

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
VILLAGE CHARTER SCHOOL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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JUNE 30, 2008  
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**The Village Charter School  
101 Sullivan Way  
Trenton, NJ 08628**

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October 15, 2008

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

Dear Commissioner:

The Comprehensive Annual Financial Report of the Village Charter School for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

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

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

The Village Charter School was chartered by The New Jersey Department of Education in January 1998 and began a planning year in September 1998. The school opened its doors in

September 1999 with 153 kindergarten to second grade students. The Village Charter School offers an integrated curriculum that has been designed to help students see connections across the disciplines and relate what they learn to their lives. This state of the art school facility, a true community resource, offers comprehensive family support services and a child-centered mission that unites parents, teachers and the school community to ensure that each student reaches his or her fullest potential. The philosophical vision of Ernest Boyer's Basic School continues to provide the framework to incorporate a coherent literacy-based curriculum, community involvement, character education and a climate that promotes learning.

- 2) **ENROLLMENT OUTLOOK:** The Village Charter School enrolled 360 students, kindergarten to 8<sup>th</sup> grade for the 2007-2008 school year. Each year since inception, waiting lists have been necessary for all grade levels.
- 3) **MAJOR ACCOMPLISHMENTS** – The educational program of the Village Charter School continues to expand and improve with each passing year. Our smaller class sizes, flexible teaching schedule, dedicated and experienced teachers, rich resources and parent and community involvement are essentials for the total educational program. Our Board of Trustees is active, involved and committed to the mission of the Village Charter School. Parent representatives continue to serve on the PTO and the Board of Trustees, including committee participation.

Situated on a 10-acre campus bordering the Delaware and Raritan Canal in Trenton's westward, the Village Charter School, a state of the art facility, provides an exciting and appealing learning environment for all its students. The school building, leased at cost from Mercer Street Friends, is the first charter school in New Jersey to occupy a new, freestanding schoolhouse, the first new public school constructed in Trenton in decades.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2008.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools’ accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements,” Note 1
- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund for the fiscal year ended June 30, 2008.

Revenue	Amount	Percent of Total
Local/Other	\$ 648,481	14%
State	3,484,980	78%
Federal	<u>370,741</u>	<u>8%</u>
	<u>\$ 4,504,202</u>	<u>100%</u>

The following schedule presents a summary of the general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2008.

Expenditures	Amount	Percent of Total
Current	\$3,941,024	88%
Food Service	130,508	3%
Special Revenue	<u>412,610</u>	<u>9%</u>
	<u>\$ 4,484,142</u>	<u>100%</u>

- 8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in “Notes to the Financial Statements,” Note 2. The School had adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit

Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

10) **OTHER INFORMATION:**

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

Respectfully submitted,



Aisha Thomas-Johnson  
Executive Director

# VILLAGE CHARTER SCHOOL

## ROSTER OF TRUSTEES AND OFFICERS JUNE 30, 2008

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Patricia Schorr, (Chair)	2009
Joe Flynn, Trustee, (Vice Chair)	2009
Norval Reece, (Vice Chair)	2009
Paul DeWitt, (Chair Finance) Treasurer	2010
Elaine Murphy, Secretary	2011
Stephen Kitts, Trustee	2011
Carolyn Hills, Trustee	2010
Connie Clovis, Trustee	2011
Eileen Goldstein, Trustee	2009
Ofonedu-Ime A. Goodwyn, Trustee	2010
Sheila Glover, Trustee	2009
John Jordan, Trustee	2010
Jacqueline Phillips, Trustee	2009
Eyvonda Queen, Trustee	2009
Michael Spicer, Trustee	2009
Cindy Sussman, MD, Trustee	2010
Samuel Taylor, Trustee	2010
Weny Nierenberg, Trustee	2010
Joseph T. Claffey, Trustee	2010

**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Scott J. Loeffler, CPA  
7 Cleveland Street  
Caldwell, NJ 07006

**ATTORNEYS**

Tom Letizia, Esq.  
Pepper Hamilton LLC  
300 Alexander Park  
Princeton, NJ 08543-5276

**OFFICIAL DEPOSITORY**

Sun National Bank  
226 S. Broad Street  
Trenton, NJ 08608

## **FINANCIAL SECTION**

**SCOTT J. LOEFFLER**  
CERTIFIED PUBLIC ACCOUNTANT  
7 CLEVELAND STREET  
CALDWELL, NEW JERSEY 07006

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**973-226-5985**

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**973-226-9701**

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

**Independent Auditor's Report**

The Honorable Chairman and  
Members of the Board of Trustees  
Village Charter School  
County of Mercer  
Trenton, New Jersey

