

Comprehensive Annual Financial Report
of the
PRINCETON CHARTER SCHOOL
Princeton, New Jersey
For the Fiscal Year Ended June 30, 2009

Prepared by
PRINCETON CHARTER SCHOOL
Board of Trustees

Princeton Charter School
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INTRODUCTORY SECTION



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1614 fax 732.828.5156
www.withum.com

Additional Offices in New Jersey, New York,
Pennsylvania, Maryland, Colorado and Florida

October 28, 2009

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Princeton Charter School (the "School" or "PCS") for the fiscal year ended June 30, 2009, 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 (the "Board"). 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 basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the School's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, management's discussion and analysis, the basic financial statements and notes providing an overview of the School's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the School, generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Treasury Circular Letter NJ OMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

- 1) **REPORTING ENTITY AND ITS SERVICES:** The Princeton Charter School is an independent reporting entity within the criteria adopted by the *Government Accounting Standards* ("GASB") in codification section 2100. All funds of the School are included in this report. The Princeton Charter School constitutes the School's reporting entity.

The School provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for special needs youngsters. The School completed the 2008-09 fiscal year with an average daily enrollment of 318 students, which is an increase of 25 students from the previous year's enrollment.

Fiscal Year	Average Daily Enrollment Student Enrollment	Percent Change
1999-2000	163	40.52%
2000-2001	180	10.43%
2001-2002	199	10.56%
2002-2003	239	20.10%
2003-2004	278	16.32%
2004-2005	280	0.72%
2005-2006	286	2.14%
2006-2007	289	1.05%
2007-2008	293	1.38%
2008-2009	318	8.53%

2) ECONOMIC CONDITION AND OUTLOOK:

Princeton Charter School has completed its twelfth year of operations. In May of 2007, PCS was named "National Charter School of the Year" by the Center for Education Reform. Previous awards included being named a "No Child Left Behind Blue Ribbon School" in September 2004 by the United States Department of Education. PCS has been recognized numerous times as a Benchmark School for attaining high rates of student achievement on the State's assessment tests. Parents of school-age children in Princeton are well aware of the school's excellent reputation: 346 students applied to the school in 2008-2009. In the 2008-2009 school year PCS had a waiting list of 276 students and for the 2009-2010 school year the waiting list is 328 students.

3) MAJOR INITIATIVES:

Initiatives:

The most significant accomplishments of the PCS Board of Trustees in 2008-09 included (i) support for the successful transition of Head of School responsibilities from our founding Head of School, Mr. Charles Marsee, to Dr. Broderick Boxley; (ii) adding new trustees and committee members with strong backgrounds and experience; (iii) financing and commencing a major facilities expansion, which will enable PCS to strengthen and broaden the educational and extra-curricular opportunities for PCS students; and (iv) making additional efforts through its admissions process to recruit applicants from all backgrounds throughout the Princeton community, and welcoming and successfully transitioning new students including 22 new 3rd graders (discussed in "Student Recruitment" section). In addition, the Board of Trustees reviewed, revised and adopted certain major policies. The School broke ground in December 2008 on its second major facilities expansion in the School's history, which adds an external stairwell greatly improving the circulation within the existing upper-school classroom building and an added adjoining Campus Center comprised of three classrooms, a black box theater and combination auditorium and gymnasium. An extensive budgeting and design process followed by refinancing of existing debt and addition of new credit facilities were necessary before the project itself could be commenced. The Board's Finance Committee and Facilities Committee worked closely with the School's Business Administrator, Facilities Manager, Head of School, architects and legal advisers to devise a sound and economically feasible project. Financing from Capital One Bank, N.A. and the New Jersey Economic Development Authority for \$8,420,000 closed in October 2008. The Board of Trustees determined that the School would act as its own general contractor (as it did in its previous expansion). Public bidding was conducted, and the Facilities Chair has met regularly with the Facilities Manager to provide oversight.

4) INTERNAL ACCOUNTING CONTROLS

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

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

As part of the School's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the School has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2009.

6) ACCOUNTING SYSTEM AND REPORTS

The School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the School is organized on the basis of governmental funds and business type activities funds. These funds are explained in "Notes to Financial Statements", Note 1.

7) DEBT ADMINISTRATION

As of June 30, 2009, the School's outstanding loans payable total \$8,420,000.

8) CASH MANAGEMENT

The investment policy of the School is guided in large part by state statute as detailed in "Notes to Financial Statements", Note 3. The School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT

The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

10) OTHER INFORMATION

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of WithumSmith+Brown, PC was selected by the Board of Trustees at its organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and the State Treasury Circular Letter NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

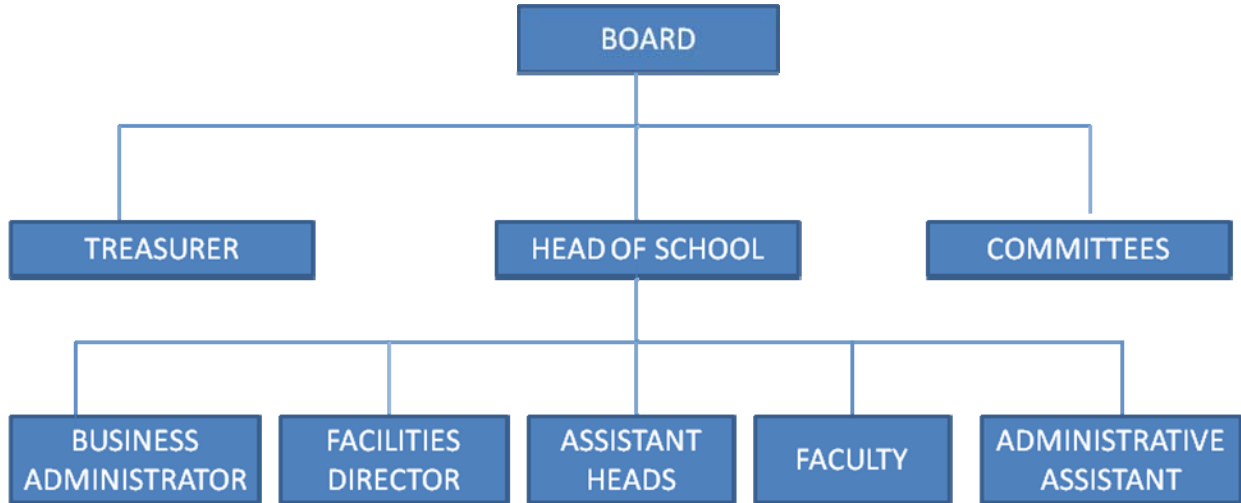
11) ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Board of Trustees of the Princeton Charter School for their concern in providing fiscal accountability to the citizens and participating districts of the School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Dr. Broderick L. Boxley
Head of School

Diane Potorski
Business Administrator

Princeton Charter School



Education Committee

1. Board Members
2. Head of School
3. Faculty Members
4. PCS Community Members

Admissions Committee

1. President of Board
2. VP of Board
3. Administrative Assistant
4. Faculty Member
5. PCS Community Members

Personnel Committee

1. VP of Board
2. Head of School
3. Board Treasurer
4. Board Members

Subcommittees

- a. Mathematics
- b. Science
- c. English & Language Arts
- d. Health & Physical Education
- e. History & Geography
- f. Technology
- g. World Languages
- h. The Arts

Facilities Committee

1. Board Secretary
2. Board Treasurer
3. Board Member
4. Head of School
5. Business Administrator
6. Facilities Director
7. PCS Community Members

Finance Committee

1. Board Treasurer
2. Board Member
3. Head of School
4. Business Administrator
5. PCS Community Members

**PRINCETON CHARTER SCHOOL
Roster of Officials
June 30, 2009**

Members of the Board of Trustees	Term Expires
Maureen Quirk, Chairperson	6/11
Hartwell "Mac" Gardner, Vice Chairperson	6/09
Andrea Henneman, Secretary	6/11
Fernando Guerrero, Treasurer	6/10
Frederick E. Cammerzell III	6/10
David Covin	6/09
Lisa Crane	6/09
Ellen DiPippo	6/11
K.P. Weseloh	6/10

Other Officers

Dr. Broderick Boxley, Head of School
Diane Potorski, Business Administrator

**PRINCETON CHARTER SCHOOL
Consultants and Advisors**

Architect/Planner

Farewell, Mills & Gatsch, LLC
200 Forrester Road, 3rd Floor
Princeton, NJ 08540

Audit Firm

WithumSmith+Brown, PC
One Spring Street
New Brunswick, NJ 08901

Attorney

Apruzzese, McDermott, Mastro & Murphy, PC
Somerset Hills Corporate Center
25 Independence Blvd.
Warren, NJ 07059

Sterns & Weinroth
50 West State St.
Trenton, NJ 08607

Saul Ewing, LLP
750 College Road East, Suite 100
Princeton, NJ 08540

Official Depository

Capital One Bank, NA
755 US Highway 1 South
Iselin, NJ 08830

FINANCIAL SECTION



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1615 fax 732.828.5156

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Independent Auditors' Report

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, 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 Princeton Charter School (the "School") as of and for the fiscal year ended June 30, 2009 which collectively comprise the School's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of the Princeton Charter School as of June 30, 2009, 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.

The Honorable President and Members
of the Board of Trustees
Princeton Charter School
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009 on our consideration of the Board of Education of the Princeton 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. The 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 the Budgetary Comparison Information on Exhibits C-1 through C-3 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 inquires 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 Princeton Charter School's basic financial statements. The accompanying introductory section, combining and individual fund financial statements, financial schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the schedules of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*; and New Jersey OMB's Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. The supplementary combining and individual fund financial statements, supplementary schedules and schedules of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

October 28, 2009
New Brunswick, NJ

WithumSmith+Brown, PC



James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Management's Discussion and Analysis Year Ended June 30, 2009 (Unaudited)

This section of Princeton Charter School's annual financial report presents its discussion and analysis of the School's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statements, which immediately follow this section.

Financial Highlights

- The School's financial status improved over the prior fiscal year.
- Overall revenue was \$6.08 million and overall expenses were \$5.65 million.
- Net assets of the School's governmental activities increased by \$383,135.
- The net assets of the School's business-type activities decreased by \$8,558. The Food Service Program had a net increase of \$11,490 while the After School Program decreased by \$20,048.
- Enrollment in the School has been increasing for each of the last several years.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *Charter School-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in *more* detail than the Charter School-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the School operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others.
- *Notes to Financial Statements* provide additional information essential to full understanding of Charter School-wide and fund financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of Princeton Charter School's Financial Report

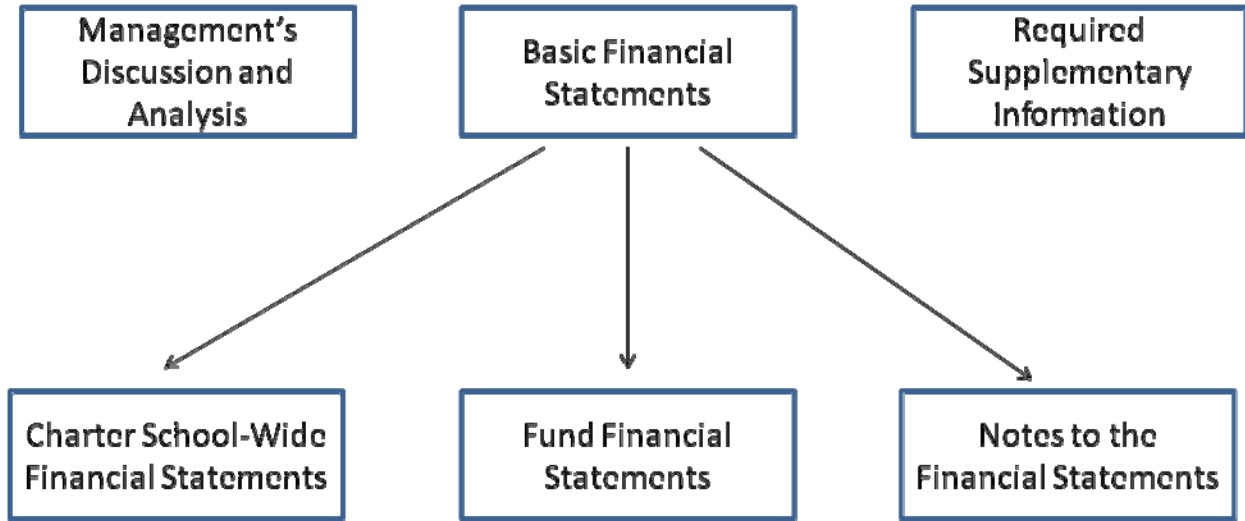


Figure A-2 summarizes the major features of the School's financial statements, including the portion of the School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Charter School-Wide and Fund Financial Statements

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food service and an after school program	Instances in which the School administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets, and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All addition and deductions during the year, regardless of when cash is received or paid

Charter School-wide Financial Statements

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

The two Charter School-wide financial statements report the School's *net assets* and how they have changed. Net assets, the difference between the School's assets and liabilities, is one way to measure the School's financial health or *position*.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the School's overall health, you need to consider additional nonfinancial factors such as changes in the School's property tax base and the condition of school buildings and other facilities.

