contributions	-	-	-	-	-	-
Total governmental activities program revenues	1,451,693	689,664	822,440	798,009	618,897	520,921
Business-type activities:						
Charges for services						
Food service	493,551	384,893	262,899	262,899	247,603	171,743
Child care	-	-	-	-	-	
Operating grants and contributions	-	-	-	-	-	
Capital grants and contributions	-	-	-	-	-	-
Total business type activities program revenues	493,551	384,893	262,899	262,899	247,603	171,743
Total school program revenues	$ 1,945,244	$ 1,074,557	$ 1,085,339	$ 1,060,908	$ 866,500	$ 692,664
Net (Expense)/Revenue						
Governmental activities	$ -	$ -	$ -	$ -	$ -	$ -
Business-type activities	472	739	(56,761)	10,420	58,175	(356)
Total school-wide net expense	$ 472	$ 739	$ (56,761)	$ 10,420	$ 58,175	$ (356)

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Local share	$ 1,610,416	$ 1,338,553	$ 1,331,527	$ 825,039	$ 671,311	$ 500,103
State Share	10,557,444	8,269,897	3,259,946	2,997,628	2,176,242	1,706,912
State aid	1,235,873	1,095,020	2,271,296	976,504	963,981	661,730
Philanthropic Support	724,688	480,110	646,086	275,662	259,105	4,578
Increase in Net Capital Outlay	457,151	-	-	-	26,314	16,995
Investment earnings	-	385	950	-	-	-
Miscellaneous income	157	-	-	-	-	-
Transfers	-	-	-	-	-	
Total governmental activities	14,585,729	11,183,965	7,509,805	5,074,833	4,096,953	2,890,318
Business-type activities:						
Investment earnings	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total business-type activities	-	-	-	-	-	-
Total school-wide	$ 14,585,729	$ 11,183,965	$ 7,509,805	$ 5,074,833	$ 4,096,953	$ 2,890,318
Change in Net Assets						
Governmental activities	$ 1,555,980	$ 549,802	$ 348,333	$ 235,772	$ 62,719	$ 18,654
Business-type activities	(472)	739	56,761	(10,420)	58,175	(356)
Total school	$ 1,555,508	$ 550,541	$ 405,094	$ 225,352	$ 120,894	$ 18,298

EXHIBIT J-3

NORTH STAR ACADEMY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010

	2010	2009	2008	2007	2006	2005
General Fund						
Reserved						
Unreserved	2,806,380	1,643,876	1,036,458	570,696	284,676	257,741
Total general fund	$ 2,806,380	$ 1,643,876	$ 1,036,458	$ 570,696	$ 284,676	$ 257,741
All Other Governmental Funds						
Reserved						
Unreserved, reported in:						
Special revenue fund						
Capital projects fund						
Debt service fund						
Permanent fund						
Total all other governmental funds						

Exhibit J-4

NORTH STAR ACADEMY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	2010	2009	2008	2007	2006	2005
Revenues						
Local tax Levy	$ 1,610,416	$ 1,338,553	$ 1,331,527	$ 825,039	$ 671,311	$ 500,103
Other local revenue	926,800	610,933	769,776	366,350	259,105	4,578
State sources	11,793,317	9,364,917	5,531,242	3,974,132	3,144,223	2,372,642
Federal sources	1,249,738	559,226	699,700	707,321	614,897	516,921
Total revenue	15,580,271	11,873,629	8,332,245	5,872,842	4,689,536	3,394,244
Expenditures						
Instruction						
Regular Instruction	5,261,755	4,777,831	3,484,927	2,404,925	2,089,912	1,490,245
Undistributed Instruction	691,930	1,063,637	623,004	459,690	330,755	233,740
Support Services:						
General administration	3,813,147	2,600,859	1,565,232	1,012,322	792,944	478,029
School administrative services/Plant	2,272,879	1,708,473	1,032,856	699,683	621,812	480,404
TPAF Social Security	475,850	406,037	332,818	212,193	181,967	133,873
Food Service						
Capital outlay	450,513	19,710	5,206	-	26,314	6,854
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Special Revenue	1,451,693	689,664	822,440	798,009	618,897	520,921
Total expenditures	14,417,767	11,266,211	7,866,483	5,586,822	4,662,601	3,344,066
Excess (Deficiency) of revenues over (under) expenditures	1,162,504	607,418	465,762	286,020	26,935	50,178
Other Financing sources (uses)						
Proceeds from borrowing	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-
Proceeds from refunding	-	-	-	-	-	-
Payments to escrow agent	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	$ 1,162,504	$ 607,418	$ 465,762	$ 286,020	$ 26,935	$ 50,178
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: School records