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Trustees of the Village Charter School, County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Board of Trustee's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village Charter School, Board of Trustees, in the County of Mercer, State of New Jersey, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 15, 2008 on my consideration of the Village Charter School, in the County of Mercer, State of New Jersey, Board of Trustee's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of my audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison schedules on pages 10 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principle's generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

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

Licensed Public School Accountant No. 870

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

Scott J. Loeffler, CPA

October 15, 2008

**THE VILLAGE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

This section of Village Charter School annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2007-08) and the prior year (2006-05) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2007-08 fiscal year include the following:

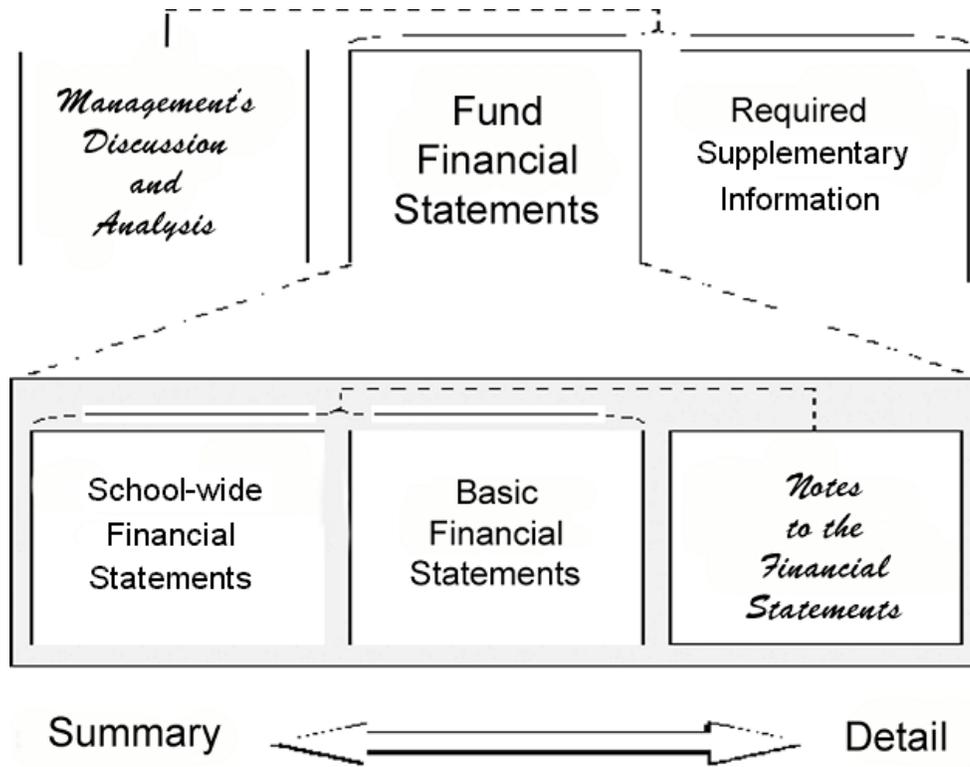
- Net assets were \$641,321.
- Net Assets decreased by \$28,746 from July 1, 2007 to June 30, 2008.
- The General Fund balance at June 30, 2008 is \$245,045, an increase of \$23,030 when compared with the beginning balance at July 1, 2007.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**THE VILLAGE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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



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

**THE VILLAGE CHARTER SCHOOL  
Management’s Discussion and Analysis  
Year Ended June 30, 2008**

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Village Charter School’s financial statements, including the portion of the Village Charter 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 School-wide and Financial Statements**

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

# **THE VILLAGE CHARTER SCHOOL**

## **Management's Discussion and Analysis**

### **Year Ended June 30, 2008**

#### **School-wide Statements**

The school-wide statements report information about the Village Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village Charter 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 school-wide statements report the Village Charter School's net assets and how they have changed. Net assets – the difference between the Village Charter School's assets and liabilities – are one way to measure the Village Charter School's financial health or position.

In the school-wide financial statements, the Village Charter School's activities are shown in two categories:

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

#### **Fund Financial Statements**

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

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

- Some funds are required by State law.

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

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

The Village Charter School has three kinds of funds:

- **Governmental funds-** Most of the Village Charter 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Village Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.
- **Fiduciary funds-** The Village Charter School is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The Village Charter School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Village Charter School's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. I exclude these activities from the Village Charter School's government-wide financial statements because the Village Charter School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE VILLAGE CHARTER SCHOOLS AS A WHOLE**

**Net assets.** The Village Charter School's net assets are \$641,321 on June 30, 2008. (See Table A-1).

Governmental	\$641,321
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The Statement of Net Assets of \$670,067 reflects total capital assets, net of assumed depreciation from inception of \$385,583.