In the Charter School-wide financial statements, the School's activities are divided into two categories:

- *Governmental activities*: Most of the School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The School charges fees to help it cover the costs of certain services it provides. The School's food service and after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has three kinds of funds:

- *Governmental funds*: Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Charter School-wide statements. The School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The School currently does not maintain any internal service funds.
- *Fiduciary funds*: The School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

Notes to Financial Statements

The notes to financial statements provide additional information essential to full understanding of Charter School-wide and fund financial statements.

Financial Analysis of the School as a Whole

Net Assets. Net of prior period adjustments and change in fair value of financial instruments, the School's combined net assets increased \$374,577. Net assets from governmental activities increased \$383,135 and net assets from business-type activities decreased \$8,558. Net assets invested in capital assets decreased \$2,338,758 and unrestricted net assets decreased by \$29,612.

Figure A-3

Condensed Statement of Net Assets

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2008/09
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Current and							
Other Assets	\$ 4,590,249	\$ 515,430	\$ 24,767	\$ 42,360	\$ 4,615,016	\$ 557,790	727.38%
Capital Assets	10,645,967	7,794,455	457	781	10,646,424	7,795,236	36.58%
Total Assets	<u>15,236,216</u>	<u>8,309,885</u>	<u>25,224</u>	<u>43,141</u>	<u>15,261,440</u>	<u>8,353,026</u>	<u>82.71%</u>
Long-Term Debt							
Outstanding	8,873,103	3,683,157	--	--	8,873,103	3,683,157	140.91%
Other Liabilities	<u>1,762,884</u>	<u>409,634</u>	<u>--</u>	<u>9,359</u>	<u>1,762,884</u>	<u>418,993</u>	<u>320.74%</u>
Total Liabilities	<u>10,635,987</u>	<u>4,092,791</u>	<u>--</u>	<u>9,359</u>	<u>10,635,987</u>	<u>4,102,150</u>	<u>159.28%</u>
Net Assets							
Invested in Capital Assets, Net of Related Debt	1,772,864	4,111,298	457	781	1,773,321	4,112,079	-56.88%
Restricted	2,767,947	25,000	--	--	2,767,947	25,000	10971.79%
Unrestricted	<u>59,418</u>	<u>80,796</u>	<u>24,767</u>	<u>33,001</u>	<u>84,185</u>	<u>113,797</u>	<u>-26.02%</u>
Total Net Assets	<u>\$ 4,600,229</u>	<u>\$ 4,217,094</u>	<u>\$ 25,224</u>	<u>\$ 33,782</u>	<u>\$ 4,625,453</u>	<u>\$ 4,250,876</u>	<u>8.81%</u>

Changes in Net Assets. The School's combined net assets were \$4,625,453 on June 30, 2009, \$374,577 or 8.81 percent more than they were the year before (See Figure A-3).

Figure A-4

	Changes in Net Assets from Operating Results						Percentage Change 2008/09
	Governmental Activities		Business-Type Activities		Total School District		
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Revenue:							
Program Revenue:							
Charges for Services	\$ --	\$ --	\$ 122,642	\$ 98,211	\$ 122,642	\$ 98,211	24.88%
Operating Grants and Contributions	249,844	313,934	10,398	9,720	260,242	323,654	-19.59%
Capital Grants and Contributions	769,832	--			769,832	--	
General Revenue:							
Property Taxes	4,427,325	2,542,263	--	--	4,427,325	2,542,263	74.15%
Other	493,268	1,971,377	8,900	20,000	502,168	1,991,377	-74.78%
Total Revenue	<u>5,940,269</u>	<u>4,827,574</u>	<u>141,940</u>	<u>127,931</u>	<u>6,082,209</u>	<u>4,955,505</u>	<u>22.74%</u>
Expenses:							
Instruction	2,663,732	2,638,153	--	--	2,663,732	2,638,153	0.97%
Pupil and Instruction Services	103,211	87,640	--	--	103,211	87,640	17.77%
Administration and Business	690,588	559,425	--	--	690,588	559,425	23.45%
Maintenance and Operations	624,803	445,182	--	--	624,803	445,182	40.35%
Transportation	20,879	16,387	--	--	20,879	16,387	27.41%
Other	947,020	448,627	150,498	113,892	1,097,518	562,519	95.11%
Total Expenses	<u>5,050,233</u>	<u>4,195,414</u>	<u>150,498</u>	<u>113,892</u>	<u>5,200,731</u>	<u>4,309,306</u>	<u>20.69%</u>
Increase (Decrease) in Net Assets							
	<u>\$ 890,036</u>	<u>\$ 632,160</u>	<u>\$ (8,558)</u>	<u>\$ 14,039</u>	<u>\$ 881,478</u>	<u>\$ 646,199</u>	<u>36.41%</u>

Revenue Sources. The School's total revenue for the 2008-2009 school year was \$6,082,209 (See Figure A-5). Property taxes and state and federal aid accounted for most of the School's revenue, with local taxes accounting for \$4.43 million of the total, or 72.79 percent; and \$434,848 or 7.15 percent of state and federal aid. The remainder of revenue is from charges for services and miscellaneous sources.

Figure A-5

Sources of Revenue for Fiscal Year 2009

	Amount	Percentage
Sources of Income:		
Operating Grants and Contribution	\$ 260,242	4.28%
Capital Grants and Contribution	769,832	12.66%
Property Taxes	4,427,325	72.79%
Federal and State Aid Not Restricted	434,848	7.15%
Charges of Services	122,642	2.02%
Other	<u>67,320</u>	<u>1.10%</u>
	<u>\$ 6,082,209</u>	<u>100.00%</u>

The total cost of all programs and services was \$5,200,731 (See Figure A-6). The School's expenses are predominantly related to instruction and related pupil services, 53.20 percent. Maintenance and operation of the School accounted for 12.01 percent. The School's administrative and business activities accounted for 13.28 percent of total costs.

Figure A-6

Expenses for Fiscal Year 2009

Expense Category	Amount	Percentage
Instruction	\$ 2,663,732	51.22%
Pupil and Instruction Services	103,211	1.98%
Administrative and Business	690,588	13.28%
Maintenance and Operations	624,803	12.01%
Transportation	20,879	0.40%
Other	<u>1,097,518</u>	<u>21.11%</u>
	<u>\$ 5,200,731</u>	<u>100.00%</u>

Governmental Activities

During the 2008-2009 school year, Princeton Charter School amended its General Fund budget as needed. The School uses program based budgeting. These budgeting systems are designed to control total program costs while allowing flexibility for program management. The financial position of the School remains stable while the School has almost reached its maximum enrollment of 320 students. Careful management of expenses remains essential for the School to maintain its financial health.

Figure A-7 presents the cost of six major School activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other miscellaneous expenses. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2008/09	2007/08	2008/09	2007/08
Instruction	\$ 2,663,732	\$ 2,638,153	\$ 2,519,444	\$ 2,380,716
Pupil and Instruction Services	103,211	87,640	30,668	31,143
Administrative and Business	690,588	559,425	664,621	559,425
Maintenance and Operations	624,803	445,182	617,757	445,182
Transportation	20,879	16,387	20,879	16,387
Other	<u>947,020</u>	<u>448,627</u>	<u>177,188</u>	<u>428,627</u>
	<u>\$ 5,050,233</u>	<u>\$ 4,195,414</u>	<u>\$ 4,030,557</u>	<u>\$ 3,861,480</u>

- The cost of all governmental activities this year was \$5.05 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$260,242).
- Most of the School's costs, however, were financed by local taxpayers (\$4.43 million).
- A portion of the governmental activities was financed with \$434,848 in state and federal aid.
- The remainder of the funding came from miscellaneous revenue and investment earnings.

Business-Type Activities

Princeton Charter School conducts business-type activities, specifically an after school program and a lunch program. Net assets from the School's business-type activities decreased \$8,558 (Refer to Figure A-4). Factors contributing to these results included:

- An increase in net assets of \$11,490 for the Food Service Program due to operating transfers of \$8,900 from the General Fund and \$20,000 from the After School Program to cover operating expenses.
- A decrease in net assets of \$20,048 for the After School Program due a \$20,000 transfer to the Food Service Program.

Financial Analysis of the School's Funds

During 2008-2009, the School increased its enrollment by 8.5 percent with an enrollment of 318 students. The School employed 38 full-time equivalent faculty and aides, which resulted in an overall salary increase from 2007-2008. Increased expenditures for other instruction and administrative costs were driven by the increase in students and an increase in benefits. To maintain a stable financial position, the School must continue its practice of sound fiscal management.

General Fund Budgetary Highlights

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage Change 2008/09
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	
Sites (Land)	\$ 2,560,000	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000	\$ 2,560,000	0.00%
Construction in Progress	3,502,335	--	--	--	3,502,335	--	100.00%
Site Improvements	127,937	133,957	--	--	127,937	133,957	-4.49%
Building and Building Improvements	4,073,025	4,704,918	--	--	4,073,025	4,704,918	-13.43%
Machinery and Equipment	382,670	395,580	457	781	383,127	396,361	-3.34%
	<u>\$10,645,967</u>	<u>\$ 7,794,455</u>	<u>\$ 457</u>	<u>\$ 781</u>	<u>\$10,646,424</u>	<u>\$ 7,795,236</u>	<u>36.58%</u>

Overall, capital assets increased \$2,851,188 from fiscal year 2008 to fiscal year 2009. The increase in capital assets is due to \$3,148,953 of additions to construction in progress and \$70,878 of additions to machinery and equipment, offset by current year depreciation and prior period adjustments.

Long-term Debt

At year-end, the School had \$8,420,000 in loans outstanding – a net increase of \$4,736,843 as shown in Figure A-9. (More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	<u>Total Charter</u>	<u>School District</u>	<u>Percentage</u>
	<u>2008/09</u>	<u>2007/08</u>	<u>Change</u>
			<u>2007/08</u>
Loans Payable	<u>\$ 8,420,000</u>	<u>\$ 3,683,157</u>	128.61%

- The School retired \$3,683,157 of outstanding loans payable and acquired \$8,420,000 of new loans payable.

