# COMPREHENSIVE ANNUAL FINANCIAL

# REPORT OF THE

# RED BANK CHARTER SCHOOL

58 Oakland Street
Red Bank, New Jersey 07701

## FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prepared by

Business Office

## TABLE OF CONTENTS


| | | Page |
|---|---|---|
| | **INTRODUCTORY SECTION** | |
| | Letter of Transmittal | 1-4 |
| | Organizational Chart | 5 |
| | Roster of Officials | 6 |
| | Consultants and Advisors | 7 |
| | **FINANCIAL SECTION** | |
| | Independent Auditor's Report | 8-9 |
| | **Required Supplementary Information – Part I** | |
| | Management's Discussion and Analysis | 10-17 |
| | **Basic Financial Statements** | |
| A. | Charter School-wide Financial Statements: | |
| | A-1 Statement of Net Assets | 18 |
| | A-2 Statement of Activities | 19 |
| B. | Fund Financial Statements: | |
| | Governmental Funds: | |
| | B-1 Balance Sheet | 20 |
| | B-2 Statement of Revenues, Expenditures and Changes in Fund Balances | 21 |
| | B-3 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| | Proprietary Funds: | |
| | B-4 Statement of Net Assets | 23 |
| | B-5 Statement of Revenues, Expenses and Changes in Fund Net Assets | 24 |
| | B-6 Combining Statement of Cash Flows | 25 |
| | Fiduciary Funds: | |
| | B-7 Statement of Fiduciary Net Assets | 26 |
| | B-8 Statement of Changes in Fiduciary Net Assets | N/A |
| | **Notes to the Financial Statements** | 27-44 |
| | **Required Supplementary Information – Part II** | |
| C. | Budgetary Comparison Schedules: | |
| | C-1 Budgetary Comparison Schedule – General Fund | 45-47 |
| | C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | N/A |
| | C-2 Budgetary Comparison Schedule – Special Revenue Fund | 48 |

## TABLE OF CONTENTS (CONTINUED)


Page

**FINANCIAL SECTION (CONTINUED)**

C. Budgetary Comparison Schedules (Continued):

**Notes to the Required Supplementary Information**

C-3 Budget-to-GAAP Reconciliation ..... 49

**Other Supplementary Information**

D. School Level Schedules:

D-1 Combining Balance Sheet ..... N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual ..... N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual ..... N/A

E. Special Revenue Fund:

E-1 Combining Schedule of Revenues and Expenditures - Special Revenue Fund – Budgetary Basis ..... 50-51

F. Capital Projects Fund:

F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis ..... N/A
F-2 Summary Statement of Project Expenditures ..... N/A

G. Proprietary Funds:

Enterprise Fund:
G-1 Combining Statement of Net Assets – Not Applicable ..... 52
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Not Applicable ..... 52
G-3 Combining Statement of Cash Flows – Not Applicable ..... 52

Internal Service Fund:
G-4 Combining Statement of Net Assets ..... N/A
G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets ..... N/A
G-6 Combining Statement of Cash Flows ..... N/A

## TABLE OF CONTENTS (CONTINUED)


Page

### FINANCIAL SECTION (CONTINUED)

**Other Supplementary Information (Continued)**

H. Fiduciary Funds:

| | | |
|---|---|---|
| H-1 | Combining Statement of Fiduciary Net Assets | 53 |
| H-2 | Combining Statement of Changes in Fiduciary Net Assets | N/A |
| H-3 | Student Activity Agency Fund Schedule of Receipts and Disbursements | 54 |
| H-4 | Payroll Agency Fund Schedule of Receipts and Disbursements | 55 |

I. Long-Term Debt:

| | | |
|---|---|---|
| I-1 | Schedule of Mortgage Obligations | 56 |
| I-2 | Schedule of Obligations Under Capital Leases | N/A |
| I-3 | Debt Service Fund Budgetary Comparison Schedule | N/A |

### STATISTICAL SECTION (Unaudited)

Financial Trends

| | | |
|---|---|---|
| J-1 | Net Assets by Component | 57 |
| J-2 | Changes in Net Assets | 58-59 |
| J-3 | Fund Balances – Governmental Funds | 60 |
| J-4 | Changes in Fund Balances – Governmental Funds | 61 |
| J-5 | General Fund Other Local Revenue by Source | 62 |

Revenue Capacity

| | | |
|---|---|---|
| J-6 – J-9 | | N/A |

Debt Capacity

| | | |
|---|---|---|
| J-10 – J-13 | | N/A |

Demographic and Economic Information

| | | |
|---|---|---|
| J-14 | Demographic and Economic Statistics | N/A |
| J-15 | Principal Employers | N/A |

Operating Information

| | | |
|---|---|---|
| J-16 | Full-time Equivalent Charter School Employees by Function/Program | 63 |
| J-17 | Operating Statistics | 64 |
| J-18 | School Building Information | 65 |
| J-19 | Schedule of Allowable Maintenance Expenditures by School Facility | N/A |
| J-20 | Insurance Schedule | 66 |

## TABLE OF CONTENTS (CONTINUED)


| | | Page |
|---|---|---|
| | **SINGLE AUDIT SECTION** | |
| 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* | 67-68 |
| K-2 | Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Federal OMB Circular A-133 and State of New Jersey OMB Circular 04-04 | 69-70 |
| K-3 | Schedule of Expenditures of Federal Awards, Schedule A | 71 |
| K-4 | Schedule of Expenditures of State Financial Assistance, Schedule B | 72 |
| K-5 | Notes to the Schedules of Awards and Financial Assistance | 73-74 |
| K-6 | Schedule of Findings and Questioned Costs | 75-78 |
| K-7 | Summary Schedule of Prior Audit Findings | 79 |

# INTRODUCTORY SECTION

RBCS
Red Bank Charter School

Meredith Pennotti, Principal

58 Oakland St. ▪ Red Bank, New Jersey 07701
(732).450.2092 ▪ (732).936.1923

October 12, 2010

Board of Trustees
Red Bank Charter School
County of Monmouth, New Jersey

Dear Board of Trustees:

The Comprehensive Annual Financial Report of the Red Bank Charter School (the "Charter School") 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 Board of Trustees and administrators of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The introductory section includes this transmittal letter, the organizational chart and a list of the Board of Trustee members. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical section includes selected financial information, presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, including the Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the New Jersey OMB Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Red Bank Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds of the Charter School are included in this report. The Charter School constitutes the reporting entity. The Charter School provides a full range of educational services appropriate to grade levels K through 8. These included regular, special education and an after-school program. Enrollment remained stable at one hundred and seventy three (173) students.

2. **MAJOR INITIATIVES**: Following are the major initiatives successfully implemented at The Red Bank Charter School for the 2009-2010 school year:

   - Completed a 5-year Facilities Improvement Plan with associated priorities.
   - Worked closely with our two fundraising groups, the Charter Community Organization and the RBCS Foundation, to set priorities and adjust the priorities during the year as issues arose.
   - Supported the completion of our 3-year Technology Plan.
   - Continued to refine the Performance and Compensation Model for the teaching staff.
   - Initiated an E-Rate Funding Program.
   - Oversaw completion of the kitchen upgrade program and began evaluation of the economics of a RBCS Nutrition Program.
   - Established a Technology Advisory Council to take advantage of the technical expertise in our parent community.
   - Worked with the administration to develop a second Champion the Charter presentation to inform our parent and faculty community concerning funding, 2010-11 budget, and current and longitudinal performances of RBCS students on the state assessments..
   - Co-hosted the annual NJ Charter Public School Association convention in Long Branch with strong support from our staff and parent community.
   - Reached out to the community to bring a new member onto the Board of Trustees who has strong ties to various parts of the Red Bank Community and has been involved in significant fundraising activities.

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

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

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

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are required for the General Fund and the Special Revenue Fund. The final budget amount as amended for the fiscal year is presented 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. There were no amounts to be reappropriated at June 30, 2010.

5. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds each of which maintains a self-balancing set of accounts. These funds are explained in the "Notes to the Basic Financial Statements".

6. **DEBT ADMINISTRATION:** At June 30, 2010 the Charter School had an outstanding mortgage balance of $3,020,388.

7. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements". The Charter School has an investment policy that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. **RISK MANAGEMENT:** The Charter School carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/ collision, hazard and theft insurance on property and contents, student accident insurance and fidelity bonds.

9. **INDEPENDENT AUDIT:** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of DAK,CPA was selected by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the Board of Trustees of the Red Bank Charter School for their concern in providing fiscal accountability of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation.

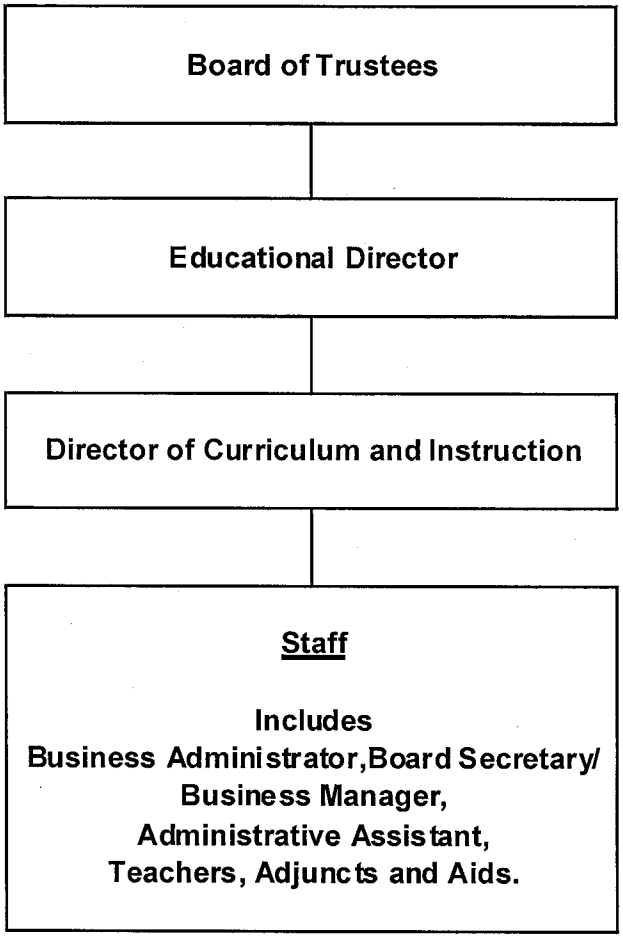
Respectfully submitted,

Richard J Gartz, CPA
Business Administrator

Meredith S. Pennotti
Principal

## RED BANK CHARTER SCHOOL

## ORGANIZATIONAL STRUCTURE



**RED BANK CHARTER SCHOOL**
**ROSTER OF OFFICIALS**
**JUNE 30, 2010**

| Members of the Board of Trustees | Term Expires |
|---|---|
| Bruce Whitaker, President | June 30, 2011 |
| Nancy Bunn, Vice President | June 30, 2010 |
| Kathleen McGuire | June 30, 2010 |
| Roger Foss | June 30, 2011 |
| Michelle Welsh | June 30, 2011 |
| Darryl Hughes | June 30, 2010 |
| Kevin Kelleher | June 30, 2010 |
| Marilyn McNeil | June 30, 2010 |

Other Officials

Meredith S. Pennotti, Principal

Richard J Gartz, CPA, Business Administrator

Theresa Shirley, Board Secretary/Business Manager

Malachi J. Kenney, Esq., Board Attorney

**RED BANK CHARTER SCHOOL**
**CONSULTANTS AND ADVISORS**
**JUNE 30, 2010**

## AUDIT FIRM

DAK, CPA
512 Marvin Drive
Long Branch, NJ

## ATTORNEY

Malachi J. Kenney, Esq.
130 Maple Avenue, Building 8
P.O. Box 8610
Red Bank, New Jersey 07701

## OFFICIAL DEPOSITORIES

TD Bank
Front Street
Red Bank, New Jersey 07701

Bank of America
Broad Street
Red Bank, NJ 07701

# FINANCIAL SECTION

**DAK CPA**
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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Red Bank Charter School, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of The Red Bank Charter School as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.