REVENUE CAPACITY

EXHIBIT J-5

NORTH STAR ACADEMY CHARTER SCHOOL
REVENUE CAPACITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOT APPLICABLE

Exhibit J-6

NORTH STAR ACADEMY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-7

NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-8

NORTH STAR ACADEMY CHARTER SCHOOL
Principal Property Taxpayers
For the Year Ended June 30, 2010

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

NORTH STAR ACADEMY CHARTER SCHOOL
Property Tax Levies and Collections
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-10

NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-11

NORTH STAR ACADEMY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-12

NORTH STAR ACADEMY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2010

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

NORTH STAR ACADEMY CHARTER SCHOOL
Demographic and Economic Statistics
For the Year Ended June 30, 2010

NOT APPLICABLE

Exhibit J-14

NORTH STAR ACADEMY CHARTER SCHOOL
Principal Employers
For the Year Ended June 30, 2010

NOT APPLICABLE

OPERATING INFORMATION
(UNAUDITED)

Exhibit J-15

NORTH STAR ACADEMY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Year Ended June 30, 2010

Function/Program	2010	2009	2008	2007	2006	2005
Instruction						
Regular	99	75	50	30	24	17
Special education						
Other special education						
Vocational						
Other instruction						
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services						
General administration						
School administrative services						
Other administrative services						
Central services						
Administrative Information Technology						
Plant operations and maintenance						
Pupil transportation						
Other support services						
Special Schools						
Food Service						
Child Care						
Total	99	75	50	30	24	17

Source: School Personnel Records

Exhibit J-16

NORTH STAR ACADEMY CHARTER SCHOOL
Operating Statistics
For the Year Ended June 30, 2010

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio: Elementary	Pupil/Teacher Ratio: Middle School	Pupil/Teacher Ratio: Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2004	270	2,366,832	8,766	2.73%	40	10	10	10	264.6	262	12.50%	97.30%
2005	297	3,337,212	11,236	28.18%	40	10	10	10	291.1	288	10.00%	97.30%
2006	380	4,043,704	10,641	-5.30%	50	10	10	10	372.4	365	27.95%	97.30%
2007	439	4,788,813	10,908	2.51%	50	10	10	10	430.2	422	13.50%	98.07%
2008	583	7,044,043	12,082	10.76%	50	9	29	12	586.3	568	36.28%	96.90%
2009	758	11,584,365	15,283	26.49%	75	16	40	19	703.9	731	20.00%	96.50%
2010	902	14,460,330	16,031	4.90%	99	10	10	10	906.2	875	28.73%	96.60%

Sources: District records

Exhibit J-17

NORTH STAR ACADEMY CHARTER SCHOOL
School Building Information
For the Year Ended June 30, 2010

School Building	2010	2009	2008	2007	2006	2005
Main Campus						
Square Feet	25,220	25,220	25,220	25,220	25,220	25,220
Capacity (students)	300	300	300	300	300	300
Enrollment			284	289	289	290
North Campus						
Square Feet	9,000	9,000	9,000	-	-	-
Capacity (students)	230	230	230	-	-	-
Enrollment a	221	221	221	-	-	-
Clinton Hill Campus						
Square Feet	40,000	40,000	-	-	-	-
Capacity (students)	300	300	-	-	-	-
Enrollment a			-	-	-	-

Number of Schools at June 30, 2010
- Elementary = 1
- Middle School = 2
- Senior High School = 1
- Other = 0

Source: School Office

Exhibit J-18

NORTH STAR ACADEMY CHARTER SCHOOL
Insurance Schedule
For the Year Ended June 30, 2010