Factors Bearing on the School's Future Revenue/Expense Changes

Princeton Charter School has completed its twelfth year of operation. During the 2008-2009 academic year, the School enrolled 318 students in kindergarten through grade eight. Princeton Charter School is in such great demand that there has always been a waiting list for in-district applicants and no out-of-district child has ever been admitted.

The School must allocate funds for "fixed" obligations, which increase from year to year, particularly electricity and heating, communication, refuse removal, sewage and water. Special education programs and related services, including transportation, cannot be predicted with absolute certainty; however, the School maintains its commitment to meet the needs of these students.

Contracting the School's Financial Management

This financial report is designed to provide the School's citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator's office, 100 Bunn Drive, Princeton, NJ 08540.

BASIC FINANCIAL STATEMENTS

**CHARTER SCHOOL-WIDE
FINANCIAL STATEMENTS**

**Princeton Charter School
Statement of Net Assets
June 30, 2009**

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 438,500	\$ 20,525	\$ 459,025
Internal Balances	147,025	--	147,025
Receivables from Other Governments	--	610	610
Other Account Receivable	33,225	3,632	36,857
Restricted Assets:			
Cash and cash equivalents	3,971,499	--	3,971,499
Capital assets:			
Site (land)	2,560,000	--	2,560,000
Non-depreciable capital assets	3,502,335	--	3,502,335
Depreciable site improvements, building and building improvements, furniture, machinery and equipment	<u>4,583,632</u>	<u>457</u>	<u>4,584,089</u>
Total Assets	<u>15,236,216</u>	<u>25,224</u>	<u>15,261,440</u>
Liabilities			
Internal Balances	131,027	--	131,027
Accounts Payable - Vendors	1,308,778	--	1,308,778
Accrued Salaries	279,529	--	279,529
Medical Insurance Payable	28,781	--	28,781
Payable to Local Government	12,877	--	12,877
Payable to State Government	1,892	--	1,892
Noncurrent Liabilities (Note 6):			
Due within one year	--	--	--
Due beyond one year	<u>8,873,103</u>	--	<u>8,873,103</u>
Total liabilities	<u>10,635,987</u>	--	<u>10,635,987</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	1,772,864	457	1,773,321
Restricted for:			
Capital projects	2,749,947	--	2,749,947
Other purposes	18,000	--	18,000
Unrestricted	<u>59,418</u>	<u>24,767</u>	<u>84,185</u>
Total Net Assets	<u>\$ 4,600,229</u>	<u>\$ 25,224</u>	<u>\$ 4,625,453</u>

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

**Princeton Charter School
Statement of Activities
Governmental Funds
Year Ended June 30, 2009**

Exhibit A-2

Princeton Charter School Statement of Activities For the Year Ended June 30, 2009					Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Program Revenues			Governmental Activities	Business-type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,663,732	\$ --	\$ 144,288	\$ --	\$ (2,519,444)	\$ --	\$ (2,519,444)
Other Instruction	30,668	--	--	--	(30,668)	--	(30,668)
Support services:							
Student & instruction related services	72,543	--	71,407	--	(1,136)	--	(1,136)
School administrative services	690,588	--	27,103	--	(663,485)	--	(663,485)
Plant operations and maintenance	624,803	--	7,046	--	(617,757)	--	(617,757)
Pupil transportation	20,879	--	--	--	(20,879)	--	(20,879)
Interest on long-term debt	468,286	--	--	--	(468,286)	--	(468,286)
Construction contribution	--	--	--	530,708	530,708	--	530,708
Sinking fund	238,140	--	--	239,124	984	--	984
Unallocated depreciation	240,594	--	--	--	(240,594)	--	(240,594)
Total governmental activities	<u>5,050,233</u>	<u>--</u>	<u>249,844</u>	<u>769,832</u>	<u>(4,030,557)</u>	<u>--</u>	<u>(4,030,557)</u>
Business-type activities:							
Food Service	101,320	73,512	10,398	--	--	(17,410)	(17,410)
After School Program	49,178	49,130	--	--	--	(48)	(48)
Total business-type activities	<u>150,498</u>	<u>122,642</u>	<u>10,398</u>	<u>--</u>	<u>--</u>	<u>(17,458)</u>	<u>(17,458)</u>
Total primary government	<u>\$ 5,200,731</u>	<u>\$ 122,642</u>	<u>\$ 260,242</u>	<u>\$ 769,832</u>	<u>\$ (4,030,557)</u>	<u>\$ (17,458)</u>	<u>\$ (4,048,015)</u>
General revenues:							
Local Share					4,427,325	--	4,427,325
State Share					434,848	--	434,848
Interest					17,037	--	17,037
Miscellaneous Income					50,283	--	50,283
Transfers					(8,900)	8,900	--
Total general revenues, special items, extraordinary items and transfers					<u>4,920,593</u>	<u>8,900</u>	<u>4,929,493</u>
Change in Net Assets					890,036	(8,558)	881,478
Net Assets—beginning (as originally stated)					4,217,094	33,782	4,250,876
Prior period adjustment					(53,798)	--	(53,798)
Net Assets—beginning (restated)					<u>4,163,296</u>	<u>33,782</u>	<u>4,197,078</u>
Change in fair value of financial instruments					(453,103)	--	(453,103)
Net Assets—ending					<u>\$ 4,600,229</u>	<u>\$ 25,224</u>	<u>\$ 4,625,453</u>

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

FUND FINANCIAL STATEMENTS

**Princeton Charter School
Balance Sheet
Governmental Funds
June 30, 2009**

Exhibit B-1

	General Fund	Special Revenue Fund	District Activity Fund	Capital Projects Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 414,157	\$ --	\$ 2,179	\$ 22,164	\$ 438,500
Interfund Receivables					
Capital Projects Fund	51,027	--	--	--	51,027
General Fund	--	--	--	80,000	80,000
Fiduciary Fund	15,998	--	--	--	15,998
Other Accounts Receivable	--	--	--	33,225	33,225
Restricted cash and cash equivalents	--	--	--	3,971,499	3,971,499
Total assets	<u>\$ 481,182</u>	<u>\$ --</u>	<u>\$ 2,179</u>	<u>\$ 4,106,888</u>	<u>\$ 4,590,249</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable - vendors	2,864	--	--	1,034,577	1,037,441
Retainage payable	--	--	--	271,337	271,337
Interfund payable					
Capital Projects Fund	80,000	--	--	--	80,000
General Fund	--	--	--	51,027	51,027
Intergovernmental Payable					
Local	12,877	--	--	--	12,877
State	1,892	--	--	--	1,892
Accrued Salaries	279,529	--	--	--	279,529
Medical Insurance payable	28,781	--	--	--	28,781
Total liabilities	<u>405,943</u>	<u>--</u>	<u>--</u>	<u>1,356,941</u>	<u>1,762,884</u>
Fund Balances					
Reserved for					
Encumbrances	18,000	--	--	--	18,000
Unreserved, reported in					
General fund	57,239	--	--	--	57,239
Special revenue fund	--	--	--	--	--
District Activity fund	--	--	2,179	--	2,179
Capital projects fund	--	--	--	2,749,947	2,749,947
Total Fund balances	<u>75,239</u>	<u>--</u>	<u>2,179</u>	<u>2,749,947</u>	<u>2,827,365</u>
Total liabilities and fund balances	<u>\$ 481,182</u>	<u>\$ --</u>	<u>\$ 2,179</u>	<u>\$ 4,106,888</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$12,525,184 and the accumulated depreciation is \$1,879,217. 10,645,967

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (8,873,103)

Net assets of governmental activities \$ 4,600,229

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

Princeton Charter School
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
June 30, 2009

Exhibit B-2

	General Fund	Special Revenue Fund	Capital Projects Fund	District Activity Fund	Total Governmental Funds
Revenues					
Local sources:					
Equalization Aid	\$ 4,427,325	\$ --	\$ --	\$ --	\$ 4,427,325
Interest earned	17,037	--	--	--	17,037
Sinking fund	--	--	239,124	--	239,124
Miscellaneous	50,283	--	530,708	9,003	589,994
Total - Local Sources	4,494,645	--	769,832	9,003	5,273,480
State sources	748,368	--	--	--	748,368
Federal sources	--	45,885	--	--	45,885
Total revenues	5,243,013	45,885	769,832	9,003	6,067,733
Expenditures					
Current:					
Regular instruction	2,285,254	14,888	--	--	2,300,142
Support services and Undistributed Costs:					
Student & instruction related services	--	30,997	--	--	30,997
School administrative services	618,317	--	--	6,824	625,141
Interest on long-term debt	476,868	--	--	--	476,868
Plant operations and maintenance	603,720	--	--	--	603,720
Pupil transportation	15,823	--	--	--	15,823
Unallocated Benefits	572,027	--	--	--	572,027
Construction in Progress	--	--	3,148,953	--	3,148,953
Capital outlay	492,175	--	--	--	492,175
Total expenditures	5,064,184	45,885	3,148,953	6,824	8,265,846
Excess (Deficiency) of revenues over expenditures	178,829	--	(2,379,121)	2,179	(2,198,113)
OTHER FINANCING SOURCES (USES)					
Bond proceeds	--	--	4,920,000	--	4,920,000
Transfers in	--	--	209,068	--	209,068
Transfers out	(217,968)	--	--	--	(217,968)
Total other financing sources and uses	(217,968)	--	5,129,068	--	4,911,100
Net change in fund balances	(39,139)	--	2,749,947	2,179	2,712,987
Fund balance—July 1	114,378	--	--	--	114,378
Fund balance—June 30	\$ 75,239	\$ --	\$ 2,749,947	\$ 2,179	\$ 2,827,365

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

**Princeton Charter School
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Government Funds to the Statement of Activities
 Year Ended June 30, 2009**

Exhibit B-3

Total net change in fund balances - governmental funds (from B-2) \$ 2,712,987

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	\$ (314,521)	
	Capital outlays	<u>3,219,831</u>	2,905,310

Repayment of bond 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. 3,683,157

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets. (8,420,000)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation. 8,582

Change in net assets of governmental activities \$ 890,036

**Princeton Charter School
Statement of Net Assets
Proprietary Funds
June 30, 2009**

Exhibit B-4

**Business-type
Activities -
Enterprise Funds**

Assets

Current assets:

Cash and cash equivalents	\$ 20,525
Accounts receivable	
State	3,632
Federal	55
Other	<u>555</u>
 Total current assets	 <u>24,767</u>

Noncurrent assets:

Furniture, machinery & equipment	3,243
Less accumulated depreciation	<u>(2,786)</u>
Total noncurrent assets	<u>457</u>

Total assets	<u><u>25,224</u></u>
--------------	----------------------

Net Assets

Invested in capital assets net of related debt	457
Unrestricted	<u>24,767</u>
Total net assets	<u><u>\$ 25,224</u></u>

Princeton Charter School
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009

Exhibit B-5

	Business- type Activities - Enterprise Funds
Operating revenues:	
Local Sources:	
Daily sales - reimbursable programs:	
School Lunch Program	\$ 73,512
Miscellaneous Program Fees	<u>49,130</u>
Total operating revenues	<u><u>122,642</u></u>
 Operating expenses:	
Cost of sales	86,668
Salaries & Wages	55,826
Supplies & Materials	7,680
Depreciation	<u>324</u>
Total Operating Expenses	<u>150,498</u>
 Operating loss	<u>(27,856)</u>
 Nonoperating revenues (expenses):	
State sources:	
State school lunch program	932
Federal sources:	
National school lunch program	<u>9,466</u>
Total nonoperating revenues (expenses)	<u>10,398</u>
 Income (loss) before contributions & transfers	(17,458)
Capital contributions	
Transfers in (out)	<u>8,900</u>
 Change in net assets	(8,558)
 Total net assets—beginning	<u>33,782</u>
 Total net assets—ending	<u><u>\$ 25,224</u></u>

The Notes to Financial Statements are integral part of this statement.