Member American Institute of Certified Public Accountants

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2010 on our consideration of The Red Bank Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We 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, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Red Bank Charter School's basic financial statements. The introductory section, combining fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules 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, "Audit 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", and are not required part of the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in the relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants

David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
October 12, 2010

# REQUIRED SUPPLEMENTARY INFORMATION – PART I

**THE RED BANK CHARTER SCHOOL**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**
**UNAUDITED**

The discussion and analysis of Red Bank Charter Schools' financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

## Financial Highlights

Key financial highlights for 2009-2010 are as follows:

In total, net assets totaled $1,058,727 which represents a .06% change from 2009.

General revenues accounted for $2,607,401 in revenue or 93.6% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for $178,190 or 6.4% of total revenues of $2,785,591.

The total assets of governmental activities decreased by $94,476 as cash and cash equivalents increased by $24,064, receivables and prepaid expenses increased by $17,800 and capital assets decreased by $136,340.

The Charter School had $2,784,904 in expenses; only $178,190 of these expenses was offset by program specific charges for services, grants and contributions.

Among major funds, the General Fund had $2,607,401 in revenues and $2,574,604 in expenditures. The General Fund's fund balance increased $32,797 from 2009. The General Fund's fund balance is $53,690.

## Using this Comprehensive Annual Financial Report (CAFR)

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Red Bank Charter School Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Charter School, presenting both an aggregate view of the Charter School's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds. In the case of Red Bank Charter Schools, the General Fund is by far the most significant.

## Reporting the Charter School as a Whole

### Statement of Net Assets and the Statement of Activities

This document contains all funds used by the Charter School to provide programs and activities, viewing the Charter School as a whole and reports the culmination of all financial transactions. The report answers the question, "How We Did Financially During Fiscal Year 2010?" The Statement of Net Assets and the Statement of Activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because they report on whether the Charter School's financial position has improved or diminished.

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

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

Business-Type Activities — This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

## Reporting the Charter School's Most Significant Funds

### Fund Financial Statement

The Analysis of the Charter School's major funds begins is located in the Required Supplementary Information – Part II section. Fund financial reports provide detailed information about the Charter School's major funds. The Charter School's major governmental funds are the General Fund and Special Revenue Fund.

### Governmental Funds

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

### Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities. The reporting of this fund did not change with the conversion to GASB 34.

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements.

### The Charter School as a Whole

The Statement of Net Assets provides the financial perspective of the Charter School as a whole.

Table 1 provides a summary of the Charter School's net assets for 2010 in comparison to 2009.

**Table 1**
**Statement of Net Assets**
**As of June 30, 2010 and 2009**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| **Assets** | | | | | | |
| Current and Other Assets | $ 144,664 | $ 107,163 | $ 15,696 | $ 11,333 | $ 160,360 | $ 118,496 |
| Capital Assets, Net | 4,038,795 | 4,175,135 | | | 4,038,795 | 4,175,135 |
| Total Assets | $ 4,183,459 | $ 4,282,298 | $ 15,696 | $ 11,333 | $ 4,199,155 | $ 4,293,631 |
| **Liabilities** | | | | | | |
| Other Liabilities | $ 90,974 | $ 86,270 | $ 3,066 | $ 3,118 | $ 94,040 | $ 89,388 |
| Long-Term Liabilities | 3,046,388 | 3,146,203 | | | 3,046,388 | 3,146,203 |
| Total Liabilities | $ 3,137,362 | $ 3,232,473 | $ 3,066 | $ 3,118 | $ 3,140,428 | $ 3,235,591 |
| **Net Assets** | | | | | | |
| Invested in Capital Assets, Net of Related Debt | $ 1,018,407 | $ 1,065,932 | | | $ 1,018,407 | $ 1,065,932 |
| Unrestricted | 27,690 | (16,107) | $ 12,630 | $ 8,215 | 40,320 | (7,892) |
| Total Net Assets | $ 1,046,097 | $ 1,049,825 | $ 12,630 | $ 8,215 | $ 1,058,727 | $ 1,058,040 |

The Charter School's combined net assets were $1,058,727 on June 30, 2010. This is a change of .06% from the previous year.

Table 2 shows the comparative changes in net assets from fiscal year 2010 to 2009 and the associated variances.

**Table 2**
**Changes in Net Assets**
**For the Fiscal Years Ended June 30, 2010 and 2009**

| | Governmental Activities | | Business-Type Activities | | Total Activities | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | | | $ 13,239 | $ 15,601 | $ 13,239 | $ 15,601 |
| Grants and Contributions | $ 128,111 | $ 102,242 | 36,840 | 30,022 | 164,951 | 132,264 |
| General Revenues: | | | | | | |
| Local Tax Levies | 1,419,080 | 1,442,956 | | | 1,419,080 | 1,442,956 |
| Grants and Entitlements | 1,188,321 | 1,180,557 | | | 1,188,321 | 1,180,557 |
| Other | | (47,860) | | | 0 | (47,860) |
| Total Revenues | $ 2,735,512 | $ 2,677,895 | $ 50,079 | $ 45,623 | $ 2,785,591 | $ 2,723,518 |
| Program Expense: | | | | | | |
| Instruction | $ 1,659,139 | $ 1,722,801 | | | $ 1,659,139 | $ 1,722,801 |
| Support Services: | | | | | | |
| School Administrative Services | 560,782 | 569,667 | | | 560,782 | 569,667 |
| General and Business Administration Services | 519,319 | 494,714 | | | 519,319 | 494,714 |
| Enterprise Activities | | | $ 45,664 | $ 40,890 | 45,664 | 40,890 |
| Total Expense | $ 2,739,240 | $ 2,787,182 | $ 45,664 | $ 40,890 | $ 2,784,904 | $ 2,828,072 |
| Increase/(Decrease) in Net Assets | $ (3,728) | $ (109,287) | $ 4,415 | $ 4,733 | $ 687 | $ (104,554) |
| Beginning Net Assets | $ 1,049,825 | $ 1,159,112 | $ 8,215 | $ 3,482 | $ 1,058,040 | $ 1,162,594 |
| Ending Net Assets | $ 1,046,097 | $ 1,049,825 | $ 12,630 | $ 8,215 | $ 1,058,727 | $ 1,058,040 |

## Governmental Activities

Local tax levies made up 51% of total revenues for the fiscal year 2010. Federal, state and local grants and miscellaneous revenues accounted for another 49%.

The total cost of all programs and services was $2,828,072. Instruction accounted for 60.57% of total governmental expenditures.

**Business-Type Activities**

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

Food service revenues exceeded expenses by $4,415. Charges for services which are the amount paid by students and other patrons for daily food service represent 26.4% of total revenues.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the comparative total cost of services and the net cost of services for fiscal year 2010 and 2009, respectively.

**Table 3**
**Total and Net Cost of Services**
**For the Fiscal Years Ended June 30, 2010 and 2009**

| | Total Cost of Services | | | Net Cost of Services | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | % Change | 2010 | 2009 | % Change |
| Instruction | $ 1,659,139 | $ 1,722,801 | -3.70% | $ 1,597,030 | $ 1,654,936 | -3.50% |
| Support Services: | | | | | | |
| School Administration | 560,782 | 569,667 | -1.56% | 494,780 | 535,290 | -7.57% |
| General and Business Administration | 519,319 | 494,714 | 4.97% | 519,319 | 494,714 | 4.97% |
| Total Expenses | $ 2,739,240 | $ 2,787,182 | -1.72% | $ 2,611,129 | $ 2,684,940 | -2.75% |

Instruction expenses include activities directly associated with the teaching of pupils and the interactions between teacher and student.

General administration, school administration and business include expenses associated with administrative and financial supervision of the Charter School.

**The Charter School's Funds**

Information about the Charter School's major funds is located in the Required Supplementary Information – Part II section. The modified accrual basis of accounting is used to account for these funds. All governmental funds had total revenue of $2,735,512 and total expenditures of $2,702,715. The net increase in fund balance for the year was $32,797.

As demonstrated by the various statements and schedules included in the financial section of this report, the School Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2010 and 2009, and the amount and percentage of increase and decreases in relation to prior year revenues.

**Summary of Revenues**

| Revenue | Years Ended 2010 | 2009 | Amount of Increase/ (Decrease) | Percent Increase/ (Decrease) |
|---|---|---|---|---|
| Local Sources | $ 1,489,723 | $ 1,485,863 | 3,860 | 0.26% |
| State Sources | 1,178,053 | 1,180,557 | (2,504) | -0.21% |
| Federal Sources | 67,736 | 95,857 | (28,121) | -29.34% |
| Total | $ 2,735,512 | $ 2,762,277 | (26,765) | -0.97% |

Local source revenues increased by $3,860 due to the local tax levy revenue decreasing by $23,876 and miscellaneous and local revenues increasing by $27,736.

Federal source revenue decreased by $28,121 which is attributable to grants.

State source revenue decreased by $2,504 which is primarily due to State Aid – Public decreases in revenue from fiscal year 2009 to fiscal year 2010.

The following schedule presents a summary of governmental fund expenditures for the fiscal years ended June 30, 2010 and 2009:

**Summary of Expenditures**

| Expenditures | Years Ended 2010 | 2009 | Amount of Increase (Decrease) | Percent Increase (Decrease) |
|---|---|---|---|---|
| Current Expense: | | | | |
| Instruction | $ 1,275,553 | $ 1,353,432 | $ (77,879) | -5.75% |
| Undistributed Expenditures | 1,328,460 | 1,311,438 | 17,022 | 1.30% |
| Capital Outlay | 98,702 | 84,259 | 14,443 | 17.14% |
| Total | $ 2,702,715 | $ 2,749,129 | $ (46,414) | -1.69% |

**General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2010, the Charter School amended its General Fund budget as needed. The Charter School uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. The School Business Administrator, Principal, and Board of Trustees must approve transfers from one program to another. Transfers were required due to:

- Staffing changes based on student needs.
- Changes in appropriations to prevent budget overruns, as well as to effect account coding corrections.

While the Charter School's final budget for the General Fund anticipated that revenues and expenditures would roughly equal, the actual results for the year shows an increase in surplus of $32,797.

## Capital Assets

At the end of the fiscal years 2010 and 2009, the Charter School had $4,038,795 and $4,175,135 invested in land, buildings, machinery and equipment and vehicles. Table 4 shows fiscal 2010 balances compared to 2009.

**Table 4**
**Capital Assets**
**as of June 30, 2010 and 2010**

| | 2010 | 2009 |
|---|---|---|
| Land | $ 500,000 | $ 500,000 |
| Buildings and Improvements | 4,079,750 | 4,079,750 |
| Machinery and Equipment | 181,840 | 171,953 |
| | $ 4,761,590 | $ 4,751,703 |
| Less: Accumulated Depreciation | 722,795 | 576,568 |
| Total Net Capital Assets | $ 4,038,795 | $ 4,175,135 |

Overall capital assets decreased $136,340 from fiscal year 2009 to fiscal year 2010.

## For the Future

The Red Bank Charter School's financial position during the past two years has seen an increase in fund balance of $45,945. It is the intention of the School, with the assistance of all its contributors and volunteers, to move ahead in fiscal year 2011 and thereafter, securing financial assistance from the community and benefactors which will assist the School with funding of programs. The Charter School's priority is to increase fund balance to a sufficient level in order to meet the ever changing needs of its students.