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

The Village Charter School's financial position is the product of these factors:

- Program revenues for Governmental Activities were \$130,642.
- Total revenues during the 2007-08 school year were \$4,516,975.
- Expenditures were \$4,484,142 for 2007-08..

**Table A-1  
VILLAGE CHARTER SCHOOL  
Statement of Net Assets  
As of June 30, 2008**

	<u><b>Total</b></u>
Current and Other Assets	698,055
Capital Assets (Including Business Activities)	385,583
<b>Total Assets</b>	<u><b>\$1,083,638</b></u>
Long-Term Liabilities	
Other Liabilities	442,317
<b>Total Liabilities</b>	<u><b>\$442,317</b></u>
Net Assets:	
Invested In Capital Assets, Net of Related Debt	385,583
Restricted	
Unrestricted	255,738
<b>Total Net Assets</b>	<u><u><b>\$641,321</b></u></u>

Total Governmental and Business Activities revenues & beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net assets of \$641,321 on June 30, 2008.

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

**Table A-2  
VILLAGE CHARTER SCHOOL  
Changes in Net Assets - School Wide  
For the Fiscal Year Ended June 30, 2008**

<b>Revenues</b>	<b>Total</b>
Program revenues	
Charges for services	12,773
Operating grants and contributions	
General revenues	
Local Share	505,066
Federal and State Aid-Unrestricted	2,406,302
Federal and State Aid-Restricted	1,462,192
Other	130,642
Decrease in Net Capital Outlay	(61,579)
<b>Total revenues</b>	<b>\$ 4,455,396</b>
<b>Expenses</b>	
Regular Instruction	2,058,324
General Administrative	863,277
School Administrative	1,298,215
On-behalf TPAF Social Security	64,963
Capital Outlay	68,855
Food Service	130,508
<b>Total expenses</b>	<b>\$ 4,484,142</b>
Decrease in net assets	(28,746)
Net Assets, Beginning July 1	670,067
Net Assets, End of Year June 30	<b>\$ 641,321</b>

**Changes in Net Assets.** The Village Charter School's total revenues were \$4,516,975. Local shares of \$505,066 represented 11% of revenues. The federal and state aid of \$3,868,494 represented 86% of revenues.

The smallest component of general revenues is "Other Revenue." The "Other Revenue" \$143,415 for 2007 is 4%.

The Village Charter School's expenditures of \$4,484,142 are predominantly related to instruction and support services. Instruction expenditures totaled \$2,058,324. Support services general and school administrative, \$2,295,310 and food service \$130,508.

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

Total expenditures of the general fund and special revenue fund exceeded revenues, increasing net assets \$23,030 from the beginning balance at July 1, 2007.

**Table A-3 (See Exhibit A-2)  
VILLAGE CHARTER SCHOOL  
Changes in Net Assets - School Wide  
For the Fiscal Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Source</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
<b>Governmental Activities</b>			
Instruction			
Regular	B-2	2,058,324	2,058,324
<b>Support Services</b>			
General Administrative Services	B-2	863,277	863,277
School Administrative Services	B-2	1,298,215	1,298,215
On-behalf TPAF Social Security	B-2	64,963	64,963
Capital Outlay	B-2	68,855	68,855
Food Service	G-2	130,508	130,508
<b>Total Governmental Activities</b>		\$ 4,484,142	\$ 4,484,142

**FINANCIAL ANALYSIS OF THE VILLAGE CHARTER SCHOOL'S FUNDS**

The financial performance of the Village Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Village Charter School completed the year, its general funds reported a combined fund balance of \$245,045 of which \$0 is being reserved as a capital reserve.

Revenues for the Village Charter School's governmental funds and business activities were \$4,516,975 while total expenses were \$4,484,142. (Table A-2) (Exhibit A-2)

**GENERAL FUND**

The General Fund includes the primary operations of the Village Charter School in providing educational services to students from grade K through grade 5.