**Princeton Charter School
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009**

Exhibit B-6

	Business-type Activities - Enterprise Funds
Cash Flows From Operating Activities	
Receipts from customers	\$ 125,641
Payments to employees	(55,826)
Payments to suppliers	<u>(94,348)</u>
Net cash used for operating activities	<u>(24,533)</u>
Cash Flows From Noncapital Financing Activities	
State sources	934
Federal sources	<u>8,320</u>
Net cash provided by non-capital financing activities	<u>9,254</u>
Net decrease in cash and cash equivalents	(15,279)
Balances—beginning of year, July 1	<u>35,804</u>
Balances—end of year, June 30	<u>\$ 20,525</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (27,856)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	324
Change in accounts receivable, net	<u>2,999</u>
Net cash used for operating activities	<u>\$ (24,533)</u>

The Notes to Financial Statements are integral part of this statement.

**Princeton Charter School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009**

Exhibit B-7

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 4
Due from Employees/Pensions	<u>15,994</u>
Total assets	<u>\$ 15,998</u>
Liabilities	
Due to General Fund	<u>\$ 15,998</u>
Total liabilities	<u>\$ 15,998</u>

The Notes to Financial Statements are integral part of this statement.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the School. A Head of School is appointed by the Board and is responsible for the administrative control of the School.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and Schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the School over which the Board exercises operating control. 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 School is not includable in any other reporting entity on the basis of such criteria.

Basis of Presentation

Charter School-Wide Financial Statements:

The statement of net assets and the statement of activities present financial information about the School's governmental and business type activities. These statements include the financial activities of the overall School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the School. Governmental activities generally are financed through taxes, intergovernmental revenue and other non exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the School.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

Fund Financial Statements:

During the fiscal year, the School segregates transaction related to certain School functions or activities in separate funds, in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The New Jersey Department of Education ("NJDOE") has elected to require New Jersey Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among School financial reporting models.

The School reports the following government funds:

General Fund: The General Fund is the general operating fund of the School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, School 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 Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or loans that are specifically authorized by the Board of Trustees.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. This fund is not applicable to the School's operations.

The School reports the following proprietary fund:

Enterprise Fund: The School operates two Enterprise Funds, the After School Program Fund and the Food Service Fund. The Food Service Fund accounts for the activities of the School's food service, generally the school hot lunch program. The After School Program Fund accounts for the activities of the After School Program.

The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

Additionally, the School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the School on behalf of others and includes the Payroll Agency Fund.

Measurement Focus and Basis of Accounting

The charter school-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the School the entire balance of aid in the amount reported to each district by the State Department of Education. The School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

Reports for the School's Food Service Fund are prepared following the Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with *Governmental Accounting Standards Board* ("GASB") pronouncements.

Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. A budget summary, budget narrative and cash flow statement for the following fiscal year are submitted to the County office on or before March 30 each year. The budget documents are based upon the most recent enrollment projections provided to the charter school by the County. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the 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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,243,013	\$ 45,885
Differences – Budget to GAAP: Grant Accounting Budgetary Basis Differs from GAAP in that encumbrances are recognized as Expenditures and the related revenue is recognized.	<u> -- </u>	<u> -- </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.	<u>\$ 5,243,013</u>	<u>\$ 45,885</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,064,184	\$ 45,885
Differences – Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u> -- </u>	<u> -- </u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$ 5,064,184</u>	<u>\$ 45,885</u>

Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type 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 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") which was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

Inter-Fund Transactions

Transfers between Governmental and Business-type activities on the Charter School-Wide Statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in Governmental Funds and after non-operating revenues/expenses in the Enterprise Funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net assets, except for amount due between Governmental and Business-type activities or Governmental and Agency Funds, which are presented as internal balances.

Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures 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 School has received advances are reflected in the balance sheet as deferred revenue at fiscal year end.

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.

Short-term Inter-Fund Receivables/Payables

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

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.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out ("FIFO") method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2009.

Capital Assets

During the School's initial year a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The School does not possess any infrastructure. The School has reviewed capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-wide statements and proprietary funds are as follows:

Description	Estimated Useful Lives (Years)
Buildings	50
Site Improvements	20
Furniture and Equipment	10-15
Computer and Related Technology	5
Vehicles	8

Princeton Charter School
Notes to Financial Statements
June 30, 2009

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Long Term Liabilities

In the charter school-wide and enterprise fund statements of net assets, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond issuance costs, as well as applicable bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize discounts, as well as bond issuance costs, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Accrued Salaries and Wages

School employees, who provide services to the School over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

Compensated Absences

School employees are granted varying amounts of vacation and sick leave in accordance with the School's personnel policy. However, school employees are not permitted to accrue vacation or sick time.

Deferred Revenue

Deferred revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

Fund Balance Appropriated

Of the \$75,239 General Fund balance at June 30, 2009, \$18,000 is reserved for encumbrances and \$57,239 is unreserved and undesignated.

Net Assets

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

Fund Balance Reserves

The School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditures. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenue – Exchange and Non-Exchange Transactions

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Funds. These revenues are sales for food service and fees charged for services in various special programs run by the School. Operating expenses are necessary costs incurred to provide the services that are the primary activities of the Enterprise Funds.

Management Estimates

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

2. Explanation of Certain Differences Between Governmental Fund Statements and District-Wide Statements

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and charter school-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

3. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Princeton Charter School
Notes to Financial Statements
June 30, 2009

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures* requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The School limits its investment to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5 percent of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

- a) The underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
- b) The custody of collateral is transferred to a third party;
- c) The maturity of the agreement is not more than 30 days;
- d) The underlying securities are purchased through a public depository as defined in statute; and
- e) A master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2009, cash and cash equivalents and investments of the School consisted of the following:

	Total
Checking and Savings Accounts	\$ 459,025
Escrow Accounts	<u>3,971,499</u>
Total	<u>\$ 4,430,524</u>

The carrying amount of the School's cash and cash equivalents and investments at June 30, 2009, was \$4,430,524 and the bank balance was \$4,483,980.

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

4. Capital Assets

Capital asset balances and activity for the fiscal year ended June 30, 2009 were as follows:

	Beginning Balance	Increases (Decreases)	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated				
Sites (Land)	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000
Construction in Progress	<u> --</u>	<u>3,148,953</u>	<u>353,382</u>	<u>3,502,335</u>
Total Capital Assets not being depreciated	<u>2,560,000</u>	<u>3,148,953</u>	<u>353,382</u>	<u>6,062,335</u>
Capital Assets being depreciated				
Site Improvements	163,953	--	--	163,953
Buildings and Building Improvements	5,415,733	--	--	5,415,733
Machinery and Equipment	<u>812,285</u>	<u>70,878</u>	<u> --</u>	<u>883,163</u>
Total Capital Assets being depreciated	<u>6,391,971</u>	<u>70,878</u>	<u> --</u>	<u>6,462,849</u>
Governmental Activities Capital Assets	<u>8,951,971</u>	<u>3,219,831</u>	<u>353,382</u>	<u>12,525,184</u>
Less Accumulated Depreciation for:				
Site Improvements	(29,996)	(6,020)	--	(36,016)
Buildings and Building Improvements	(710,815)	(224,713)	(407,180)	(1,342,708)
Machinery and Equipment	<u>(416,705)</u>	<u>(83,788)</u>	<u> --</u>	<u>(500,493)</u>
	<u>(1,157,516)</u>	<u>(314,521)</u>	<u>(407,180)</u>	<u>(1,879,217)</u>
Governmental Activities Capital Assets Net of Accumulated Depreciation	<u>\$ 7,794,455</u>	<u>\$ 2,905,310</u>	<u>\$ (53,798)</u>	<u>\$ 10,645,967</u>
Business-Type Activities				
Capital Assets being depreciated				
Furniture and Equipment	\$ 3,243	\$ --	\$ --	\$ 3,243
Less Accumulated Depreciation	<u>(2,462)</u>	<u>(324)</u>	<u> --</u>	<u>(2,786)</u>
Net of Accumulated Depreciation	<u>\$ 781</u>	<u>\$ (324)</u>	<u>\$ --</u>	<u>\$ 457</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 9,319
Other Instruction	320
Student and Instruction Related Services	41,546
School Administrative Services	15,893
Plant Operations and Maintenance	1,793
Pupil Transportation	5,056
Unallocated	<u>240,594</u>
	<u>\$ 314,521</u>

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

Prior Period Adjustment

In the fiscal year ended June 30, 2009, the School determined that it had not recorded depreciation totaling \$407,180 on an in-service building for the fiscal years ended June 30, 1999 through June 30, 2008. The School further determined that it had not recorded certain costs incurred totaling \$353,382 during the fiscal years ended June 30, 2006 through June 30, 2008 towards the construction of a building as part of the construction in progress account. Opening net assets have been adjusted by \$53,798 to reflect the restatement.

5. Commitments

The School has a commitment to lease copying equipment under an operating lease which expires in June 2012. Total operating lease payments made during the fiscal year ended June 30, 2009 were \$14,880. Future minimum lease payments are as follows:

Year Ended June 30,	Amount
2010	\$ 14,880
2011	14,880
2012	<u>14,880</u>
Total	<u>\$ 44,640</u>

The School has a commitment under a cleaning services contract which expires in December 2009. Future minimum payments due under the contract in the year ended June 30, 2010 total \$24,000.

The School has commitments under various construction contracts with sub-contractors. These contracts call for the School to pay \$3,983,085 in total. Of that total, \$1,389,387 has been paid through June 30, 2009 and \$2,593,698 is expected to be paid in the year ended June 30, 2010.

6. General Long-Term Debt

During the fiscal year ended June 30, 2009, the following changes occurred in liabilities reported in the charter school-wide financial statements:

	Balance June 30, 2008	Retired or Matured	New Borrowings	Balance June 30, 2009
Loans Payable	<u>\$ 3,683,157</u>	<u>\$ 3,683,157</u>	<u>\$ 8,420,000</u>	<u>\$ 8,420,000</u>

Loans Payable

In the year ending June 30, 2009, the School borrowed \$8,420,000 from Capital One Bank, N.A., financed through the New Jersey Economic Development Authority ("EDA"). The School utilized the proceeds to retire existing debt in the amount of \$3,500,000 on the School's property at 575 Ewing Street, Princeton, New Jersey, block 5501, lot 2. In addition, the School broke ground and began construction on an external stairwell in the upper-school building and an adjoining campus center which will house three classrooms, a black box theatre, and a combination auditorium-gymnasium.

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

Principal and interest due on loans outstanding are as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ --	\$ 346,062	\$ 346,062
2011	187,060	340,398	527,458
2012	288,211	329,944	618,155
2013	299,953	318,202	618,155
2014	312,173	305,982	618,155
2015-2019	1,762,328	1,328,446	3,090,774
2020-2024	2,151,797	938,977	3,090,774
2025-2029	2,627,337	463,437	3,090,774
2030-2031	791,141	33,066	824,207
	<u>\$ 8,420,000</u>	<u>\$ 4,404,514</u>	<u>\$ 12,824,514</u>

Loans Payable will be liquidated by the General Fund.

Line of Credit

As part of the above loan agreement, the School obtained a \$500,000 revolving line of credit. As of June 30, 2009, the entire line was available.