The Charter School's major focus for the fiscal year 2011 is to continue to develop relationships with the community of Red Bank and surrounding areas for support of their efforts in providing a comprehensive education for all their students.

## Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, you may contact Richard J. Gartz, CPA, Business Administrator at Red Bank Charter School, 58 Oakland Street, Red Bank, New Jersey 07701.

# BASIC FINANCIAL STATEMENTS

# CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

# RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## STATEMENT OF NET ASSETS
## JUNE 30, 2010

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 110,770 | $ 8,113 | $ 118,883 |
| Receivables - Net | | | |
| Receivables from Other Governments | 11,951 | 2,657 | 14,608 |
| Due from Other Funds | | 4,926 | 4,926 |
| Other Receivables | 1,636 | | 1,636 |
| Prepaid Expenses | 20,307 | | 20,307 |
| Capital Assets, Net | | | |
| Not Being Depreciated | 500,000 | | 500,000 |
| Being Depreciated | 3,538,795 | | 3,538,795 |
| Total Assets | $ 4,183,459 | $ 15,696 | $ 4,199,155 |
| LIABILITIES | | | |
| Accounts Payable | $ 4,457 | $ 3,066 | $ 7,523 |
| Payables to Other Governments | 9,189 | | 9,189 |
| Due to Other Funds | 34,923 | | 34,923 |
| Unearned Revenue | 42,405 | | 42,405 |
| Noncurrent Liabilities: | | | |
| Due Within One Year | 102,023 | | 102,023 |
| Due Beyond One Year | 2,944,365 | | 2,944,365 |
| Total Liabilities | $ 3,137,362 | $ 3,066 | $ 3,140,428 |
| NET ASSETS | | | |
| Invested in Capital Assets - Net of Related Debt | $ 1,018,407 | | $ 1,018,407 |
| Unrestricted | 27,690 | $ 12,630 | 40,320 |
| Total Net Assets | $ 1,046,097 | $ 12,630 | $ 1,058,727 |

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

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**STATEMENT OF ACTIVITIES**
**FOR THE YEAR ENDED JUNE 30, 2010**

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Governmental Activities | Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities | Total |
|---|---|---|---|---|---|---|
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | $ 1,659,139 | | $ 62,109 | $ (1,597,030) | | $ (1,597,030) |
| Support Services: | | | | - | | - |
| School Administrative Services | 560,782 | | 66,002 | (494,780) | | (494,780) |
| General and Business Administrative Services | 519,319 | | | (519,319) | | (519,319) |
| Total Governmental Activities | $ 2,739,240 | - | $ 128,111 | $ (2,611,129) | - | $ (2,611,129) |
| Business-Type Activities: | | | | | | |
| Food Service | $ 45,664 | $ 13,239 | $ 36,840 | | $ 4,415 | $ 4,415 |
| Total Business -Type Activities | $ 45,664 | $ 13,239 | $ 36,840 | - | $ 4,415 | $ 4,415 |
| Total Primary Government | $ 2,784,904 | $ 13,239 | $ 164,951 | $ (2,611,129) | $ 4,415 | $ (2,606,714) |
| General Revenues | | | | | | |
| Taxes: | | | | | | |
| General Purposes | | | | $ 1,419,080 | | $ 1,419,080 |
| State Aid Not Restricted | | | | 1,178,053 | | 1,178,053 |
| Investment Earnings | | | | 478 | | 478 |
| Miscellaneous Income | | | | 9,790 | | 9,790 |
| | | | | $ 2,607,401 | - | $ 2,607,401 |
| Change in Net Assets | | | | $ (3,728) | $ 4,415 | $ 687 |
| Net Assets - Beginning | | | | 1,049,825 | 8,215 | 1,058,040 |
| Net Assets - Ending | | | | $ 1,046,097 | $ 12,630 | $ 1,058,727 |

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

# FUND FINANCIAL STATEMENTS

# GOVERNMENTAL FUNDS

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2010**

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 71,127 | $ 39,643 | $ 110,770 |
| Receivables from Other Governments | 7,963 | 3,988 | 11,951 |
| Accounts Receivable - Other | 1,636 | | 1,636 |
| Prepaid Expenses | 20,307 | | 20,307 |
| Total Assets | $ 101,033 | $ 43,631 | $ 144,664 |
| LIABILITIES | | | |
| Accounts Payable | $ 4,457 | | $ 4,457 |
| Due to Other Funds | 34,923 | | 34,923 |
| Due to Other Governments | 7,963 | $ 1,226 | 9,189 |
| Deferred Revenue | | 42,405 | 42,405 |
| Total Liabilities | $ 47,343 | $ 43,631 | $ 90,974 |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Designated for Subsequent Year's Expenditures | $ 20,893 | | $ 20,893 |
| Unreserved, Reported in: | | | |
| General Fund | 32,797 | | 32,797 |
| Total Fund Balances | $ 53,690 | - | $ 53,690 |
| Total Liabilities and Fund Balance | $ 101,033 | $ 43,631 | |
| Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The costs of the assets is $4,761,590 and the accumulated depreciation is $722,795 | | | 4,038,795 |
| Long-term liabilities, including mortgage payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds | | | |
| Compensated Absences Payable | | $ (15,000) | |
| Mortgages Payable | | (3,020,388) | |
| State Aid Payable | | (11,000) | |
| | | | (3,046,388) |
| Net assets of governmental activities | | | $ 1,046,097 |

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

Exhibit B-2

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**
**GOVERNMENTAL FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2010**

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Local Sources: | | | |
| Local Tax Levies | $ 1,419,080 | | $ 1,419,080 |
| Miscellaneous | 10,268 | | 10,268 |
| Private Sources | | $ 60,375 | 60,375 |
| Total Local Sources | $ 1,429,348 | $ 60,375 | $ 1,489,723 |
| State Sources | 1,178,053 | | 1,178,053 |
| Federal Sources | | 67,736 | 67,736 |
| Total Revenues | $ 2,607,401 | $ 128,111 | $ 2,735,512 |
| Expenditures | | | |
| Current: | | | |
| Current expense: | | | - |
| Instruction | $ 1,213,444 | $ 62,109 | $ 1,275,553 |
| Undistributed expenditures | 1,272,345 | 56,115 | 1,328,460 |
| Capital outlay | 88,815 | 9,887 | 98,702 |
| Total Expenditures | $ 2,574,604 | $ 128,111 | $ 2,702,715 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 32,797 | - | $ 32,797 |
| Net Change in Fund Balances | $ 32,797 | - | $ 32,797 |
| Fund Balance July 1 | 20,893 | | 20,893 |
| Fund Balance June 30 | $ 53,690 | - | $ 53,690 |

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

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**RECONCILIATION OF 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 | | | $ 32,797 |
| 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 | $ | (146,227) | |
| Capital Outlays, net of mortgage principal payments reported below of $88,815 | | 9,887 | |
| | | | (136,340) |
| 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. | | | 88,815 |
| Decrease in Compensated Absences | | | |
| Decrease in Unfunded Accrued Liability for State Aid Payable | | | 11,000 |
| Change in Net Assets of Governmental Activities | | | $ (3,728) |

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

# PROPRIETARY FUNDS

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**STATEMENT OF NET ASSETS**
**PROPRIETARY FUNDS**
**JUNE 30, 2010**

| | Business-Type Activities Enterprise Funds | |
|---|---|---|
| | Food Service Major Program | Totals |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 8,113 | $ 8,113 |
| Accounts Receivable: | | |
| State Sources | 114 | 114 |
| Federal Sources | 2,543 | 2,543 |
| Due From Other Funds | 4,923 | 4,923 |
| Total Current Assets | $ 15,693 | $ 15,693 |
| Total Assets | $ 15,693 | $ 15,693 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | $ 3,066 | $ 3,066 |
| Total Liabilities | $ 3,066 | $ 3,066 |
| NET ASSETS | | |
| Unrestricted | $ 12,627 | $ 12,627 |
| Total Net Assets | $ 12,627 | $ 12,627 |

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

# RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2010

| | Business-Type Activities Enterprise Funds | |
|---|---|---|
| | Food Service Major Program | Total Enterprise |
| Operating Revenues: | | |
| Charges for Services: | | |
| Daily Sales - Reimbursable Programs | $ 13,236 | $ 13,236 |
| Total Operating Revenues | $ 13,236 | $ 13,236 |
| Operating Expenses: | | |
| Cost of Sales | $ 39,590 | $ 39,590 |
| Other Purchased Services | 5,745 | 5,745 |
| Supplies and Materials | 329 | 329 |
| Total Operating Expenses | $ 45,664 | $ 45,664 |
| Operating Loss | $ (32,428) | $ (32,428) |
| Nonoperating Revenues: | | |
| State Sources: | | |
| State School Lunch Program | $ 1,222 | $ 1,222 |
| State School Breakfast Program | 257 | 257 |
| Federal Sources: | | |
| National School Lunch Program | 28,562 | 28,562 |
| National School Breakfast program | 4,299 | 4,299 |
| Miscellaneous | 2,500 | 2,500 |
| Total Nonoperating Revenues | $ 36,840 | $ 36,840 |
| Change in Net Assets | $ 4,412 | $ 4,412 |
| Total Net Assets - Beginning | 8,215 | 8,215 |
| Total Net Assets - Ending | $ 12,627 | $ 12,627 |

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

Exhibit B-6

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**STATEMENT OF CASH FLOWS**
**PROPRIETARY FUNDS**
**FOR THE YEAR ENDED JUNE 30, 2010**

| | Business-Type Activities Enterprise Funds | |
|---|---|---|
| | Food Service Major Program | Total Enterprise |
| Cash Flows from Operating Activities | | |
| Receipts from Customers | $ 13,236 | $ 13,236 |
| Payments to Suppliers | (45,717) | (45,717) |
| Net Cash Used for Operating Activities | $ (32,481) | $ (32,481) |
| Cash Flows from Noncapital Financing Activities | | |
| State Sources | $ 1,472 | $ 1,472 |
| Federal Sources | 32,616 | 32,616 |
| Operating Subsidies and Transfers | 2,522 | 2,522 |
| Net Cash Provided by Noncapital Financing Activities | $ 36,610 | $ 36,610 |
| Net Increase in Cash and Cash Equivalents | $ 4,129 | $ 4,129 |
| Balances - Beginning of Year | 3,981 | 3,981 |
| Balances - End of Year | $ 8,110 | $ 8,110 |
| Reconciliation of Operating Loss to Net Cash Used for Operating Activities | | |
| Operating Loss | $ (32,428) | $ (32,428) |
| Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities: | | |
| Change in Assets and Liabilities: | | |
| (Decrease) in Accounts Payable | $ (52) | $ (52) |
| Total Adjustments | $ (52) | $ (52) |
| Net Cash Used for Operating Activities | $ (32,480) | $ (32,480) |

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

# FIDUCIARY FUNDS

# RED BANK CHARTER SCHOOL
# COUNTY OF MONMOUTH
# STATEMENT OF FIDUCIARY NET ASSETS
# FIDUCIARY FUNDS
# JUNE 30, 2010

| | Agency Fund |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 32,962 |
| Due From Other Funds | 30,000 |
| Total Assets | $ 62,962 |
| LIABILITIES | |
| Payable to Student Groups | $ 5,828 |
| Payroll Deductions and Withholdings | 57,134 |
| Total Liabilities | $ 62,962 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Red Bank Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board of Trustees (the "Board") consists of appointed officials and is responsible for the fiscal control of the Charter School. An Educational Director is appointed by the Board and is responsible for the administrative control of the Charter School.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. The operation of the Charter School is a middle school located in Red Bank. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter School have been prepared in conformity with generally accepted accounting principles (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 Charter School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below.