	Coverage	Deductible
School Package Policy (1)		
Commercial Property	$ 25,000,000	$ 5,000
Boiler and Machinery	1,000,000	5,000
General Automobile Liability	4,000,000	1,000
School Board Legal Liability	1,000,000	10,000
Umbrella	4,000,000	-
Workers' Compensation	2,000,000	-
Surety Bonds (3)		
School Board Legal Liability	50,000	500
Public Official Bond	100,000	500

``

Exhibit J-19

NORTH STAR ACADEMY CHARTER SCHOOL
General Fund - Other Local Revenue By Source
For the Year Ended June 30, 2010

Fiscal Year Ending June 30,	Sale of Capital Assets	Donations	Rentals	Prior Year Refunds	Sale and Leaseback of Textbooks	Other Local	Annual Totals
2002						2,672	2,672
2003						8,517	8,517
2004						659	659
2005						4,578	4,578
2006		250,000				9,105	259,105
2007		274,748				914	275,662
2008		646,086				950	647,036
2009		480,110				385	480,495
2010		724,688				157	724,845

Source: School records

Exhibit J-20

NORTH STAR ACADEMY CHARTER SCHOOL
Schedule of Allowable Maintenance Expenditures by School Facility
For the Year Ended June 30, 2010

NOT APPLICABLE

SINGLE AUDIT SECTION K

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936
TELEPHONE 973-585-4989
FAX 973-240-7318

EXHIBIT K-1

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

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

I have audited the financial statements of the North Star Academy Charter School of Newark Board of Trustee's, County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2010, and have issued my report thereon dated August 17, 2010. I conducted my 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 my audit, I considered the North Star Academy Charter School of Newark Board of Trustee's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the North Star Academy Charter School of Newark Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of the North Star Academy Charter School of Newark Board of Trustee's internal control over financial reporting.

A 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 combination of control deficiencies, that adversely affects the entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's 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 entity's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the management of the North Star Academy Charter School of Newark Board of Trustee's and the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant No. 870

Scott J Loeffler, CPA

August 17, 2010

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
P. O. BOX 553
EAST HANOVER, NEW JERSEY 07936
TELEPHONE
973-585-4989
FAX
973-240-7318

EXHIBIT K-2

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

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

Compliance

I have audited the compliance of the North Star Academy Charter School of Newark Board of Trustee's, in the County of Essex, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010. North Star Academy Charter School of Newark 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 North Star Academy Charter School of Newark Board of Trustee's, management. My responsibility is to express an opinion on the North Star Academy Charter School of Newark Board of Trustee's compliance based on my audit.

I conducted my 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 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the North Star Academy Charter School of Newark's Board of Trustee's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the North Star Academy Charter School of Newark Board of Trustee's compliance with those requirements.

In my opinion, the North Star Academy Charter School of Newark Board of Trustee's, in the County of Essex, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

The management of the North Star Academy Charter School of Newark Board of Trustee's is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing my audit, I considered the North Star Academy Charter School of Newark Board of Trustee's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly I do not express an opinion on the effectiveness of North Star Academy Charter School of Newark's Board of Trustee'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 a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Licensed Public School Accountant No. 870

Scott J. Loeffler, CPA
August 17, 2010

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK **EXHIBIT A**

Schedule of Federal Financial Assistance

For the Fiscal Year Ended June 30, 2010

Federal/Grantor Program Title	CFDA/GRANT Project Number	Grant Period	Award Amount	Balance July 1, 2009	Prior Carry over	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment	Deferred Revenue/ (Accounts Receivable) June 30, 2010	Due to Grantor at June 30, 2010
Food Subsidy											
Federal School Lunch	10.555	07/01/09-06/30/10				$239,613	$295,146			(55,533)	
Federal Breakfast	10.555	07/01/09-06/30/10				80,179	97,359			(17,180)	
National Snack Program	10.555	07/01/09-06/30/10				9,168	11,464			(2,296)	
Special Revenue Fund											
Special Revenue											
ARRA GRANT		09/01/09-08/31/10	10,300			10,300	10,300			0	
NCLB											
Title I	*NCLB732010	09/01/09-08/31/10	536,562			460,840	536,562			(75,722)	
Title I AARA	*NCLB732010	09/01/09-08/31/10	228,343			294,210	294,210			0	
Title IIA	*NCLB732010	09/01/09-08/31/10	35,863			35,863	35,863			---	
Title IID	*NCLB732010	09/01/09-08/31/10	5,576			5,576	5,576				
IDEA											
IDEA Title VI	IDEA 10	09/01/09-08/31/10	111,353			114,884	138,884			(24,000)	
IDEA Title VI AARA	IDEA 10	09/01/09-08/31/10	111,353			228,343	228,343			0	
Total Special Revenue						1,150,016	1,249,738			(99,722)	---
						$1,478,976	$1,653,707			($174,731)	