Sinking Fund

As part of the above loan agreement, the School is required to make monthly payments in the amount of \$26,460 to fund a \$635,000 sinking fund, which will be used to finance the last \$635,000 of the School's construction project. As of June 30, 2009, the General Fund transferred \$238,140 to the Capital Projects Fund.

Interest Rate Swap

The loan payable and line of credit incur interest at the 30-day LIBOR interest rate plus 113.75 basis points, but the School entered into an interest rate swap agreement with the bank to reduce the impact of changes in interest rate on its floating rate debt. The notional amount under the swap decreases as principal payments are made on the note so that the notional amount equals the principal outstanding under the note. The interest rate charged to the School on the long-term debt covered by the interest rate swap agreement is 4.11 percent. As of June 30, 2009, the fair value of the interest rate swap was a liability of \$453,103. The change in fair value is reflected as an expense in Exhibit A-2.

Loan Covenants

The School is subject to various loan covenants pertaining to debt service coverage, enrollment level, and liquidity. The School was in compliance with all covenants at June 30, 2009.

7. Pension Plans

Substantially all of the School's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund ("TPAF") or the Public Employees' Retirement System ("PERS") of New Jersey. These systems are sponsored and administered by the State of New Jersey. The TPAF is considered a cost-sharing, multiple employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other non-contribution employers. The PERS is also considered a cost-sharing, multiple-employer plan.

Employees who are members of TPAF or PERS and retire at or after age 55 are entitled to a retirement benefit based upon a formula which takes 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Vesting occurs after 8 to 10 years of service.

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

Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009

The contribution policy is set by New Jersey State Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey regulation. Employee contributions are based on percentages of 5.50 percent for TPAF and 5.50 percent for PERS of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

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

Three-Year Trend for TPAF (Paid On-Behalf of School)			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 118,564	100.00%	\$ 118,564
2008	118,170	100.00%	118,170
2007	105,722	100.00%	105,722

During the fiscal year ended June 30, 2009, the State of New Jersey contributed \$118,564 to the TPAF for normal pension benefits on behalf of the Charter School. This amount has been included in the Charter School-wide financial statements and the fund-based statements as revenues and expenditures in accordance with the GASB Statement No. 24.

Three-Year Trend for PERS			
Year Ending June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 30,581	100.00%	\$ 30,581
2008	30,918	80.00%	24,734
2007	17,188	60.00%	10,313

Effective July 1, 2003, Chapter 108, P.L. 2003 provides for a reduction or "phase-in" of the required pension contribution to PERS for local employers for State fiscal years 2005 – 2008. The local employer PERS normal and accrued liability contributions required for State fiscal years 2005 – 2008 are as follows:

- 20 percent for payments due in State fiscal year 2005
- Not more than 40 percent for payments due in State fiscal year 2006
- Not more than 60 percent for payments due in State fiscal year 2007
- Not more than 80 percent for payments due in State fiscal year 2008

8. Post-Retirement Benefits

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were 80,181 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1994.

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

The State made post-retirement (“PRM”) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. The State paid \$116 million toward Chapter 126 benefits for 12,545 eligible retired members in fiscal year 2007.

9. Risk Management

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

Property and Liability Insurance

The School is a member of the New Jersey School Boards’ Association Insurance Group (“NJSBAIG”). NJSBAIG provides its members with comprehensive general liability, automobile liability, property, boiler and machinery, school board legal liability, and with workers’ compensation insurance coverage.

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. NJSBAIG is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSBAIG are elected.

As a member of NJSBAIG, the School could be subject to supplemental assessments in the event of deficiencies. If the assets of NJSBAIG were to be exhausted, members would become responsible for their respective shares of NJSBAIG’s liabilities. NJSBAIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected financial information for the NJSBAIG as of June 30, 2008 is as follows:

	New Jersey School Board’s Association Insurance Group
Total Assets	\$ 196,037,896
Net Assets	\$ 35,892,776
Total Revenue	\$ 92,708,556
Total Expenses	\$ 76,330,035
Change in Net Assets	\$ 16,378,521
Net Asset Distribution to Participating Members	\$ --

Financial statements for the NJSBAIG are available at the Executive Director’s Office:

New Jersey School Boards Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016
(609) 386-6060
www.njsbaig.org

**Princeton Charter School
Notes to Financial Statements
Year Ended June 30, 2009**

10. Economic Dependency

The School receives a substantial amount of its support from state and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the School's programs and activities.

11. Interfund Receivables and Payables

The following interfund balances remained on the balance sheet at June 30, 2009:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 67,025	\$ 80,000
Capital Projects Fund	80,000	51,027
Fiduciary Fund	--	15,998
	<u>\$ 147,025</u>	<u>\$ 147,025</u>

The interfund receivable in the Capital Projects Fund is offset by the interfund payable in the General Fund and consists of funds to be transferred from the General Fund to the Capital Projects Fund for construction costs. The interfund payable in the Fiduciary Fund consists of funds to be transferred to the General Fund for prepaid pension costs on accrued salaries and is offset by an interfund receivable in the General Fund. The interfund payable in the Capital Projects Fund is offset by an interfund receivable in the General Fund and consists of funds to be transferred from the Capital Projects Fund to the General Fund for interest on construction escrow accounts.

12. Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by TIAA CREF, 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.

13. Contingent Liabilities

Grant Programs

The School participates in federal and state assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The School is periodically involved in lawsuits. The School estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the School.

14. Subsequent Events

The School has evaluated subsequent events occurring after the date of June 30, 2009 through the date of October 28, 2009, which is the date the financial statements were available to be issued. Based on this evaluation, the School has determined that no subsequent events have occurred, which require disclosure in the financial statements.

SUPPLEMENTARY SCHEDULES

BUDGETARY COMPARISON SCHEDULES

**Princeton Charter School
Budgetary Comparison Schedule – Budgetary Basis
General Fund
Year Ended June 30, 2009**

**Exhibit C-1
Page 1 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
REVENUES:					
Local Sources:					
Equalization Aid	\$ 4,627,153	\$ (199,742)	\$ 4,439,397	\$ 4,427,325	\$ (12,072)
Miscellaneous	29,361	50,000	79,361	67,320	(12,041)
Total - Local Sources	<u>4,656,514</u>	<u>(149,742)</u>	<u>4,518,758</u>	<u>4,494,645</u>	<u>(24,113)</u>
State Sources:					
Adjustment Aid	--	330,380	330,380	330,380	--
Security Aid	24,571	(893)	23,741	23,678	(63)
Special Education Aid	62,312	(32,987)	29,325	29,325	--
Non-Public Aid	--	80,790	80,790	80,790	--
TPAF - Pension Contribution (On-Behalf Non-Budgeted)	--	--	--	118,564	118,564
TPAF -Social Security (Reimbursed- Non-Budgeted)	--	--	--	165,631	165,631
Total State Sources	<u>86,883</u>	<u>377,290</u>	<u>464,236</u>	<u>748,368</u>	<u>284,132</u>
Total Revenues	<u>4,743,397</u>	<u>227,548</u>	<u>4,982,994</u>	<u>5,243,013</u>	<u>260,019</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	\$ 1,958,602	\$ (35,402)	\$ 1,923,200	\$ 1,915,489	\$ 7,711
Other Salaries for Instruction	247,000	(82,750)	164,250	164,086	164
Purchased Professional/ Technical Services	36,000	11,550	47,550	47,543	7
General Supplies	60,000	39,550	99,550	98,423	1,127
Textbooks	45,000	(23,000)	22,000	18,269	3,731
Miscellaneous Expenses	60,000	(18,550)	41,450	41,445	5
Total Instructional Expenses	<u>2,406,602</u>	<u>(108,602)</u>	<u>2,298,000</u>	<u>2,285,255</u>	<u>12,745</u>
Administrative					
Salaries - Administrative	180,000	(11,490)	168,510	168,500	10
Salaries - Secretarial and Clerical Assistants	135,900	(36,470)	99,430	99,428	2
Total Benefit Costs	290,000	(2,100)	287,900	287,832	68
Purchased Professional/ Technical Services	85,000	8,030	93,030	93,029	1
Other Purchased Services	125,000	65,600	190,600	190,538	62
Communications/Telephone	10,000	2,325	12,325	12,316	9
General Supplies	2,500	7,645	10,145	9,887	258
Mortgage Payments-Interest	246,000	230,900	476,900	476,868	32
Miscellaneous Expenditures	38,000	6,630	44,630	44,618	12
Total Administrative Expenses	<u>1,112,400</u>	<u>271,070</u>	<u>1,383,470</u>	<u>1,383,016</u>	<u>454</u>

**Princeton Charter School
Budgetary Comparison Schedule – Budgetary Basis
General Fund
Year Ended June 30, 2009**

**Exhibit C-1
Page 2 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable (Unfavorable)</u>
Support Services					
Salaries	\$ 93,984	\$ 10,316	\$ 104,300	\$ 104,300	\$ --
Purchased Professional/ Technical Services	115,000	45,230	160,230	159,805	425
Other Purchased Services	70,000	161,800	231,800	99,551	132,249
Insurance for Property, Liability and Fidelity	35,000	47,400	82,400	82,314	86
Supplies and Materials	10,000	41,100	51,100	47,476	3,624
Transportation- Other than to/from school	9,500	7,500	17,000	15,823	1,177
Energy (Energy and Electricity)	95,000	(4,500)	90,500	85,130	5,370
Miscellaneous Expenditures	15,000	11,000	26,000	25,144	856
Total Support Services	<u>443,484</u>	<u>319,846</u>	<u>763,330</u>	<u>619,543</u>	<u>143,787</u>
TPAF - Pension Contribution (On-Behalf Non-Budgeted)	--	--	--	118,564	(118,564)
TPAF -Social Security (Reimbursed- Non-Budgeted)	--	--	--	165,631	(165,631)
TOTAL ON-BEHALF CONTRIBUTIONS	<u>--</u>	<u>--</u>	<u>--</u>	<u>284,195</u>	<u>(284,195)</u>
CAPITAL OUTLAY					
Instructional Equipment	35,000	(25,000)	10,000	9,761	239
Non-Instructional Equipment	45,000	(17,600)	27,400	27,380	20
Purchase Land/Improvements	500,000	(377,000)	123,000	33,737	89,263
Mortgage Payments-Principal	273,000	(89,800)	183,200	183,157	43
Miscellaneous Expenditures	--	238,140	238,140	238,140	--
TOTAL Capital Outlay	<u>853,000</u>	<u>(271,260)</u>	<u>581,740</u>	<u>492,175</u>	<u>89,565</u>
TOTAL EXPENDITURES	<u>4,815,486</u>	<u>211,054</u>	<u>5,026,540</u>	<u>5,064,184</u>	<u>(37,644)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(72,089)</u>	<u>16,494</u>	<u>(43,546)</u>	<u>178,829</u>	<u>222,375</u>
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to Food Service Fund - prior year interfund	--	--	--	(8,900)	(8,900)
Transfer to Capital Projects Fund	--	--	--	(209,068)	(209,068)
Total Other Financing Sources (Uses):	<u>--</u>	<u>--</u>	<u>--</u>	<u>(217,968)</u>	<u>(217,968)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(72,089)</u>	<u>16,494</u>	<u>(43,546)</u>	<u>(39,139)</u>	<u>4,407</u>
Fund Balance, July 1	114,378	--	114,378	114,378	--
Fund Balance, June 30	<u>\$ 42,289</u>	<u>\$ 16,494</u>	<u>\$ 70,832</u>	<u>\$ 75,239</u>	<u>\$ 4,407</u>
Recapitulation:					
Reserve for Encumbrances				18,000	
Unrestricted Fund Balance				57,239	
Fund Balance per Governmental Funds (GAAP)				<u>75,239</u>	
				<u>\$ 75,239</u>	

**Princeton Charter School
 Budgetary Comparison Schedule – Budgetary Basis
 Special Revenue Fund
 Year Ended June 30, 2009**

Exhibit C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 54,140	\$ (8,255)	\$ 45,885	\$ 45,885	\$ --
Total Revenues	<u>54,140</u>	<u>(8,255)</u>	<u>45,885</u>	<u>45,885</u>	<u>--</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	16,783	(2,518)	14,265	14,265	--
General Supplies	704	(81)	623	623	--
Total Instruction	<u>17,487</u>	<u>(2,599)</u>	<u>14,888</u>	<u>14,888</u>	<u>--</u>
Support Services					
Personal Services - Employee Benefits	1,286	(196)	1,090	1,090	--
Purchased Professional - Educational Services	35,096	(5,441)	29,655	29,655	--
Other Purchased Professional Services	271	(19)	252	252	--
Total Support Services	<u>36,653</u>	<u>(5,656)</u>	<u>30,997</u>	<u>30,997</u>	<u>--</u>
Total Expenditures	<u>54,140</u>	<u>(8,255)</u>	<u>45,885</u>	<u>45,885</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**Princeton Charter School
Required Supplementary Information – Budgetary Comparison Schedule
Notes to RSI
Year Ended June 30, 2009**

Exhibit C-3

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 5,243,013	\$ 45,885
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 5,243,013</u>	<u>\$ 45,885</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 5,064,184	\$ 45,885
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,064,184</u>	<u>\$ 45,885</u>

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions on the annual budgets during the year).