### A. Basis of Presentation

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

#### 1. District-Wide Statements

The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### A. Basis of Presentation (Continued)

#### 1. District-Wide Financial Statements (Continued)

The statement of net assets presents the financial condition of the governmental activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

#### 2. Fund Financial Statements

During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the Charter School at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

### B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

#### 1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter School's major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Fund Accounting (Continued)

#### 1. Governmental Funds (Continued)

**General Fund (Continued)**

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

#### 2. Proprietary Funds

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Fund Accounting (Continued)

#### 2. Proprietary Fund Type (Continued)

The Charter School's Enterprise Fund is comprised of the Food Service Fund.

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

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. There are no fixed assets within the proprietary funds.

#### 3. Fiduciary Funds

**Trust and Agency Funds** – The Trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

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

### C. Measurement Focus

#### 1. District-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Charter School are included on the Statement on Net Assets.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Measurement Focus (Continued)

#### 2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Fiduciary funds are reported using the economic resources measurement focus.

### D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Charter School receives a portion of the local tax levy and state aid from the local school district based upon the number of enrolled students. The State Department of Education in conjunction with the local school district revises the amounts to be received by the Charter School three times a year based upon the enrollment counts on June 1, October 15, and the last day of the school year. The local tax levy and state aid are susceptible to accrual. The Charter School records the entire anticipated local tax levy to be received at the start of the fiscal year based upon the June 1 enrollment count and certification from the New Jersey State Department of Education, since the revenue is both measurable and available. The Charter School is entitled to receive moneys under the established payment schedule, which is revised after each enrollment count date, and the unpaid amount is considered to be an "accounts receivable". At June 30, 2010, the Charter School had accounts receivable of $7,963 that represented amounts that had not been received based upon the current year final enrollment count.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Basis of Accounting (Continued)

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

### E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

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 (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgets/Budgetary Control (continued)

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

### F. Encumbrances

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.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were $4,200 of encumbrances at June 30, 2010.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

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

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

### H. Inventories and Prepaid Expenses

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

### I. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Charter School maintains a capitalization threshold of $2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 20 - 40 years |
| Furniture and Equipment | 5 - 10 years |
| Vehicles | 3 - 5 years |

### K. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, 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 governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

### M. 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 balances of any borrowings 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 Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### N. Deferred Revenue

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

### O. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

### P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

## 3. DEPOSITS AND INVESTMENTS

### Deposits

The Charter School's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC) or New Jersey's Governmental Unit Deposit Protection Act. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to maintain additional collateral in the amount of 5% of the average public deposits and to deposit these amounts with the Federal Reserve Bank for all deposits not covered by the FDIC.

Bank balances are insured up to $250,000 in the aggregate by the FDIC for each bank. At June 30, 2010, the book value of the Board's deposits was $151,846 and bank balances of the Charter School's cash and deposits amounted to $149,670. Of the bank balances $149,670 was covered by FDIC. The Charter School's deposits which are displayed on the combined balance sheet as "cash and cash equivalents" are categorized as:

| Depository Account | Bank Balance |
|---|---|
| Insured | $ 149,670 |
| | $ 149,670 |

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 Board does not have a policy for custodial credit risk. As of June 30, 2010 the Board's bank balance of $149,670 was not exposed to custodial credit risk.

### Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2010, the Charter School had no investments.

## 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

| | Balance June 30, 2009 | Additions | Balance June 30, 2010 |
|---|---|---|---|
| Not being depreciated: | | | |
| Sites (Land) | $ 500,000 | | $ 500,000 |
| Being depreciated: | | | |
| Building and Improvements | 4,079,750 | | 4,079,750 |
| Machinery and Equipment | 171,953 | $ 9,887 | 181,840 |
| | $ 4,751,703 | $ 9,887 | $ 4,761,590 |
| Less: Accumulated Depreciation | (576,568) | (146,227) | (722,795) |
| Net Assets | $ 4,175,135 | $ (136,340) | $ 4,038,795 |

The proprietary fund type had no fixed assets at June 30, 2010. Depreciation expense for governmental activities held assets was $146,227 for 2010.

## 5. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2010, was as follows:

| | Balance June 30, 2009 | Issued | Retired | Balance June 30, 2010 | Due Within One year |
|---|---|---|---|---|---|
| Compensated Absences Payable | $ 15,000 | | $ - | $ 15,000 | $ - |
| Mortgages Payable | 3,109,203 | | (88,815) | 3,020,388 | 91,023 |
| State Aid Payable | 22,000 | $ - | (11,000) | 11,000 | 11,000 |
| | $ 3,146,203 | $ - | $ (99,815) | $ 3,046,388 | $ 102,023 |

### A. Mortgages Payable

On January 29, 2004 the Red Bank Charter School was assigned the original outstanding note of $2,500,000 from the Red Bank Charter School Foundation, Inc. for the purchase of their school facility and improvements thereto. The outstanding principal balance on January 29, 2004 was $2,491,280 when the assignment occurred.

The nominal annual interest rate is variable, and was 4.47% at June 30, 2010. The mortgage note is held by TD Bank and has monthly payments of $13,578. The balance of the mortgage is due in one (1) balloon payment due October, 2013 of $1,781,001.

## 5. LONG-TERM DEBT (CONTINUED)

### A. Mortgages Payable (Continued)

On May 29, 2009 The Red Bank Charter School undertook a second mortgage in the amount of $1,020,000 to satisfy the ongoing litigation between Patock Construction Co. Inc. and Short Term Money, LLC which had filed lawsuits for amounts due for School Facility Improvements. The mortgage is payable beginning with 299 monthly principal and interest payments of $6,729 based upon an initial interest rate of 6.25% and a twenty-five (25) year amortization. The balance of the mortgage is due in one (1) balloon payment due May 29, 2013 of $927,468. The mortgage is subject to five (5) year interest rate adjustments and five (5) year call options.

The principal and interest on these two mortgages are due as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2011 | $ 91,023 | $ 152,658 | $ 243,681 |
| 2012 | 95,183 | 148,498 | 243,681 |
| 2013 | 1,026,104 | 143,284 | 1,169,388 |
| 2014 | 1,808,077 | 52,059 | 1,860,136 |
| | $ 3,020,388 | $ 496,498 | $ 3,516,886 |

### B. State Aid Payable

By letter dated August 14, 2007 from the State of New Jersey, Department of Education The Red Bank Charter School was assessed a penalty of $55,000 for violations of the New Jersey Public Schools Contract Law.. The Red Bank Charter School has accepted the penalty and is repaying the penalty over a 5 year period as permitted by the Department of Education in increments of $11,000 per year. The balance at June 30, 2010 is $11,000.

## 6. PENSION PLANS

**Description of Plans:** Substantially all of the employees of the Charter School participate in either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund, defined benefit pension plans, that have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

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

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

**Vesting and Benefit Provisions:** The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be $1/55^{th}$ of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

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

## 6. PENSION PLANS (CONTINUED)

**Significant Legislation:** Chapter 108, P.L. 2003, effective July 1, 2003 provided that the State Treasurer shall reduce the normal and accrued liability contributions payable by employers other than the State, excluding the contribution payable from the benefit enhancement fund, to a percentage of the amount certified annually by the retirement system, which for PERS will be as follows: for payments due in the State fiscal year ending June 30, 2005, 20 percent; for payments due in the State fiscal year ending June 30, 2009, not more than 40 percent; for payments due in the State fiscal year ending June 30, 2009, not more than 60 percent; and for payments due in the State fiscal year ending June 30, 2009, not more than 80 percent.

**Contribution Requirements:** The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual covered salary. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

**Three-Year Trend Information for PERS**

| Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|
| June 30, 2010 | $ 21,311 | 100% |
| June 30, 2009 | 9,728 | 100% |
| June 30, 2008 | 20,651 | 100% |

**Three-Year Trend Information for TPAF (Paid on-behalf of the Charter School)**

| Year Funding | Annual Pension Cost (APC) | Percentage of APC Contributed |
|---|---|---|
| June 30, 2010 | $ 73,926 | 100% |
| June 30, 2009 | 67,669 | 100% |
| June 30, 2008 | 65,285 | 100% |

## 6. PENSION PLANS (CONTINUED)

**Contribution Requirements (Continued)**

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Charter School $85,238 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 has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

## 7. POST-RETIREMENT BENEFITS

P.L 1987, c. 384 and P.L. 1990, c.6 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through 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 84,590 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c. 62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of $1.38 billion for fiscal year 2009 and $3.22 million for fiscal year 2008.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in fiscal year 2009.

## 8. ECONOMIC DEPENDENCY

The Charter School receives its support from federal, state and local governments. A significant reduction in the level of support, if this were to occur, would have an impact on the Charter School's programs and activities.

## 9. DEFERRED COMPENSATION

The Charter School offers its employees a choice of a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan is administered by the entity listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are solely the property of the participants. Accordingly, the plan assets are not reported as part of these financial statements. The plan administrator is the Equitable.

## 10. RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

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

## 11. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from other funds

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Food Service Fund | General Fund | $ 4,923 |
| Trust and Agency Fund | General Fund | 30,000 |
| | | $ 34,923 |

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

## 12. FUND BALANCE APPROPRIATED

**General Fund** – Of the $53,690 General Fund fund balance at June 30, 2010, there is $0 reserved for encumbrances and there is $20,893 appropriated as anticipated revenue for the year ending June 30, 2011; therefore, $32,797 is unreserved and undesignated.

## 13. CONTINGENT LIABILITIES

The Charter School is a party defendant in some lawsuits, none of a kind unusual for a Charter School of its size and scope of operation. In the opinion of the Charter School's Attorney the potential claims against the Charter School not covered by insurance policies would not materially affect the financial condition of the Charter School.

## 14. SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report.

# REQUIRED SUPPLEMENTARY INFORMATION – PART II

# BUDGETARY COMPARISON SCHEDULES

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Local Sources: | | | | | |
| Local Tax Levies | $ 1,443,917 | $ (24,837) | $ 1,419,080 | $ 1,419,080 | $ - |
| Miscellaneous | | 1,000 | 1,000 | 10,268 | 9,268 |
| Total - Local Sources | $ 1,443,917 | $ (23,837) | $ 1,420,080 | $ 1,429,348 | $ 9,268 |
| State Sources: | | | | | |
| Equalization Aid (Local levies - state share) | $ 292,813 | $ (5,037) | $ 287,776 | $ 287,776 | $ - |
| Special Education Categorical Aid | 68,721 | (15,271) | 53,450 | 53,450 | - |
| Security Aid | 32,829 | 5,936 | 38,765 | 38,765 | - |
| Adjustment Aid | 599,689 | 39,209 | 638,898 | 638,898 | - |
| Reimbursed TPAF Social Security Contributions (non-budgeted) | | | | 85,238 | 85,238 |
| On-Behalf Teacher's Pension and Annuity Fund Contributions | | | | 73,926 | 73,926 |
| Total - State Sources | $ 994,052 | $ 24,837 | $ 1,018,889 | $ 1,178,053 | $ 159,164 |
| Total Revenues | $ 2,437,969 | $ 1,000 | $ 2,438,969 | $ 2,607,401 | $ 168,432 |
| Expenditures | | | | | |
| General Fund: | | | | | |
| Instruction: | | | | | |
| Salaries of teachers | $ 949,000 | $ 3,092 | $ 952,092 | $ 946,467 | $ 5,625 |
| Other salaries for instruction | 200,600 | (8,312) | 192,288 | 191,101 | 1,187 |
| Purchased professional/technical services | 27,000 | 15,370 | 42,370 | 39,146 | 3,224 |
| Other purchased services | | 5,130 | 5,130 | 5,130 | - |
| General supplies | 22,000 | (500) | 21,500 | 20,839 | 661 |
| Textbooks | 7,000 | 3,000 | 10,000 | 9,974 | 26 |
| Miscellaneous expense | 1,000 | - | 1,000 | 787 | 213 |
| Total instruction | $ 1,206,600 | $ 17,780 | $ 1,224,380 | $ 1,213,444 | $ 10,936 |