*Major Program

See accompanying notes to the schedules of Federal and State financial assistance.

EXHIBIT - B

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
Schedule of State Financial Assistance
For the Fiscal Year Ended June 30, 2010

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2009	Cash Received	Budgetary Expenditures	Prior Years' Balances	Adjust.	Receivable at June 30, 2010
GENERAL FUND									
TPAF Social Security	96-495034095-032	7/1/09-06/30/10	475,850		475,850	475,850			
On Behalf Pension	96-495034095-032	7/1/09-06/30/10				0			
Charter School Aid - Local *	5120-495/150-360030-60	7/1/09-06/30/10	1,610,416		1,610,416	1,610,416			
Charter School Aid - State *	5120-195/070030-60	7/1/09-06/30/10	10,557,444		10,557,444	10,557,444			
Special Education	5120-195/070030-60	7/1/09-06/30/10	179,730		179,730	179,730			
Abbott K Support Aid	5120-195/070030-60	7/1/09-06/30/10							
Early Childhood Aid	5120-195/070030-60	7/1/09-06/30/10							
Targeted at Risk Aid	5120-195/070030-60	7/1/09-06/30/10							
Demonstrably Effective	5120-495/050030-60	7/1/09-06/30/10							
Security Aid	5120-495/050030-60	7/1/09-06/30/10	371,857		371,857	371,857			
Non Public Aid	5120-495/050030-60	7/1/09-06/30/10	208,436		208,436	208,436			
Total General Fund				--	13,403,733	13,403,733			
ENTERPRISE FUND									
State School Breakfast	96-100-034-5120-122	7/1/09-06/30/10	7,202		5,943	7,202			(1,259)
State School Lunch	96-100-034-5120-122	7/1/09-06/30/10	12,380	--	10,051	12,380			(2,329)
Total Enterprise					15,994	19,582			(3,588)
GRAND TOTAL				--	13,419,727	13,423,315			(3,588)

*Major Program

See accompanying notes to the schedules of Federal and State financial assistance.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the school's basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (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 account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is $-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's general-purpose financial statements on a GAAP basis as follows:

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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

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

	Federal	State	Total
General Fund	$ ---	$13,403,733	$13,403,733
Special Revenue Fund	1,249,738	---	1,249,738
Food Service Fund	403,969	19,582	423,556
Total Awards and Financial Assistance	$1,653,707	$13,423,315	$15,077,027

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

The amount paid as TPAF Pension Contributions represents the state on behalf of the Charter School for the year ended June 30, 2010 was -0-. TPAF Social Security Contributions represents the amount of $475,850 reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

PART 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

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

Federal Awards

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

Identification of major programs:

CDFA Number(s)	Name of Federal Program or Cluster
NCLB-08	No Child Left Behind – Title I

Dollar threshold used to distinguish between type A and type B programs (.520)	$300,000
Auditee qualified as low risk auditee:	**X**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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

Identification of major programs:

CDFA Number(s)	Name of Federal Program or Cluster
5120-08	Charter School Aid Local and State

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2010

PART 1 – SUMMARY OF AUDITOR'S RESULTS (continued)

Federal and State Awards Section (continued)

Identification of Major Programs:

Federal

CFDA Number(s)	Name of Federal Program or Cluster
NCLB-10	No Child Left Behind

State

Program Number(s)	Name of State Program or Cluster
5120-495	Charter School Aid Local and State

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2010

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
COUNTY OF ESSEX, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2010

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

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

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Status of Prior Year Findings

No findings were reported for the prior year.