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

The accounting records of 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

**Princeton Charter School
Special Revenue Fund
Combining Schedule of Revenue and Expenditures – Budgetary Basis
Year Ended June 30, 2009**

Exhibit E-1

	<u>NCLB</u>	<u>NCLB</u>	<u>NCLB</u>	<u>NCLB</u>	<u>IDEIA</u>	<u>Total</u>
	<u>Title 1 Part A</u>	<u>Title II, Part A</u>	<u>Title II, Part D</u>	<u>Title IV</u>	<u>Basic</u>	<u>6/30/2009</u>
REVENUES						
Federal Sources	\$ 138	\$ 5,424	\$ 5	\$ 475	\$ 39,843	\$ 45,885
Total Revenues	138	5,424	5	475	39,843	45,885
EXPENDITURES:						
Instruction:						
Salaries of Teachers	--	5,000	--	265	9,000	14,265
General Supplies	118	--	5	--	--	123
Total instruction	118	5,000	5	265	9,000	14,388
Support services:						
Purchased Professional - Educational Services	--	--	--	--	29,655	29,655
Personal Services - Employee Benefits	--	382	--	20	688	1,090
Other Purchased Professional Services	20	42	--	--	--	62
Supplies & Materials	--	--	--	190	500	690
Total support services	20	424	--	210	30,843	31,497
Total Expenditures	\$ 138	\$ 5,424	\$ 5	\$ 475	\$ 39,843	\$ 45,885

CAPITAL PROJECTS FUND

**Princeton Charter School
 Capital Projects Fund
 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2009**

Exhibit F-1

Revenues and Other Financing Sources:

Bond proceeds and transfers	\$ 4,920,000
Contribution from private source	530,708
Sinking Fund	238,140
Transfer from General Fund	209,068
Interest Income	984
Total Revenues	<u>5,898,900</u>

Expenditures and Other Financing Uses:

Purchased professional and technical services	8,316
Construction services	<u>3,140,637</u>
Total Expenditures	<u>3,148,953</u>

Excess of revenues over expenditures	<u><u>\$ 2,749,947</u></u>
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Fund Balance 7/1/2008	<u> --</u>
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Fund Balance 6/30/2009	<u><u>\$ 2,749,947</u></u>
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**Princeton Charter School
 Capital Projects Fund
 Schedule of Project Revenues, Expenditures, Project Balance and Project Status
 Year Ended June 30, 2009**

Exhibit F-1a

Current Period

Revenues and Other Financing Sources:

Bond proceeds and transfers	\$ 4,920,000
Contribution from private source	530,708
Sinking Fund	238,140
Transfer from General Fund	209,068
Interest Income	984
Total Revenues	<u>5,898,900</u>

Expenditures and Other Financing Uses:

Purchased professional and technical services	8,316
Construction services	3,140,637
Total Expenditures	<u>3,148,953</u>

Excess (Deficiency) of revenues over (under) expenses	<u>\$ 2,749,947</u>
---	---------------------

Additional Project Information:

Project Number	
Bond Authorization/Referendum Date	10/31/2008
Bonds Authorized	4,920,000
Bonds Issued	4,920,000
Capital & Endowment contribution	530,708
Required Sinking Fund Reserve	635,000
Original Project Authorized Cost	5,855,000
Percentage Completion	28%
Original Target Completion Date	10/31/2010

PROPRIETARY FUNDS

**Princeton Charter School
Enterprise Fund
Combining Statement of Net Assets
June 30, 2009**

Exhibit G-1

	<u>Food Service Program</u>	<u>After School Program</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 11,572	\$ 8,953	\$ 20,525
Accounts receivable			
State	55	--	55
Federal	555	--	555
Other	--	--	--
Other receivables	--	3,632	3,632
Total current assets	<u>12,182</u>	<u>12,585</u>	<u>24,767</u>
Noncurrent assets:			
Equipment	3,243	--	3,243
Less accumulated depreciation	<u>(2,786)</u>	<u>--</u>	<u>(2,786)</u>
Total Capital Assets	<u>457</u>	<u>--</u>	<u>457</u>
Total assets	<u>12,639</u>	<u>12,585</u>	<u>25,224</u>
Liabilities			
Current liabilities:			
Accounts payable	<u>--</u>	<u>--</u>	<u>--</u>
Total current liabilities	<u>--</u>	<u>--</u>	<u>--</u>
Net Assets			
Invested in capital assets net of related debt	457	--	457
Unrestricted	<u>12,182</u>	<u>12,585</u>	<u>24,767</u>
Total net assets	<u>\$ 12,639</u>	<u>\$ 12,585</u>	<u>\$ 25,224</u>

**Princeton Charter School
Enterprise Fund
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets
Year Ended June 30, 2009**

Exhibit G-2

	Food Service Program	After School Program	Totals
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs:			
School lunch program	\$ 73,512	\$ --	\$ 73,512
Miscellaneous program revenue	--	49,130	49,130
Total operating revenues	<u>73,512</u>	<u>49,130</u>	<u>122,642</u>
Operating expenses:			
Cost of sales	86,668	--	86,668
Salaries	10,060	45,766	55,826
General supplies and materials	4,269	3,411	7,680
Depreciation	324	--	324
Total Operating Expenses	<u>101,321</u>	<u>49,177</u>	<u>150,498</u>
Operating loss	<u>(27,809)</u>	<u>(47)</u>	<u>(27,856)</u>
Nonoperating revenues:			
State sources:			
State school lunch program	932	--	932
Federal sources:			
National school lunch program	9,466	--	9,466
Total nonoperating revenues	<u>10,398</u>	<u>--</u>	<u>10,398</u>
Loss before contributions & transfers	(17,411)	(47)	(17,458)
Transfers in (out)	<u>28,900</u>	<u>(20,000)</u>	<u>8,900</u>
Change in net assets	11,489	(20,047)	(8,558)
Total net assets—beginning	1,150	32,632	33,782
Total net assets—ending	<u>\$ 12,639</u>	<u>\$ 12,585</u>	<u>\$ 25,224</u>

**Princeton Charter School
Enterprise Fund
Combining Statement of Cash Flows
Year Ended June 30, 2009**

Exhibit G-3

	<u>Food Service Program</u>	<u>After School Program</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Receipts from customers	\$ 74,653	\$ 50,988	\$ 125,641
Payments to employees	(10,060)	(45,766)	(55,826)
Payments to suppliers	(90,935)	(3,413)	(94,348)
Net cash provided by (used for) operating activities	<u>(26,342)</u>	<u>1,809</u>	<u>(24,533)</u>
Cash Flows From Non-Capital Financing Activities			
State sources	934	--	934
Federal sources	8,320	--	8,320
Cash received from operating transfers	19,541	(19,541)	--
Net cash provided by (used for) non-capital financing activities	<u>28,795</u>	<u>(19,541)</u>	<u>9,254</u>
Net change in cash and cash equivalents	2,453	(17,732)	(15,279)
Balances—beginning of year	9,119	26,685	35,804
Balances—end of year	<u>\$ 11,572</u>	<u>\$ 8,953</u>	<u>\$ 20,525</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:			
Operating loss	\$ (26,666)	\$ (1,190)	\$ (27,856)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation	324	--	324
Change in accounts receivable, net	--	2,999	2,999
Net cash provided by (used for) operating activities	<u>\$ (26,342)</u>	<u>\$ 1,809</u>	<u>\$ (24,533)</u>

FIDUCIARY FUNDS

**Princeton Charter School
Fiduciary Funds
Combining Statement of Net Assets
June 30, 2009**

Exhibit H-1

Agency

Assets

Cash and cash equivalents	\$ 4
Due from employees/pensions	<u>15,994</u>
Total assets	<u>\$ 15,998</u>

Liabilities

Due to General Fund	<u>\$ 15,998</u>
Total liabilities	<u>\$ 15,998</u>

**Princeton Charter School
Payroll Agency Fund
Schedule of Receipts and Disbursements
June 30, 2009**

Exhibit H-5

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Assets				
Cash and Cash Equivalents	\$ 76	\$ 2,778,645	\$ 2,778,717	\$ 4
Due from Employess	<u>8,748</u>	<u>15,994</u>	<u>8,748</u>	<u>15,994</u>
Total Assets	<u>\$ 8,824</u>	<u>\$ 2,794,639</u>	<u>\$ 2,787,465</u>	<u>\$ 15,998</u>
Liabilities				
Due to General Fund	\$ 8,748	\$ 80,463	\$ 73,213	\$ 15,998
Payroll Deductions and Withholdings	<u>76</u>	<u>2,714,176</u>	<u>2,714,252</u>	<u>--</u>
Total Liabilities	<u>\$ 8,824</u>	<u>\$ 2,794,639</u>	<u>\$ 2,787,465</u>	<u>\$ 15,998</u>

LONG-TERM DEBT

**Princeton Charter School
Long-Term Debt
Schedule of Loans Payable
Year Ended June 30, 2009**

Exhibit I-1

<u>Issue</u>	<u>Date of Issue</u>	<u>Term of Loan</u>	<u>Amount of Original Loan</u>	<u>Interest Rate</u>	<u>Amount Outstanding July 1, 2008</u>	<u>Matured or Retired</u>	<u>Issued</u>	<u>Balance June 30, 2009</u>
Bank of America EDA Loan	10/1/2001	20 Years	\$ 4,250,000	5.29%	\$ 3,305,715	\$ 3,305,715	\$ --	\$ --
Bank of America Loan	12/1/2003	10 Years	850,000	5.75%	377,442	377,442	--	--
Captial One, NA EDA Loan	10/31/2008	20 Years	8,420,000	4.11%	--	--	8,420,000	8,420,000
					<u>\$ 3,683,157</u>	<u>\$ 3,683,157</u>	<u>\$ 8,420,000</u>	<u>\$ 8,420,000</u>

STATISTICAL SECTION

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the School's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the School's financial performances and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2005.