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|---|---|---|---|---|
| Expenditures (Continued) | | | | | |
| General Fund (Continued): | | | | | |
| Undistributed expenditures: | | | | | |
| Administrative: | | | | | |
| Salaries - administration | $ 196,800 | $ 1,012 | $ 197,812 | $ 197,811 | $ 1 |
| Salaries of secretarial/clerical assistants | 31,000 | (5,300) | 25,700 | 25,664 | 36 |
| Total benefit costs | 319,837 | 16,900 | 336,737 | 334,816 | 1,921 |
| Purchased professional/technical services | 21,500 | (4,800) | 16,700 | 15,450 | 1,250 |
| Other purchased services | 9,400 | 3,230 | 12,630 | 10,656 | 1,974 |
| Communications/telephone | 10,100 | - | 10,100 | 9,068 | 1,032 |
| Supplies and materials | 2,500 | 4,400 | 6,900 | 6,287 | 613 |
| Judgements against Charter School | 11,000 | - | 11,000 | 11,000 | - |
| Mortgage Payments - Interest | 161,166 | (6,299) | 154,867 | 154,867 | - |
| Miscellaneous expense | 3,500 | 950 | 4,450 | 4,422 | 28 |
| Total administrative | $ 766,803 | $ 10,093 | $ 776,896 | $ 770,041 | $ 6,855 |
| Support services: | | | | | |
| Salaries | $ 186,100 | $ (15,092) | $ 171,008 | $ 170,038 | $ 970 |
| Purchased professional/technical services | 50,000 | (5,330) | 44,670 | 43,433 | 1,237 |
| Other purchased services | 30,000 | 6,700 | 36,700 | 35,173 | 1,527 |
| Insurance for property, liability and fidelity | 45,000 | (1,500) | 43,500 | 42,298 | 1,202 |
| Supplies and materials | 10,000 | 1,500 | 11,500 | 11,144 | 356 |
| Transportation - other than to/from school | 2,500 | (2,000) | 500 | 487 | 13 |
| Energy costs (heat and electricity) | 56,450 | (17,450) | 39,000 | 38,707 | 293 |
| Miscellaneous expense | 2,000 | - | 2,000 | 1,860 | 140 |
| Total support services | $ 382,050 | $ (33,172) | $ 348,878 | $ 343,140 | $ 5,738 |
| Reimbursed TPAF social security contributions (non-budgeted) | | | | $ 85,238 | $ (85,238) |
| On-Behalf Teacher's Pension and Annuity Fund Contributions | | | | 73,926 | (73,926) |
| | - | - | - | $ 159,164 | $ (159,164) |
| Total undistributed expenditures | $ 1,148,853 | $ (23,079) | $ 1,125,774 | $ 1,272,345 | $ (146,571) |

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**BUDGETARY COMPARISON SCHEDULE**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|---|---|---|---|---|
| Expenditures (Continued) | | | | | |
| Current Expense (Continued): | | | | | |
| Capital outlay: | | | | | |
| Mortgage Payments - Principal | $ 82,516 | $ 6,299 | $ 88,815 | $ 88,815 | - |
| Miscellaneous expense | | - | | | - |
| Total capital outlay | $ 82,516 | $ 6,299 | $ 88,815 | $ 88,815 | - |
| Total general fund | $ 2,437,969 | $ 1,000 | $ 2,438,969 | $ 2,574,604 | $ (135,635) |
| Excess/(deficiency) of revenues over/(under) expenditures | $ - | $ - | $ - | $ 32,797 | $ 32,797 |
| Fund balances, July 1 | $ 20,893 | | $ 20,893 | $ 20,893 | |
| Fund balances, June 30 | $ 20,893 | $ - | $ 20,893 | $ 53,690 | $ 32,797 |

Exhibit C-2

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**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 | | | | | |
| Federal Sources | $ 65,000 | $ 83,226 | $ 148,226 | $ 71,936 | $ (76,290) |
| Private Sources | | 68,267 | 68,267 | 60,375 | (7,892) |
| Total Revenues | $ 65,000 | $ 151,493 | $ 216,493 | $ 132,311 | $ (84,182) |
| Expenditures | | | | | |
| Instruction: | | | | | |
| Salaries of Teachers | $ 65,000 | $ 29,273 | $ 94,273 | $ 53,508 | $ 40,765 |
| General Supplies | | 46,874 | 46,874 | 12,801 | 34,073 |
| Total Instruction | $ 65,000 | $ 76,147 | $ 141,147 | $ 66,309 | $ 74,838 |
| Support Services: | | | | | |
| Other Salaries | | $ 6,042 | $ 6,042 | $ 5,675 | $ 367 |
| Employee Benefits | | 8,279 | 8,279 | 4,093 | 4,186 |
| Purchased Professional - Educational Services | | 32,643 | 32,643 | 32,026 | 617 |
| Contracted services - transportation - | | - | | | - |
| Other than between home and school | | 300 | 300 | 295 | 5 |
| Other Purchased Services | | 1,540 | 1,540 | 866 | 674 |
| Supplies and Materials | | 8,816 | 8,816 | 8,410 | 406 |
| Miscellaneous Expenditures | | 5,639 | 5,639 | 4,750 | 889 |
| Total Support Services | - | $ 63,259 | $ 63,259 | $ 56,115 | $ 7,144 |
| Expenditures (Continued) | | | | | |
| Instructional Equipment | | $ 12,087 | $ 12,087 | $ 9,887 | $ 2,200 |
| Total Facilities Acquisition and Construction Services | - | $ 12,087 | $ 12,087 | $ 9,887 | $ 2,200 |
| Total Expenditures | $ 65,000 | $ 151,493 | $ 216,493 | $ 132,311 | $ 84,182 |
| Excess (Deficiency) of Revenues Over/(Under) Expenditures | - | - | - | - | - |

# OTHER SUPPLEMENTARY INFORMATION

# RED BANK CHARTER SCHOOL
# COUNTY OF MONMOUTH
# REQUIRED SUPPLEMENTARY INFORMATION
# BUDGETARY COMPARISON SCHEDULE
# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
# FOR THE FISCAL YEAR ENDED JUNE 30, 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 legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

| | | General Fund | | Special Revenue Fund |
|---|---|---|---|---|
| **Sources/inflows of resources:** | | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | [C-1] | $ 2,607,401 | [C-2] | $ 132,311 |
| Difference - budget to GAAP: | | | | |
| Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized | | | | (4,200) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] | $ 2,607,401 | [B-2] | $ 128,111 |
| **Uses/outflows of resources:** | | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] | $ 2,574,604 | [C-2] | $ 132,311 |
| Difference - Budget to GAAP: | | | | |
| Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes. | | | | (4,200) |
| Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds | [B-2] | $ 2,574,604 | [B-2] | $ 128,111 |

# SPECIAL REVENUE FUND

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**SPECIAL REVENUE FUND**
**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES**
**BUDGETARY BASIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Title I 2009-10 | Title IIA 2009-10 | Title IIA 2008-09 | Title I ARRA 2009-11 | IDEA,Basic ARRA 2009-11 | I.D.E.A. Regular Program, Part B 2009-10 | Florence Forgotsen Grant | Statehouse Express | Summer Institute |
|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | |
| Federal sources | $ 17,875 | $ 3,501 | $ 715 | $ 1,686 | $ 19,745 | $ 28,414 | | | |
| Private sources | | | | | | | $ 2,298 | $ 295 | $ 38,606 |
| Total revenues | $ 17,875 | $ 3,501 | $ 715 | $ 1,686 | $ 19,745 | $ 28,414 | $ 2,298 | $ 295 | $ 38,606 |
| Expenditures: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of teachers | | | | | $ 19,745 | | | | $ 33,763 |
| General supplies | $ 8,000 | | | $ 1,686 | | | $ 2,298 | | |
| Total instruction | $ 8,000 | | | $ 1,686 | $ 19,745 | | $ 2,298 | | 33,763 |
| Support services: | | | | | | | | | |
| Other salaries | $ 5,675 | | | | | | | | |
| Purchased professional/ educational services | | $ 2,897 | $ 715 | | | $ 28,414 | | | |
| Contracted services - transportation - Other than between home and school | | | | | | | | $ 295 | |
| Other purchased services | | 604 | | | | | | | |
| Employee benefits | | | | | | | | | $ 4,093 |
| Supplies and materials | 4,200 | | | | | | | | |
| Miscellaneous expenditures | | | | | | | | | 750 |
| Total support services | $ 9,875 | $ 3,501 | 715 | | | $ 28,414 | | $ 295 | $ 4,843 |
| Capital Outlay: | | | | | | | | | |
| Instructional equipment | | | | | | | | | |
| Total facilities acquisition and construction services | | | | | | | | | |
| Total expenditures | $ 17,875 | $ 3,501 | $ 715 | $ 1,686 | $ 19,745 | $ 28,414 | $ 2,298 | $ 295 | $ 38,606 |

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**SPECIAL REVENUE FUND**
**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES**
**BUDGETARY BASIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Kelleher Earth Day | PG Net Promethean Board | NJSBAIG Safety Grant | STARS Challenge | TD Bank Media Center | Mary Borden Grant | Johnson & Johnson 3rd Grade Fitness | PG Net Study Island | Totals 2010 |
|---|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | | |
| Federal sources | | | | | | | | | $ 71,936 |
| Private sources | $ 950 | $ 3,000 | $ 1,166 | $ 4,000 | $ 801 | $ 7,149 | $ 1,293 | $ 817 | 60,375 |
| Total revenues | $ 950 | $ 3,000 | $ 1,166 | $ 4,000 | $ 801 | $ 7,149 | $ 1,293 | $ 817 | $ 132,311 |
| Expenditures: | | | | | | | | | |
| Instruction: | | | | | | | | | |
| Salaries of teachers | | | | | | | | | $ 53,508 |
| General supplies | | | | | | | | $ 817 | 12,801 |
| Total instruction | | | | | | | | $ 817 | $ 66,309 |
| Support services: | | | | | | | | | |
| Other salaries | | | | | | | | | $ 5,675 |
| Purchased professional/ educational services | | | | | | | | | 32,026 |
| Contracted services - transportation - Other than between home and school | | | | | | | | | 295 |
| Other purchased services | | $ 262 | | | | | | | 866 |
| Employee benefits | | | | | | | | | 4,093 |
| Supplies and materials | $ 950 | | $ 1,166 | | $ 801 | | $ 1,293 | | 8,410 |
| Miscellaneous expenditures | | | | $ 4,000 | | | | | 4,750 |
| Total support services | $ 950 | $ 262 | $ 1,166 | $ 4,000 | $ 801 | | $ 1,293 | | $ 56,115 |
| Capital Outlay: | | | | | | | | | |
| Instructional equipment | | $ 2,738 | | | | $ 7,149 | | | $ 9,887 |
| Total facilities acquisition and construction services | | $ 2,738 | | | | $ 7,149 | | | $ 9,887 |
| Total expenditures | $ 950 | $ 3,000 | $ 1,166 | $ 4,000 | $ 801 | $ 7,149 | $ 1,293 | $ 817 | $ 132,311 |

# ENTERPRISE FUND

**EXHIBIT G-1**

**THE RED BANK CHARTER SCHOOL**
**ENTERPRISE FUNDS**
**COMBINING STATEMENT OF NET ASSETS**
**AS OF JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

**THE RED BANK CHARTER SCHOOL**
**ENTERPRISE FUNDS**
**COMBINING STATEMENT OF REVENUES, EXPENSES**
**AND CHANGES IN NET ASSETS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