**THE VILLAGE CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2008**

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

**Table A-4 (See Exhibit B-2)**  
**VILLAGE CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2008 and 2007**

<b>General Fund Revenues</b>	<b>Year Ended 06/30/2008</b>	<b>Year Ended 06/30/2007</b>	<b>Amount of Increase (Decrease)</b>
<b>Local Sources:</b>			
Local Share	505,066	522,148	(17,082)
Other Local Revenue	130,642	168,687	(38,045)
<b>Total Local Sources</b>	<b>\$ 635,708</b>	<b>\$ 690,835</b>	<b>\$ (55,127)</b>
<b>Intergovernmental</b>			
State Sources	3,497,753	3,174,733	323,020
Federal Sources	370,741	482,219	(111,478)
<b>Total Intergovernmental Sources</b>	<b>\$ 3,868,494</b>	<b>\$ 3,656,952</b>	<b>\$ 211,542</b>
<b>Total Revenue</b>	<b>\$ 4,504,202</b>	<b>\$ 4,347,787</b>	<b>\$ 156,415</b>

The following schedule presents a summary of Governmental expenditures. The summary reflects the dollar increases (decreases) from the prior year.

**Table A-5 (See Exhibit B-2)**  
**VILLAGE CHARTER SCHOOL**  
**Changes in Net Assets - School Wide**  
**For the Years Ended June 30, 2008 and 2007**

<b>General Fund Revenues</b>	<b>Year Ended 06/30/2008</b>	<b>Year Ended 06/30/2007</b>	<b>Amount of Increase (Decrease)</b>
<b>Current:</b>			
Regular Instruction	2,058,324	1,735,663	322,661
			-
General Administrative Services	863,277	1,114,365	(251,088)
School Administration	1,298,215	1,292,228	5,987
On-behalf TPAF Social Security	64,863	143,802	(78,939)
Capital outlay	68,855	-	68,855
<b>Total Expenditures</b>	<b>\$ 4,353,534</b>	<b>\$ 4,286,058</b>	<b>\$ 67,476</b>

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

Total General Fund expenditures increased \$759,713

**UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES**

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

**Table A-6  
VILLAGE CHARTER SCHOOL  
Changes in Net Assets - School Wide  
For the Fiscal Year Ended June 30, 2008, 2007, 2006, 2005, 2004, 2003, 2002**

<b>General Fund</b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Unreserved-Undesignated Fund Balance	178,251	220,698	304,135	452,769	314,973	222,015	245,045
Expenditures	1,919,280	2,148,631	2,966,916	3,463,637	4,224,100	3,892,228	4,353,634
Percentages	9.00%	10.00%	10.00%	13.00%	7.45%	6.00%	6.00%

The Village Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance designed to support the subsequent years budgets \$0 for the 2007-08 school year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2007-2008, in the General Fund, the Village Charter School had invested \$615,778 in a broad range of capital assets, including computer equipment and administrative offices, etc. (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total General Fund depreciation expenses for the year was \$61,579.

**Table A-7  
VILLAGE CHARTER SCHOOL  
Changes in Net Assets - School Wide  
For the Fiscal Year Ended June 30, 2008**

Equipment	\$ 615,778
<b>Total - General Fund</b>	<b>615,778</b>
Less: Accumulated Depreciation	(230,195)
<b>Total - Net Capital Assets General Fund</b>	<b><u><u>\$385,583</u></u></b>

**THE VILLAGE CHARTER SCHOOL  
Management's Discussion and Analysis  
Year Ended June 30, 2008**

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

**State Aid**—As part of the “time-out” decision of the Supreme Court, the NJDOE was granted permission for level spending for the 2006-07 school year. The practical implication of this ruling is that the Village Charter School 2006-07 budget can be not greater than its kindergarten through grade 12 expenditures in the 2006-07 school year. The financial position of the State of New Jersey will likely result in continued level state aid for the 2007-08 school year. The school is likely to feel financial pressures related to contractual obligations that will put pressure on the school programs, inclusive of staffing levels.

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

**CONTACTING THE VILLAGE CHARTER SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village Charter School's finances and to demonstrate the Village Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Village Charter School, 101 Sullivan Way, Trenton, New Jersey 08628.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements provide a financial overview of the Village Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2008.