Princeton Charter School
Net Assets by Component
Last Ten Fiscal Years
Unaudited
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30:				
	2005	2006	2007	2008	2009
Governmental activities					
Invested in capital assets, net of related debt	\$ 3,193,448	\$ 3,301,165	\$ 3,525,026	\$ 4,111,298	\$ 1,772,864
Restricted	(96,399)	25,000	25,000	25,000	2,767,947
Unrestricted	74,011	166,685	34,908	80,796	59,418
Total governmental activities net assets	<u>\$ 3,171,060</u>	<u>\$ 3,492,850</u>	<u>\$ 3,584,934</u>	<u>\$ 4,217,094</u>	<u>\$ 4,600,229</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,754	\$ 1,429	\$ 1,105	\$ 781	\$ 457
Unrestricted	18,732	3,605	18,638	33,001	24,767
Total business-type activities net assets	<u>\$ 20,486</u>	<u>\$ 5,034</u>	<u>\$ 19,743</u>	<u>\$ 33,782</u>	<u>\$ 25,224</u>
District-wide					
Invested in capital assets, net of related debt	\$ 3,195,202	\$ 3,302,594	\$ 3,526,131	\$ 4,112,079	\$ 1,773,321
Restricted	(96,399)	25,000	25,000	25,000	2,767,947
Unrestricted	92,743	170,290	53,546	113,797	84,185
Total district net assets	<u>\$ 3,191,546</u>	<u>\$ 3,497,884</u>	<u>\$ 3,604,677</u>	<u>\$ 4,250,876</u>	<u>\$ 4,625,453</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Changes in Net Assets
Last Ten Fiscal Years
Unaudited
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental activities					
Instruction					
Regular	\$ 1,981,669	\$ 2,172,846	\$ 2,423,580	\$ 2,614,650	\$ 2,663,732
Special education	39,194	41,801	40,062	--	--
Other instruction	319	320	320	23,503	30,668
Support Services:					
Student & instruction related services	11,316	25,044	27,925	87,640	72,543
School Administrative Services	4,834	5,313	2,108	--	--
General Administrative Services	304,175	373,889	424,787	559,425	690,588
Plant Operations and Maintenance	369,555	400,927	747,166	445,182	624,803
Pupil transportation	14,236	17,414	12,910	16,387	20,879
Interest on long-term debt	274,089	269,449	252,357	228,195	468,286
Change in fair value of financial instruments	--	--	--	--	-
Sinking Fund	--	--	--	--	238,140
Unallocated depreciation	26,429	185,823	193,889	200,432	240,594
Total governmental activities expenses	<u>3,025,816</u>	<u>3,492,826</u>	<u>4,125,104</u>	<u>4,175,414</u>	<u>5,050,233</u>
Business-type activities:					
Food service	62,065	54,489	85,955	89,850	101,320
After-School program	25,289	27,491	29,010	24,042	49,178
Total business-type activities expense	<u>87,354</u>	<u>81,980</u>	<u>114,965</u>	<u>113,892</u>	<u>150,498</u>
Total district expenses	<u>\$ 3,113,170</u>	<u>\$ 3,574,806</u>	<u>\$ 4,240,069</u>	<u>\$ 4,289,306</u>	<u>\$ 5,200,731</u>
Program Revenues					
Governmental activities:					
Operating grants and contributions	398,477	194,942	197,958	313,934	249,844
Capital grants and contributions	--	--	--	--	769,832
Total governmental activities program revenues	<u>398,477</u>	<u>194,942</u>	<u>197,958</u>	<u>313,934</u>	<u>1,019,676</u>
Business-type activities:					
Charges for services					
Food service	43,163	38,177	51,390	58,560	73,512
After School Program	34,501	14,486	29,681	39,651	49,130
Operating grants and contributions	8,041	8,865	9,603	9,720	10,398
Total business type activities program revenues	<u>85,705</u>	<u>61,528</u>	<u>90,674</u>	<u>107,931</u>	<u>133,040</u>
Total district program revenues	<u>\$ 484,182</u>	<u>\$ 256,470</u>	<u>\$ 288,632</u>	<u>\$ 421,865</u>	<u>\$ 1,152,716</u>
Net (Expense)/Revenue					
Governmental activities	\$ (2,627,339)	\$(3,297,884)	\$ (3,927,146)	\$ (3,861,480)	\$ (4,030,557)
Business-type activities	(1,649)	(20,452)	(24,291)	(5,961)	(17,458)
Total district-wide net expense	<u>\$ (2,628,988)</u>	<u>\$(3,318,336)</u>	<u>\$ (3,951,437)</u>	<u>\$ (3,867,441)</u>	<u>\$ (4,048,015)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes levied for general purposes, net	\$ 2,175,375	\$ 2,308,088	\$ 2,397,684	\$ 2,542,263	4,427,325
State share	954,547	1,226,002	1,619,154	1,941,611	434,848
Investment earnings	8,895	14,970	26,739	17,198	17,037
Miscellaneous income	6,053	28,614	13,753	12,568	50,283
Special item- cancellation of account payable	--	47,000	--	--	--
Transfers	--	(5,000)	(39,000)	(20,000)	(8,900)
Total governmental activities	<u>3,144,870</u>	<u>3,619,674</u>	<u>4,018,330</u>	<u>4,493,640</u>	<u>4,920,593</u>
Business-type activities:					
Transfers	--	5,000	39,000	20,000	8,900
Total business-type activities	<u>--</u>	<u>5,000</u>	<u>39,000</u>	<u>20,000</u>	<u>8,900</u>
Total district-wide	<u>\$ 3,144,870</u>	<u>\$ 3,624,674</u>	<u>\$ 4,057,330</u>	<u>\$ 4,513,640</u>	<u>\$ 4,929,493</u>
Change in Net Assets					
Governmental activities	\$ 517,531	\$ 321,790	\$ 91,184	\$ 632,160	\$ 890,036
Business-type activities	(1,649)	(15,452)	14,709	14,039	(8,558)
Total district	<u>\$ 515,882</u>	<u>\$ 306,338</u>	<u>\$ 105,893</u>	<u>\$ 646,199</u>	<u>\$ 881,478</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30:				
	2005	2006	2007	2008	
General Fund					
Reserved	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 18,000
Unreserved	96,631	187,126	54,069	89,378	59,418
Total general fund	<u>\$ 121,631</u>	<u>\$ 212,126</u>	<u>\$ 79,069</u>	<u>\$ 114,378</u>	<u>\$ 77,418</u>
All Other Governmental Funds					
Capital projects fund deficit	(121,399)	--	--	--	4,522,811
Total all other governmental funds	<u>\$ (121,399)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 4,522,811</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-4

	Fiscal Year Ending June 30:				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Tax levy	\$ 2,175,375	\$ 2,308,088	\$ 2,397,684	\$ 2,543,431	\$ 4,427,325
Interest earnings	8,895	14,970	26,739	17,198	17,037
Donations	5,500	250	--	--	--
Sinking fund	--	--	--	--	239,124
Miscellaneous	553	28,364	13,753	12,568	589,994
State sources	1,291,770	1,359,847	1,764,219	2,200,237	748,368
Federal sources	61,254	61,097	52,893	54,140	45,885
Total revenue	<u>3,543,347</u>	<u>3,772,616</u>	<u>4,255,288</u>	<u>4,827,574</u>	<u>6,067,733</u>
Expenditures					
Instruction					
Regular Instruction	1,703,871	1,875,119	2,099,224	2,150,635	2,300,142
Special education instruction	39,194	41,801	40,062	--	--
Support Services:					
Student & inst. related services	--	--	--	44,773	30,997
General administration services	279,580	346,020	396,163	523,044	625,141
Plant operations and maintenance	355,766	385,798	731,889	432,869	603,720
Pupil transportation	9,180	12,358	7,854	11,331	15,823
Central services	272,842	271,628	253,637	238,774	476,868
Unallocated Benefits	289,832	318,169	345,470	512,125	572,027
Construction in Progress	--	--	--	--	3,148,953
Capital outlay	894,106	351,829	475,046	858,714	492,175
Total expenditures	<u>3,844,371</u>	<u>3,602,722</u>	<u>4,349,345</u>	<u>4,772,265</u>	<u>8,265,846</u>
Excess (Deficiency) of revenues over (under) expenditures	(301,024)	169,894	(94,057)	55,309	(2,198,113)
Other Financing sources (uses)					
Special item - cancellation of accounts payable	200,000	47,000	--	--	--
Bond proceeds	--	--	--	--	4,920,000
Transfers in	19,009	86,662	--	--	80,000
Transfers out	(19,009)	(91,662)	(39,000)	(20,000)	(88,900)
Total other financing sources (uses)	<u>200,000</u>	<u>42,000</u>	<u>(39,000)</u>	<u>(20,000)</u>	<u>4,911,100</u>
Net change in fund balances	<u>\$ (101,024)</u>	<u>\$ 211,894</u>	<u>\$ (133,057)</u>	<u>\$ 35,309</u>	<u>\$ 2,712,987</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Princeton Charter School
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-5

Fiscal Year	<u>Local Levy- Charter School Aid</u>	<u>Interest on Investments</u>	<u>Miscellaneous</u>	<u>Annual Totals</u>
Ending June 30:				
2000	1,464,704	10,858	104,806	1,580,368
2001	1,249,642	17,493	73,252	1,340,387
2002	1,455,942	2,691	172,281	1,630,914
2003	1,694,507	2,784	72,898	1,770,189
2004	2,121,125	769	17,459	2,139,353
2005	2,175,375	8,895	6,053	2,190,323
2006	2,308,088	14,970	28,614	2,351,672
2007	2,397,684	26,739	13,753	2,438,176
2008	2,543,431	17,198	12,568	2,573,197
2009	4,427,325	17,037	50,283	4,494,645

Princeton Charter School
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Exhibit J-10

Fiscal Year Ended June 30:	Governmental Activities			Business- Type Activities	Total School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Loans Payable	Capital Leases	Capital Leases			
2005		\$ 4,994,297	\$ --	\$ --	\$ 4,994,297	0.64%	\$ 291.67
2006		4,749,630	--	--	4,749,630	0.55%	\$ 275.79
2007		4,478,186	--	--	4,478,186	0.51%	\$ 256.04
2008		3,683,157	--	--	3,683,157	0.42%	\$ 210.59
2009		8,420,000	--	--	8,420,000	0.92%	\$ 482.85

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a** See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

Princeton Charter School
 Demographic and Economic Statistics
 Last Ten Fiscal Years
 Unaudited

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2000	16,748	660,809,088	39,456	0.50%
2001	17,026	689,314,636	40,486	0.50%
2002	17,099	712,104,954	41,646	0.70%
2003	17,110	724,505,840	42,344	0.70%
2004	17,229	755,267,673	43,837	0.60%
2005	17,123	783,206,020	45,740	0.60%
2006	17,222	858,465,034	49,847	0.90%
2007	17,490	871,824,030	49,847	0.90%
2008	17,490	871,824,030	49,847	1.00%
2009	17,438	911,030,872	52,244	N/A

N/A - Information is unavailable

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

**Princeton Charter School
Principal Employers
Current Year and Nine Years Ago**

Exhibit J-15

2009			
Employer	Employees	Rank	Percentage of Total Municipal Employment
Princeton University	5,500	1	2.63%
University Medical Center at Princeton	2,600	2	1.20%
Church and Dwight	600	3	1.01%
Princeton Plasma Physics Lab	460	4	0.81%
Princeton Theological Seminary	300	5	0.74%
	<u>9,460</u>		<u>6.39%</u>

2000			
Employer	Employees	Rank	Percentage of Total Municipal Employment
NOT AVAILABLE			

Source: County of Mercer, Department of Administration and Finance

Princeton Charter School
 Full-Time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
 Unaudited

Exhibit J-16

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Instruction					
Regular	22	24	25	28	28
Other special education	2	4	4	3	4
Support Services:					
General administration and Business Services	2	2	2	2	3
School administrative services	2	2	2	2	2
Plant operations and maintenance	1	1	1	1	1
Total	<u>29</u>	<u>33</u>	<u>34</u>	<u>36</u>	<u>38</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

Princeton Charter School
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

Exhibit J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2005	280	\$ 2,950,265	\$ 10,537	N/A	24.00	11:1	280	268	0.72%	95.71%
2006	286	3,250,893	11,367	7.88%	26.00	11:1	286	274	2.14%	95.80%
2007	289	3,874,299	13,406	17.94%	29.00	11:2	289	280	1.05%	96.89%
2008	293	3,913,551	13,357	-0.37%	31.00	11:2	293	283	1.38%	96.59%
2009	318	4,624,718	14,543	8.88%	32.00	10:1	318	305	8.53%	95.91%

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Note: Enrollment based on June Charter School count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School Records

**Princeton Charter School
School Building Information
Last Ten Fiscal Years
Unaudited**

Exhibit J-18

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Charter School Buildings</u>					
K-4 School Building (2003)					
Square Feet	14,800	14,800	14,800	14,800	14,800
Capacity (students)	106	110	110	110	135
Enrollment	106	108	107	107	132
5-8 School Building (1963)					
Square Feet	16,800	16,800	16,800	16,800	16,800
Capacity (students)	174	180	186	186	188
Enrollment ^a	174	179	183	186	188
Business Office Building - Marsee Center (1879)					
Square Feet	1,200	1,200	1,200	1,200	1,200
Number of Schools at June 30, 2009					
Elementary = 1					
Middle School = 1					

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the annual October district count.