**THE RED BANK CHARTER SCHOOL**
**ENTERPRISE FUNDS**
**COMBINING STATEMENT OF CASH FLOWS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

# FIDUCIARY FUNDS

Exhibit H-1

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**FIDUCIARY FUNDS**
**COMBINING STATEMENT OF NET ASSETS**
**AS OF JUNE 30, 2010**

| | Student Activities | Payroll | Total Agency Funds |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 5,828 | $ 27,134 | $ 32,962 |
| Due from Other Funds | | 30,000 | 30,000 |
| Total Assets | $ 5,828 | $ 57,134 | $ 62,962 |
| LIABILITIES | | | |
| Payable to Student Groups | $ 5,828 | | $ 5,828 |
| Payroll Deductions and Withholdings | | $ 57,134 | 57,134 |
| Due to Other Funds | | | - |
| Total Liabilities | $ 5,828 | $ 57,134 | $ 62,962 |

Exhibit H-3

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**STUDENT ACTIVITY AGENCY FUND**
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Balance July 1, 2009 | Cash Receipts | Cash Disbursements | Balance June 30, 2010 |
|---|---|---|---|---|
| Cash and Cash Equivalents | | | | |
| 8th Grade Account | $ 934 | $ 16,212 | $ 16,205 | $ 941 |
| Naturalist Account | 173 | 2,292 | 2,342 | 123 |
| Student Council | 144 | 1 | | 145 |
| Empty Bowls | 51 | 65 | | 116 |
| Library Fund | 362 | 110 | 344 | 128 |
| Zobel Foundation Fund | 1,827 | 5,578 | 3,030 | 4,375 |
| | $ 3,491 | $ 24,258 | $ 21,921 | $ 5,828 |

Exhibit H-4

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**PAYROLL AGENCY FUND**
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | Balance July 1, 2009 | Additions | Deletions | Balance June 30, 2010 |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and Cash Equivalents | $ 32,040 | $ 1,746,980 | $ 1,751,886 | $ 27,134 |
| Due From Other Funds | 3,497 | 30,000 | 3,497 | 30,000 |
| Total Assets | $ 35,537 | $ 1,776,980 | $ 1,755,383 | $ 57,134 |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Payroll Deductions and Withholdings | $ 35,336 | $ 1,776,980 | $ 1,755,182 | $ 57,134 |
| Due to Other Funds | 201 | | 201 | |
| Total Liabilities | $ 35,537 | $ 1,776,980 | $ 1,755,383 | $ 57,134 |

# LONG-TERM DEBT

Exhibit I-1

**THE RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**LONG-TERM DEBT**
**SCHEDULE OF MORTGAGE OBLIGATIONS**
**JUNE 30, 2010**

| Issue | Date of Issue | Amount of Issue | Annual Maturities* Date | Annual Maturities* Amount | Nominal Interest Rate | Balance July 1, 2009 | Retired | Balance June 30, 2010 |
|---|---|---|---|---|---|---|---|---|
| $2,500,000.00 - Acquisition of School Facility and Improvements | 2004 | $ 2,500,000.00 | 2010-11 | $ 72,209 | 4.47% | | | |
| | | | 2011-12 | 75,310 | 4.47% | | | |
| | | | 2012-13 | 79,035 | 4.47% | | | |
| | | | 2013-14 | 1,808,078 | 4.47% | $ 2,105,326 | $ 70,695 | $ 2,034,631 |
| $1,020,000 - School Facilty Improvements | 5/29/2008 | 1,020,000.00 | 2010-11 | 18,814 | 6.25% | | | |
| | | | 2011-12 | 19,873 | 6.25% | | | |
| | | | 2012-13 | 947,069 | 6.25% | 1,003,877 | 18,120 | 985,757 |
| | | | | | | $ 3,109,203 | $ 88,815 | $ 3,020,388 |

* Payments are made on a monthly basis.

# STATISTICAL SECTION (UNAUDITED)

Exhibit J-1

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## NET ASSETS BY COMPONENT,
## LAST SEVEN FISCAL YEARS

***(Unaudited)***

*(accrual basis of accounting)*

| | Fiscal Year Ending June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental activities | | | | | | | |
| Invested in capital assets, net of related debt | $ 810,587 | $ 813,681 | $ 794,247 | $ 904,722 | $ 1,128,377 | $ 1,065,932 | $ 1,018,407 |
| Unrestricted | 47,938 | 128,423 | 221,213 | 92,980 | 30,735 | (16,107) | 27,690 |
| Total governmental activities net assets | $ 858,525 | $ 942,104 | $ 1,015,460 | $ 997,702 | $ 1,159,112 | $ 1,049,825 | $ 1,046,097 |
| Business-type activities | | | | | | | |
| Unrestricted | $ 5,869 | $ 4,345 | $ 3,192 | $ 552 | $ 3,482 | $ 8,215 | $ 12,630 |
| Total business-type activities net assets | $ 5,869 | $ 4,345 | $ 3,192 | $ 552 | $ 3,482 | $ 8,215 | $ 12,630 |
| District-wide | | | | | | | |
| Invested in capital assets, net of related debt | $ 810,587 | $ 813,681 | $ 794,247 | $ 904,722 | $ 1,128,377 | $ 1,065,932 | $ 1,018,407 |
| Unrestricted | 53,807 | 132,768 | 224,405 | 93,532 | 34,217 | (7,892) | 40,320 |
| Total district net assets | $ 864,394 | $ 946,449 | $ 1,018,652 | $ 998,254 | $ 1,162,594 | $ 1,058,040 | $ 1,058,727 |

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2010 only seven years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## CHANGES IN NET ASSETS
## LAST SEVEN FISCAL YEARS
***(Unaudited)***
*(accrual basis of accounting)*

| | Fiscal Year Ending June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| **Expenses** | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | | | | | | | |
| Regular | $ 1,297,548 | $ 1,334,791 | $ 1,153,454 | $ 1,618,455 | $ 1,621,418 | $ 1,722,801 | $ 1,659,139 |
| Support Services: | | | | | | | |
| School Administrative Services | 459,187 | 565,529 | 721,634 | 560,840 | 624,951 | 569,667 | 560,782 |
| Central Services | 633,268 | 406,126 | 468,977 | 620,024 | 592,284 | 494,714 | 519,319 |
| Total governmental activities expenses | $ 2,390,003 | $ 2,306,446 | $ 2,344,065 | $ 2,799,319 | $ 2,838,653 | $ 2,787,182 | $ 2,739,240 |
| Business-type activities: | | | | | | | |
| Food service | $ 39,917 | $ 42,195 | $ 37,058 | $ 37,833 | $ 40,341 | $ 40,890 | $ 45,664 |
| Total business-type activities expense | $ 39,917 | $ 42,195 | $ 37,058 | $ 37,833 | $ 40,341 | $ 40,890 | $ 45,664 |
| Total district expenses | $ 2,429,920 | $ 2,348,641 | $ 2,381,123 | $ 2,837,152 | $ 2,878,994 | $ 2,828,072 | $ 2,784,904 |
| **Program Revenues** | | | | | | | |
| Governmental activities: | | | | | | | |
| Operating grants and contributions | $ 390,870 | $ 181,125 | $ 173,642 | $ 211,554 | $ 137,955 | $ 102,242 | $ 128,111 |
| Total governmental activities program revenues | $ 390,870 | $ 181,125 | $ 173,642 | $ 211,554 | $ 137,955 | $ 102,242 | $ 128,111 |
| Business-type activities: | | | | | | | |
| Charges for services | | | | | | | |
| Food service | $ 11,135 | $ 12,417 | $ 11,139 | $ 10,947 | $ 14,033 | $ 15,601 | $ 13,239 |
| Operating grants and contributions | 31,029 | 28,254 | 24,766 | 24,246 | 29,238 | 30,022 | 36,840 |
| Total business type activities program revenues | $ 42,164 | $ 40,671 | $ 35,905 | $ 35,193 | $ 43,271 | $ 45,623 | $ 50,079 |
| Total district program revenues | $ 433,034 | $ 221,796 | $ 209,547 | $ 246,747 | $ 181,226 | $ 147,865 | $ 178,190 |

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## CHANGES IN NET ASSETS
## LAST SEVEN FISCAL YEARS
***(Unaudited)***
*(accrual basis of accounting)*

| | Fiscal Year Ending June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| **Net (Expense)/Revenue** | | | | | | | |
| Governmental activities | $ (1,999,133) | $ (2,125,321) | $ (2,170,423) | $ (2,587,765) | $ (2,700,698) | $ (2,684,940) | $ (2,611,129) |
| Business-type activities | 2,247 | (1,524) | (1,153) | (2,640) | 2,930 | 4,733 | 4,415 |
| Total district-wide net expense | $ (1,996,886) | $ (2,126,845) | $ (2,171,576) | $ (2,590,405) | $ (2,697,768) | $ (2,680,207) | $ (2,606,714) |
| **General Revenues and Other Changes in Net Assets** | | | | | | | |
| Governmental activities: | | | | | | | |
| Property taxes levied for general purposes, net | $ 1,201,246 | $ 1,195,607 | $ 1,199,555 | $ 1,288,310 | $ 1,355,756 | $ 1,442,956 | $ 1,419,080 |
| Grants and contributions | 1,546,435 | 952,217 | 1,021,005 | 1,266,685 | 1,479,585 | 1,096,175 | 1,178,053 |
| Miscellaneous income | 31,846 | 61,076 | 23,220 | 15,012 | 26,767 | 36,522 | 10,268 |
| Total governmental activities | $ 2,779,527 | $ 2,208,900 | $ 2,243,780 | $ 2,570,007 | $ 2,862,108 | $ 2,575,653 | $ 2,607,401 |
| Business-type activities: | | | | | | | |
| Miscellaneous | $ 3,622 | | | | $ | $ | $ |
| Total business-type activities | $ 3,622 | 0 | 0 | 0 | $ 0 | $ 0 | $ 0 |
| Total district-wide | $ 2,783,149 | $ 2,208,900 | $ 2,243,780 | $ 2,570,007 | $ 2,862,108 | $ 2,575,653 | $ 2,607,401 |
| **Change in Net Assets** | | | | | | | |
| Governmental activities | $ 780,394 | $ 83,579 | $ 73,357 | $ (17,758) | $ 161,410 | $ (109,287) | $ (3,728) |
| Business-type activities | 5,869 | (1,524) | (1,153) | (2,640) | 2,930 | 4,733 | 4,415 |
| Total district | $ 786,263 | $ 82,055 | $ 72,204 | $ (20,398) | $ 164,340 | $ (104,554) | $ 687 |

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2010 only seven years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## FUND BALANCES, GOVERNMENTAL FUNDS
## LAST SEVEN FISCAL YEARS
***(Unaudited)***
*(modified accrual basis of accounting)*

| | Fiscal Year Ending June 30, | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund | | | | | | | |
| Unreserved | $ 71,362 | $ 154,354 | $ 212,598 | $ 105,616 | $ 7,745 | $ 20,893 | $ 53,690 |
| Total general fund | $ 71,362 | $ 154,354 | $ 212,598 | $ 105,616 | $ 7,745 | $ 20,893 | $ 53,690 |
| All Other Governmental Funds | | | | | | | |
| Reserved | | | | | | | |
| Unreserved, reported in: | | | | | | | |
| Special revenue fund | | | | | | | |
| Capital projects fund | | | | | | | |
| Debt service fund | | | | | | | |
| Permanent fund | | | | | | | |
| Total all other governmental funds | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 34 in fiscal year 2010 only seven years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
## LAST TEN FISCAL YEARS
*(Unaudited)*
*(modified accrual basis of accounting)*

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| **Revenues** | | | | | | | | | | |
| Tax levy | $ 573,125 | $ 600,796 | $ 1,137,086 | $ 1,201,246 | $ 1,195,607 | $ 1,199,555 | $ 1,288,310 | $ 1,355,756 | $ 1,442,956 | $ 1,419,080 |
| Miscellaneous | 69,696 | 58,588 | 74,888 | 23,086 | 56,587 | 23,219 | 16,641 | 26,767 | 36,522 | 10,268 |
| Local sources | | | | 77,404 | 47,110 | 8,381 | 58,356 | 27,119 | 6,385 | 60,375 |
| State sources | 384,890 | 338,945 | 756,809 | 770,175 | 957,365 | 1,037,471 | 1,236,491 | 1,226,629 | 1,180,557 | 1,178,053 |
| Federal sources | 18,581 | 25,193 | 234,039 | 819,221 | 128,867 | 140,261 | 128,198 | 102,577 | 95,857 | 67,736 |
| Total revenue | $ 1,046,292 | $ 1,023,522 | $ 2,202,822 | $ 2,891,132 | $ 2,385,536 | $ 2,408,887 | $ 2,727,996 | $ 2,738,848 | $ 2,762,277 | $ 2,735,512 |
| **Expenditures** | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | $ 498,701 | $ 513,517 | $ 1,075,261 | $ 1,087,335 | $ 1,104,918 | $ 962,396 | $ 1,299,073 | $ 1,263,111 | $ 1,353,432 | $ 1,275,553 |
| Support Services: | | | | | | | | | | |
| General administration | 333,433 | 344,627 | 477,792 | 660,909 | 727,239 | 839,376 | 737,442 | 853,965 | 790,278 | 770,041 |
| Other Support Services | 222,985 | 210,940 | 560,802 | 581,040 | 395,505 | 456,116 | 637,676 | 619,426 | 521,160 | 558,419 |
| Capital outlay | 1,460 | | 36,561 | 3,026,698 | 74,881 | 92,755 | 160,788 | 100,217 | 84,259 | 98,702 |
| Total expenditures | 1,056,579 | 1,069,084 | 2,150,416 | 5,355,982 | 2,302,543 | 2,350,643 | 2,834,979 | 2,836,719 | 2,749,129 | 2,702,715 |
| Excess (Deficiency) of revenues over (under) expenditures | $ (10,287) | $ (45,562) | $ 52,406 | (2,464,850) | 82,993 | 58,244 | (106,983) | (97,871) | 13,148 | 32,797 |
| **Other Financing sources (uses)** | | | | | | | | | | |
| Proceeds from mortgage | | | | 2,491,240 | | | | | | |
| Capital leases (non-budgeted) | | | | | | | | | | |
| Total other financing sources (uses) | 0 | 0 | $ 0 | 2,491,240 | - | - | - | - | 0 | 0 |
| Net change in fund balances | $ (10,287) | $ (45,562) | $ 52,406 | 26,390 | 82,993 | 58,244 | (106,983) | (97,871) | 13,148 | 32,797 |
| Debt service as a percentage of noncapital expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Source: District records**

Exhibit J-5

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## GENERAL FUND REVENUE- OTHER LOCAL REVENUE BY SOURCE
## LAST TEN FISCAL YEARS
***(Unaudited)***

| Fiscal Year Ending June 30, | Interest on Investments | Donations | Insurance Refunds | Refund of Prior Year Expenditures | Miscellaneous | Annual Totals |
|---|---|---|---|---|---|---|
| 2010 | $ 478 | $ 1,502 | | $ 1,256 | $ 7,032 | $ 10,268 |
| 2009 | 766 | 3,724 | | 15,499 | 16,533 | 36,522 |
| 2008 | 3,663 | | | 10,689 | 12,415 | 26,767 |
| 2007 | 9,952 | | | 7,158 | 10,532 | 27,642 |
| 2006 | 10,681 | | | 8,900 | 3,638 | 23,219 |
| 2005 | 3,492 | 12,866 | | 33,730 | 6,499 | 56,587 |
| 2004 | 437 | 2,306 | $ 317 | 13,891 | 6,135 | 23,086 |
| 2003 | 98 | 3,000 | | 3,598 | 1,425 | 8,121 |
| 2002 | 111 | 46,750 | 693 | 396 | 1,809 | 49,759 |
| 2001 | 336 | 40,000 | | 1,539 | 3,142 | 45,017 |

Source: District records

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## FULL-TIME EQUIVLENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
**(Unaudited)**

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| Instruction | | | | | | |
| Regular | 14 | 15 | 16 | 16 | 16 | 16 |
| Special education | 6 | 5 | 5 | 5 | 5 | 5 |
| Other special education | - | - | - | - | - | - |
| Vocational | - | - | - | - | - | - |
| Other instruction | 10 | 10 | 9 | 9 | 9 | 6 |
| Nonpublic school programs | - | - | - | - | - | - |
| Adult/continuing education programs | - | - | - | - | - | - |
| Support Services: | | | | | | |
| Student & instruction related services | 2 | 2 | 2 | 2 | 2 | 2 |
| General administration | 1 | 1 | 1 | 1 | 1 | 1 |
| School administrative services | - | - | - | - | - | - |
| Other administrative services | 2 | 2 | 2 | 2 | 2 | 2 |
| Central services | 1 | 1 | 1 | 1 | 1 | 1 |
| Administrative Information Technology | 1 | 1 | 1 | 1 | 1 | 1 |
| Plant operations and maintenance | 1 | 1 | 1 | 1 | 1 | 1 |
| Pupil transportation | - | - | - | - | - | - |
| Other support services | - | - | - | - | - | - |
| Special Schools | - | - | - | - | - | - |
| Food Service | 1 | 1 | 1 | 1 | 1 | 1 |
| Child Care | | | | | | |
| Total | 39 | 39 | 39 | 39 | 39 | 36 |

**Source:** District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 44 in fiscal year 2010 only six years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## OPERATING STATISTICS
## LAST NINE FISCAL YEARS
**(Unaudited)**

| Fiscal Year | Enrollment | Operating Expenditures | Cost Per Pupil | Percentage Change | Teaching Staff | Pupil/Teacher Ratio | | Average Daily Enrollment (ADE) | Average Daily Attendance (ADA) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Elementary | Middle School | | | | |
| 2002 | 80 | $ 1,069,084 | $ 13,364 | N/A | 10 | 16.5 | 15.7 | 79.7 | 77 | N/A | 96.61% |
| 2003 | 162 | 2,113,855 | 13,048 | -2.36% | 15 | 18.0 | 18.0 | 161.4 | 154 | 102.51% | 95.42% |
| 2004 | 162 | 2,329,284 | 14,378 | 10.19% | 15 | 18.0 | 18.0 | 160.0 | 152 | -0.87% | 95.00% |
| 2005 | 160 | 2,227,662 | 13,923 | -3.17% | 20 | 18.0 | 16.7 | 157.1 | 150 | -1.81% | 95.48% |
| 2006 | 160 | 2,257,888 | 14,112 | 1.36% | 21 | 18.0 | 15.5 | 152.9 | 147 | -2.67% | 96.14% |
| 2007 | 158 | 2,586,155 | 16,368 | 15.99% | 21 | 18.0 | 15.5 | 156.7 | 151 | 2.49% | 96.36% |
| 2008 | 162 | 2,736,502 | 16,892 | 3.20% | 21 | 18.0 | 15.5 | 158.9 | 152 | 1.40% | 95.66% |
| 2009 | 172 | 2,664,870 | 15,493 | -8.28% | 21 | 18.0 | 15.5 | 172.0 | 166 | 8.24% | 96.51% |
| 2010 | 173 | 2,604,013 | 15,052 | -2.85% | 21 | 18.0 | 15.5 | 173.0 | 171 | 0.58% | 98.84% |



**Sources:** District records

**Note:** Enrollment based on annual October district count.

Note:
GASB requires that ten years of statistical data be presented. However, since the Charter School implemented the new reporting model contained in GASB No. 44 in fiscal year 2010 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

# THE RED BANK CHARTER SCHOOL
# COUNTY OF MONMOUTH
# SCHOOL BUILDING INFORMATION
# LAST TEN FISCAL YEARS

**(Unaudited)**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| **District Building** | | | | | | | | | | |
| Elementary and Middle School (Combined) | | | | | | | | | | |
| The Red Bank Charter School | | | | | | | | | | |
| Square Feet | N/A | N/A | N/A | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 | 11,000 |
| Capacity (students) | 80 | 162 | 162 | 162 | 162 | 162 | 162 | 162 | 180 | 180 |
| Enrollment | 71 | 140 | 141 | 157 | 153 | 156 | 156 | 156 | 172 | 173 |

Number of Schools at June 30, 2010
Elementary and Middles School combined = 1

**Source:** District Records

# THE RED BANK CHARTER SCHOOL
## COUNTY OF MONMOUTH
## INSURANCE SCHEDULE
## JUNE 30, 2010
**(Unuadited)**

| | Coverage | Deductible |
|---|---|---|
| **New Jersey School Board Association Insurance Group** | | |
| Property | | |
| Building and Contents | $ 5,595,054 | 1,000 |
| Valuable Papers and Records | 10,000,000 | 1,000 |
| Extra Expense | 25,000,000 | 1,000 |
| Increased Cost of Contruction/Build. Ord. | | 1,000 |
| Crime/Empl Dishonesty | | 500 |
| Comprehensive General Liability | | |
| General Liablility | 11,000,000 | n/a |
| School Leaders Errors & Omissions Coverage | 10,000,000 | 5,000 |
| Electronic Data Processing | | |
| Blanket Equipment, Data and Media | 105,000 | 1,000 |
| Computer Virus | 250,000 | |
| Workers Compensation | | |
| Professional/Non-Professional | 2,000,000 | Statutory |
| Automobile Coverage | | |
| Liability Limit | 11,000,000 | |
| Student Accident | | |
| Medical Expense Benefit | 5,000,000 | Maximum |
| Commerial Excess Liability | | |
| Aggregate Limit Of Liablitity | 5,000,000 | 10,000 |
| Equipment Breakdown Coverage | | |
| Boiler and Machinery | 100,000,000 | 1,000 |
| Public Official Bonds | | |
| Linda Webster, Treasurer of School Monies | 150,000 | N/A |
| Theresa Shirley, Board Secretary | 145,000 | N/A |
| Public Employee Dishonesty | 50,000 | N/A |

# SINGLE AUDIT SECTION

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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*

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of The Red Bank Charter School, in the County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Board of Trustees of the Red Bank Charter School's basic financial statements and have issued our report thereon dated October 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

### Internal Control Over Financial Reporting

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of The Red Bank Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance dated October 12, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education, and other state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants

David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
October 12, 2010

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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 STATE OF NEW JERSEY OMB CIRCULAR 04-04

Honorable President and Members
of the Board of Trustees
The Red Bank Charter School
Red Bank, New Jersey

### Compliance

We have audited the compliance of The Red Bank Charter School, Red Bank, 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 its major state program for the fiscal year ended June 30, 2010. The Red Bank Charter School's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of The Red Bank Charter School's management. Our responsibility is to express an opinion on The Red Bank Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 State of New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Those standards and circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about The Red Bank Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Red Bank Charter School's compliance with those requirements.

In our opinion, The Red Bank Charter School complied, in all material respects, with the requirements referred to above that are applicable to each of its major state program for the fiscal year ended June 30, 2010.

**Internal Control Over Compliance**

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

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

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

This report is intended solely for the information and use of the Board of Trustees, management, the New Jersey State Department of Education and other state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

The Red Bank Charter School's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Red Bank Charter School's responses, and accordingly, we express no opinion on the responses.