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: Princeton Charter School Facilities Office

**Princeton Charter School
Insurance Schedule (Unaudited)
June 30, 2009**

Exhibit J-20

	Coverage	Deductible
School Package Policy - N.J. School Boards Association Insurance Group:		
Property:		
Blanket Building and Contents	\$ 8,420,000	\$ 1,000
Blanket Extra Expense	50,000,000	\$ 1,000
Blanket Valuable Papers and Records	10,000,000	\$ 1,000
EDP Hardware/Software	250,000	\$ 1,000
Flood - Zones A & V	10,000,000	500,000
Flood -all other	50,000,000	10,000
EDP:		
Blanket Hardware/Software	250,000	1,000
Blanket Extra Expense	included	--
Crime:		
Public Employee Dishonesty	100,000	500
Forgery or Alteration	50,000	500
Inside & Outside Robbery	50,000	500
Computer Fraud	50,000	500
Money Orders & Counterfeit Papers	50,000	500
Loss of Money & Securities	50,000	500
Liability:		
Comprehensive General Liability Bodily Injury & Property Damage	16,000,000	--
Bodily Injury from Products & Completed Operations Annual Aggregate	16,000,000	--
Sexual Abuse	16,000,000	--
Premises Medical Payments	10,000	--
Personal Injury & Advertising Injury	16,000,000	--
Employee Benefits	16,000,000	1,000
Automobile:		
Comprehensive Automobile Liability	16,000,000	--
Uninsured Motorists PP	1,000,000	--
Uninsured Motorists All other Vehicles	15/30/5	--
Personal Injury Protection	250,000	--
Medical Payments PP	10,000	--
Medical Payments All other Vehicles	5,000	--
Terrorism	1,000,000	--
Physical Damage Scheduled Vehicles Only	ACV	1,000
Inland Marine:		
Blanket Hardware/Software	250,000	1,000
Errors and Omissions - N.J. School Boards Association Insurance Group	16,000,000	5,000
Boiler and Machinery - N.J. School Boards Association Insurance Group	100,000,000	1,000
Workers Compensation - N. J. School Boards Association Insurance Group		
Bodily Injury by Accident	2,000,000	Each Acc.
Bodily Injury by Disease	2,000,000	Each Employee
Bodily Injury by Disease	2,000,000	Agg. Limit
Supplemental Workers Compensation -N.J. School Boards Association Insurance Group:		
Maximum Weekly Benefit	1,400	--
Student Accident Insurance		
Maximum Benefit Blanket Athletic Coverage Including sports	1,000,000	--
Bond		
Diane Potorski	145,000	--
Norma Byers	145,000	--
Builders Risk:		
New Stairwell and Campus Center	5,786,000	--
Limit:		
EQ & Flood Sub-Limit	1,000,000	--
Project Specific- General Liability		
Each Occurrence	1,000,000	10,000
General Aggregate	2,000,000	50,000
Products/Completed Ops Agg	2,000,000	--
Personal & Advertising Injury	1,000,000	--
Damage to Premises rented to you	50,000	--

SINGLE AUDIT SECTION



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1616 fax 732.828.5156
www.withum.com

Additional Offices in New Jersey, New York,
Pennsylvania, Maryland, Colorado and Florida

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, 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 Princeton Charter School (the "School") as of and for the fiscal year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 28, 2009. 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 the audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department").

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Board'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*.

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

October 28, 2009
New Brunswick, NJ

WithumSmith+Brown, PC



James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant



WithumSmith+Brown, PC
A Professional Corporation
Certified Public Accountants and Consultants

One Spring Street
New Brunswick, NJ 08901
732.828.1617 fax 732.828.5156

www.withum.com

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular NJOMB 04-04

The Honorable Chairperson and Members
of the Board of Trustees
Princeton Charter School
Princeton, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the Princeton Charter School in the County of Mercer (the "Board") 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 programs for the fiscal year ended June 30, 2009. The Board's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to its major state program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board'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; audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey (the "Department"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*; and Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards, Federal OMB Circular A-133, and State Circular NJOMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to its major state program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

This report is intended solely for the information and use of management, the members of the Board of Education, and to meet the requirements for filing with the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

October 28, 2009
New Brunswick, NJ

WithumSmith+Brown, PC



James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant

**Princeton Charter School
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009**

Schedule A

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	<u>Grant Period</u>		<u>Award</u> Amount	<u>Balance at</u> June 30, 2008	<u>Cash</u> Received	<u>Budgetary</u> Expenditures	<u>Balance</u> June 30, 2009 (Accounts Receivable)	
			<u>From</u>	<u>To</u>						
U. S. Department of Education										
Passed-through State Department of Education										
NCLB Consolidated										
Title I Part A	84.010	NCLB -7540-09	9/1/2008	8/31/2009	\$ 138	\$ --	\$ 138	\$ (138)	\$ --	
Title II Part A	84.367	NCLB -7540-09	9/1/2008	8/31/2009	5,424	--	5,424	(5,424)	--	
Title II Part D	84.318	NCLB -7540-09	9/1/2008	8/31/2009	5	--	5	(5)	--	
Title IV	84.186A	NCLB -7540-09	9/1/2008	8/31/2009	475	--	475	(475)	--	
Special Education Cluster										
I.D.E.A Part B, Basic Regular	84.027	IDEA-7540-09	9/1/2008	8/31/2009	39,843	--	<u>39,843</u>	<u>(39,843)</u>	--	
Total U.S. Department of Education							<u>\$ 45,885</u>	<u>\$ (45,885)</u>	--	
U. S. Department of Agriculture										
Passed-through State Department of Education										
Enterprise Fund:										
National School Lunch Program	10.555	N/A	7/1/2008	6/30/2009	\$ 9,466	--	\$ 8,910	\$ (9,466)	\$ (555)	
National School Lunch Program	10.555	N/A	7/1/2007	6/30/2008	8,845	\$ (551)	551	--	--	
Total U.S. Department of Agriculture							<u>\$ (551)</u>	<u>\$ 9,461</u>	<u>\$ (9,466)</u>	<u>\$ (555)</u>
Total Federal Awards Assistance							<u>\$ (551)</u>	<u>\$ 55,346</u>	<u>\$ (55,351)</u>	<u>\$ (555)</u>

See Accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**Princeton Charter School
Schedule of Expenditures of State Awards
Year Ended June 30, 2009**

Schedule B

State/Grantor Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2008		Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
				Deferred Revenue	(Accounts Receivable)						
State Department of Education:											
General Fund:											
Passed-Through Constituent School Districts:											
Charter School Adjustment Aid	(A)	7/1/08-6/30/09	\$ 330,380	--	--	\$ 332,272	(330,380)	--	1,892	--	330,380
Non-Public Aid	(A)	7/1/08-6/30/09	80,790	--	--	80,790	(80,790)	--	--	--	80,790
Security Aid	(B)	7/1/08-6/30/09	23,678	--	--	23,678	(23,678)	--	--	--	23,678
Special Education Aid	(B)	7/1/08-6/30/09	29,325	--	--	29,325	(29,325)	--	--	--	29,325
TPAF Social Security Aid (Reimbursed)	09-495-034-5095-003	7/1/08-6/30/09	165,631	--	--	165,631	(165,631)	--	--	--	165,631
TPAF Social Security Aid (Reimbursed)	08-495-034-5095-002	7/1/07-6/30/08	120,620	--	(5,310)	5,310	--	--	--	--	--
Enterprise Fund :											
State Lunch Program	09-100-010-3350-023	7/1/08-6/30/09	932	--	--	877	(932)	(55)	--	(55)	932
State Lunch Program	08-100-010-3350-023	7/1/07-6/30/08	875	--	(57)	57	--	--	--	--	--
Total State Awards					<u>\$ (5,367)</u>	<u>\$ 637,940</u>	<u>\$ (630,736)</u>	<u>\$ (55)</u>	<u>\$ 1,892</u>	<u>\$ (55)</u>	<u>\$ 630,736</u>

(A) - Consists of State Charter School Adjustment Aid and Non-Public Aid

(B) - Unidentified

Princeton Charter School
Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2009

1. General

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

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Federal OMB Circular A-133, *Audits of State and Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the 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 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 revenue, whereas the GAAP basis does not. There were no differences between this budgeting basis and GAAP for this current fiscal year. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension contributions revenue of \$118,564.

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	\$ --	\$ 629,804	\$ 629,804
Special Revenue Fund	45,885	--	45,885
Enterprise Fund	<u>9,466</u>	<u>932</u>	<u>10,398</u>
Total Financial Assistance/Awards	<u>\$ 55,351</u>	<u>\$ 630,736</u>	<u>\$ 686,087</u>

Princeton Charter School
Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2009

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. Federal and State Loans Outstanding

The Princeton Charter School has the following loan balance outstanding at June 30, 2009:

Loan Program Title	Amount Outstanding
EDA Loan	\$ 8,420,000

6. Other

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the years ended June 30, 2009.

**Princeton Charter School
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Summary of Auditors' Results

- An unqualified report was issued on the School's financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the School.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of the School.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of the School's major programs.
- An unqualified report was issued on the School's compliance for major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with State OMB Circular NJOMB 04-04 or Federal OMB Circular A-133.
- The School was not subject to the single audit provisions of Federal OMB Circular A-133 for the fiscal year ended June 30, 2009 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the circular.
- The School's major state program for the current fiscal year consisted of the following state aid:

	Grant Number	Grant Period	Award Amount	Budgetary Expenditures
State Share of Charter School Aid	(A)	07/01/08 – 06/30/09	\$ 330,380	\$ 330,380

a. Consists of state aid from constituent school districts, requirements for "State Aid-Public" were utilized as single audit requirements for this aid as a breakdown between all of the various aid categories is not possible.

- The threshold for distinguishing Type A and Type B programs was \$300,000.
- The School qualified as a "low-risk" auditee under the provisions of section 530 of the Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey OMB Circular NJOMB 04-04.

**Princeton Charter School
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009**

Status of Prior Year Findings

There were no prior year findings.