DAK CPA

DAK CPA
Certified Public Accountants
Public School Accountants

David A. Kaplan
Certified Public Accountant
Public School Accountant
PSA Number CS00911

Long Branch, New Jersey
October 12, 2010

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| Federal Grantor/ Pass Through Grantor/ Program Title | Federal CFDA Number | Grant Period From | Grant Period To | Award Amount | June 30, 2009 (Accounts Receivable) | June 30, 2009 Deferred Revenue | June 30, 2009 Due to Grantor | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Year's Balance | June 30, 2010 (Accounts Receivable) | June 30, 2010 Deferred Revenue | June 30, 2010 Due to Grantor |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Department of Education: | | | | | | | | | | | | | | |
| Passed Through State Department of Education: | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | |
| Title I 07/08 | 84.010 | 9/1/08 | 8/31/09 | $ 70,053 | $ | $ 3,503 | $ | $ | $ | $ | $ | $ | $ 3,503 | $ |
| Title I 08/09 | 84.010 | 9/1/08 | 8/31/09 | 63,047 | | 432 | | | | | | | 432 | |
| Title I 09/10 | 84.010 | 9/1/09 | 8/31/10 | 56,742 | | | | | 11,675 | (17,875) | | (6,200) | | |
| ARRA - Title I 09/10 | 84.389 | 9/1/09 | 8/31/10 | 15,460 | | | | | | (1,686) | | (1,686) | | |
| Title IIA 07/08 | 84.367 | 9/1/08 | 8/31/09 | 4,056 | | 4,056 | | | | | | | 4,056 | |
| Title IIA 08/09 | 84.367 | 9/1/08 | 8/31/09 | 4,339 | | 899 | | (899) | | | | | | |
| Title II A 08/09, Carryover | 84.367 | 9/1/08 | 8/31/09 | 4,339 | | | | 899 | | (715) | | | 184 | |
| Title IIA 09/10 | 84.367 | 9/1/09 | 8/31/10 | 4,035 | | | | | 3,501 | (3,501) | | | | |
| Title IID 07/08 | 84.318 | 9/1/08 | 8/31/09 | 476 | | 476 | | | | | | | 476 | |
| Title IID 08/09 | 84.318 | 9/1/08 | 8/31/09 | 524 | | 304 | | | | | | | 304 | |
| Title III 09/10 | 84.365 | 9/1/09 | 8/31/10 | 6,699 | | | | | | | | | | |
| Title IV 07/08 | 84.186 | 9/1/08 | 8/31/09 | 1,622 | | 442 | | | | | | | 442 | |
| Title IV 08/09 | 84.186 | 9/1/08 | 8/31/09 | 998 | | 245 | | | | | | | 245 | |
| Title V 08/09 | 84.298 | 9/1/08 | 8/31/09 | 299 | | 299 | | | | | | | 299 | |
| IDEA Part B, Basic Regular 09/10 | 84.027 | 9/1/09 | 8/31/10 | 28,414 | | | | | 28,414 | (28,414) | | | | |
| ARRA - IDEA Part B, Basic Regular 09/10 | 84.391 | 9/1/09 | 8/31/10 | 39,490 | | | | | 19,745 | (19,745) | | | | |
| IDEA Part B, Preschool 06/07 | 84.173 | 9/1/06 | 8/31/07 | 1,226 | | | 1,226 | | | | | | | 1,226 |
| IDEA Part B, Basic Regular 08/09 | 84.027 | 9/1/08 | 8/31/09 | 28,829 | (8,029) | | | | 8,029 | | | | | |
| Total Special Revenue Fund | | | | | (8,029) | 10,656 | 1,226 | | 71,364 | (71,936) | | (7,886) | 9,941 | 1,226 |
| U.S. Department of Agriculture: | | | | | | | | | | | | | | |
| Passed Through State Department of Education: | | | | | | | | | | | | | | |
| Food Service Enterprise Fund: | | | | | | | | | | | | | | |
| National School Breakfast Program 08/09 | 10.553 | 7/1/08 | 6/30/09 | 3,229 | (233) | | | | 233 | | | | | |
| National School Breakfast Program 09/10 | 10.553 | 7/1/09 | 6/30/10 | 4,299 | | | | | 3,946 | (4,299) | | (353) | | |
| National School Lunch Program 08/09 | 10.555 | 7/1/08 | 6/30/09 | 24,039 | (2,065) | | | | 2,065 | | | | | |
| National School Lunch Program 09/10 | 10.555 | 7/1/09 | 6/30/10 | 28,562 | | | | | 26,372 | (28,562) | | (2,190) | | |
| Total Food Service Enterprise Fund | | | | | (2,298) | | | | 32,616 | (32,861) | | (2,543) | | |
| Total Federal Awards | | | | | $ (10,327) | $ 10,656 | $ 1,226 | $ | $ 103,980 | $ (104,797) | $ | $ (10,429) | $ 9,941 | $ 1,226 |

Note:
This Schedule of Federal Awards is not Subject to a Single Audit in Accordance with OMB Circular A-133

The Accompanying Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of this Statement

**RED BANK CHARTER SCHOOL**
**COUNTY OF MONMOUTH**
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| State Grantor/ Program Title | Grant or State Project Number | Grant Period From | Grant Period To | Award Amount | June 30, 2009 (Accounts Receivable) | June 30, 2009 Deferred Revenue | June 30, 2009 Due to Grantor | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Repayment of Prior Year's Balance | June 30, 2010 (Accounts Receivable) | June 30, 2010 Deferred Revenue | June 30, 2010 Due to Grantor |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| State Department of Education: | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Special Education Categorical Aid 09/10 | 10-495-034-5120-011 | 7/1/09 | 6/30/10 | $ 53,450 | $ | $ | $ | $ | $ 53,450 | $ (53,450) | $ | $ | $ | $ |
| Security Aid 09/10 | 10-495-034-5120-084 | 7/1/09 | 6/30/10 | 38,765 | | | | | 38,765 | (38,765) | | | | |
| Charter School Aid 08/09 | 09-495-034-5120-071 | 7/1/08 | 6/30/09 | 924,061 | (3,560) | | | | 3,560 | | | | | |
| Equalization Aid 09/10 | 10-495-034-5120-078 | 7/1/09 | 6/30/10 | 926,674 | | | | | 918,711 | (926,674) | | (7,963) | | |
| Reimbursed Social Security Contributions 09/10 | 10-495-034-5095-002 | 7/1/09 | 6/30/10 | 85,238 | | | | | 85,238 | (85,238) | | | | |
| Reimbursed Social Security Contributions 08/09 | 09-495-034-5095-002 | 7/1/08 | 6/30/09 | 88,700 | (4,535) | | | | 4,535 | | | | | |
| Total General Fund | | | | | (8,095) | | | | 1,104,259 | (1,104,127) | | (7,963) | | |
| Food Service Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program 08/09 | 09-100-010-3350-023 | 7/1/08 | 6/30/09 | 1,180 | (93) | | | | 93 | | | | | |
| State School Lunch Program 09/10 | 10-100-010-3350-023 | 7/1/09 | 6/30/10 | 1,222 | | | | | 1,129 | (1,222) | | (93) | | |
| State School Breakfast Program 08/09 | 09-100-034-3350-021 | 7/1/08 | 6/30/09 | 214 | (14) | | | | 14 | | | | | |
| State School Breakfast Program 09/10 | 10-100-034-3350-021 | 7/1/09 | 6/30/10 | 257 | | | | | 236 | (257) | | (21) | | |
| Total Food Service Enterprise Fund | | | | | (107) | | | | 1,472 | (1,479) | | (114) | | |
| Total | | | | | $ (8,202) | $ | $ | $ | $ 1,105,731 | $ (1,105,606) | $ | $ (8,077) | $ | $ |

The accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance are an integral part of this statement

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

# RED BANK CHARTER SCHOOL
# NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE
# FOR THE FISCAL YEAR ENDED JUNE 30, 2010

## 1. GENERAL

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

## 2. BASIS OF ACCOUNTING

The accompanying schedules are presented on 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 2(C) to the Board's basic financial statements.

## 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Note 2 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**RED BANK CHARTER SCHOOL**
**NOTES TO THE SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE (CONTINUED)**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

## 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

| | Federal | State | Total |
|---|---|---|---|
| General Fund | | $ 1,178,053 | $ 1,178,053 |
| Special Revenue Fund | $ 67,736 | - | 67,736 |
| Food Service | 35,361 | 1,479 | 36,840 |
| Total Awards and Financial Assistance | $ 103,097 | $ 1,179,532 | $ 1,282,629 |

## 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.

## 5. OTHER

TPAF Social Security Contributions in the amount of $85,238 represent the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2010. The amount reported as TPAF Pension and Annuity Contributions in the amount of $73,926 represents the amount paid by the State on behalf of the Charter School for the year ended June 30, 2010.

# RED BANK CHARTER SCHOOL
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2010

## Section I - Summary of Auditor's Results

### Financial Statements

Type of Auditor's report issued: Unqualified

Internal control over financial reporting:

1. Material weakness(es) identified? ____ yes __x__ no

2. Significant deficiencies identified that are not considered to be material weaknesses? ____ yes __x__ none reported

Noncompliance material to basic financial statements noted: ____ yes __x__ no

### State Financial Assistance

Internal control over major programs:

1. Material weakness(es) identified? ____ yes __x__ no

2. Significant deficiencies identified that are not considered to be material weaknesses? ____ yes ____ none reported

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

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

Identification of major programs:

| GMIS Number | Name of State Program |
|---|---|
| 10-495-034-5120-078 | Equalization Aid |

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

Auditee qualified as low-risk auditee? __x__ yes ____ no

# RED BANK CHARTER SCHOOL
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2010

## Section II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapters 5.18 through 5.20 of *Government Auditing Standards.*

NONE .

## Section III - Schedule State Financial Assistance Findings and Questioned Costs

### *Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

NONE.

**RED BANK CHARTER SCHOOL**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Section III - Schedule of Federal Awards**
**Findings and Questioned Costs**

***Part 3 – Schedule of Federal and State Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

**CURRENT YEAR FEDERAL AWARDS**

**Finding 2010-1**

Carryover applications were not submitted timely for Titles I, IIA, IID, IV and V programs.

**Criteria or specific requirement**

Federal program fiscal year and program terms.

**Condition**

See Finding 2010-1.

**Questioned Costs**

None, as carryover applications have been submitted and verbally approved.

**Context**

See Finding 2010-1

**Effect**

See Finding 2010-1.

**Cause**

See Finding 2010-1.

**Recommendation**

See Finding 2010-1.

**Views of Responsible Officials and Planned Corrective Action**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

# RED BANK CHARTER SCHOOL
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2010

## Section III - Schedule State Financial Assistance Findings and Questioned Costs

### *Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Circular A-133 and New Jersey OMB's Circular 04-04, as amended.

## CURRENT YEAR FEDERAL AWARDS

### Finding 2010-2

Amounts due grantors as reflected in the prior years audit were not remitted to grantor agency during current fiscal year.

### Criteria or specific requirement

Federal program requirements.

### Condition

See Finding 2010-2.

### Questioned Costs

None..

### Context

See Finding 2010-2.

### Effect

See Finding 2010-2.

### Cause

See Finding 2010-2.

### Recommendation

See Finding 2010-2.

### Views of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

# RED BANK CHARTER SCHOOL
# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2009

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with *Government Auditing Standards*, U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04.

## STATUS OF PRIOR YEAR FINDINGS

### Finding 2009-1

The Treasurer's records were in agreement with the records of the Board Secretary as of June 30, 2009, but several monthly Treasurer's reports were not completed

### Current Status

Corrected.

### Finding 2009-2

Carryover applications were not submitted timely for Titles I, IIA, IID, IV and V programs.

### Current Status

Not corrected; Refer to Finding 2010-1.

### Finding 2009-3

Amounts due grantors as reflected in the prior years audit were not remitted to grantor agency during current fiscal year.

### Current Status

Not corrected; Refer to Finding 2010-2.