**SCHOOL-WIDE FINANCIAL STATEMENTS**

**VILLAGE CHARTER SCHOOL**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Governmental Activities</b>	<b>Special Revenue</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 525,171	\$ 69,741	\$ (1,039)	\$ 593,873
Investments				
Receivables, net	92,450	-	11,732	104,182
Inventory				
Capital assets, net (Note 2):	385,583			385,583
Total Assets	<u>1,003,204</u>	<u>69,741</u>	<u>10,693</u>	<u>1,083,638</u>
<b>LIABILITIES</b>				
Cash Overdraft			-	-
Accounts payable	372,576	-		372,576
Due to Board of Ed's		-		-
Deposits payable				
Payable to federal government		4,716		4,716
Payable to state government				
Deferred revenue	-	65,025		65,025
Total liabilities	<u>372,576</u>	<u>69,741</u>	<u>-</u>	<u>442,317</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	385,583			385,583
Restricted for:	-			
Debt service				
Capital projects				
Permanent endowment - nonexpendable				
Other purposes				
Unrestricted	245,045		10,693	255,738
Total net assets	<u>\$ 630,628</u>	<u>\$ -</u>	<u>\$ 10,693</u>	<u>\$ 641,321</u>

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

**VILLAGE CHARTER SCHOOL**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

**Exhibit A-2**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Governmental activities:						
Instruction:						
Regular	\$ 2,058,324		\$ 412,610		\$ (1,645,714)	\$ (1,645,714)
Support services:						
General administration	863,277		-		(863,277)	(863,277)
School administrative services/ operations plant serv.	1,298,215				(1,298,215)	(1,298,215)
On - behalf TPAF Social Security	64,963				(64,963)	(64,963)
Capital Outlay	68,855				(68,855)	(68,855)
Total governmental activities	<u>4,353,634</u>		<u>412,610</u>		<u>(3,941,024)</u>	<u>(3,941,024)</u>
Business-type activities:						
Food Service		130,508			(130,508)	(130,508)
Total business-type activities					<u>(130,508)</u>	<u>(130,508)</u>
Total primary government	<u>\$4,353,634</u>	<u>\$ 130,508</u>	<u>\$ 412,610</u>		<u>\$ (3,941,024)</u>	<u>\$ (4,071,532)</u>
General revenues:						
				505,066	0	505,066
				2,406,302		2,406,302
				962,865	127,538	1,090,403
				89,821	12,773	89,821
					-	0
				(61,579)		(61,579)
Total general revenues, special items,				<u>3,902,475</u>	<u>140,311</u>	<u>4,030,013</u>
Change in Net Assets				(38,549)	9,803	(28,746)
Net Assets—beginning				669,177	890	670,067
Net Assets—ending				<u>\$ 630,628</u>	<u>\$ 10,693</u>	<u>\$ 641,321</u>

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

## **FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**VILLAGE CHARTER SCHOOL  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 525,171	\$ 69,741			\$ 594,912
Investments					
Receivables, net	92,450				92,450
Due from Ewing Board of Education	-				10,188
Restricted cash and cash equivalents					
Total assets	<u>\$ 617,621</u>	<u>\$ 69,741</u>			<u>\$ 697,550</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Cash Overdraft					
Accounts payable	372,576				372,576
Due to Board"s of Ed.					-
Payable to state government		4,716			4,716
Deferred revenue	-	65,025			65,025
Total liabilities	<u>372,576</u>	<u>69,741</u>	<u>-</u>		<u>442,317</u>
Fund Balances:					
Reserved for:					
Encumbrances					
Legally restricted -- unexpended additional spending proposal					
Legally restricted -- designated for subsequent year's expenditures					
Capital reserve account					
Excess surplus					
Excess surplus -- designated for Subsequent year's expenditures					
Other purposes					
Unreserved, reported in:					
General fund	245,045				245,045
Capital projects fund					
Permanent fund					
Total Fund balances	<u>245,045</u>				<u>245,045</u>
Total liabilities and fund balances	<u>\$ 617,621</u>	<u>\$ -</u>	<u>\$ -</u>		

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$615,778 and the accumulated depreciation is	(230,195)	385,583
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)		0
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Net assets of governmental activities		<u>\$ 630,628</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

**VILLAGE CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local sources:					
Local share	\$ 505,066				\$ 505,066
State Share	2,406,302	-			2,406,302
Philanthropy	75,000				75,000
Miscellaneous	14,821	40,821			55,642
Total - Local Sources	<u>3,001,189</u>	<u>40,821</u>			<u>3,042,010</u>
State sources	962,865	1,048			963,913
Federal sources		370,741			370,741
Total revenues	<u>3,964,054</u>	<u>453,431</u>			<u>4,417,485</u>
<b>EXPENDITURES</b>					
Current:					
Regular instruction	\$ 1,645,714	\$ 412,610			\$ 2,058,324
Support services- General Administrative	863,277	-			863,277
Support Services- School Admin/ operations plant set	1,298,215				1,298,215
On-behalf TPAF Social Security	64,963				64,963
Capital outlay	68,855				68,855
Total expenditures	<u>3,941,024</u>	<u>412,610</u>			<u>4,353,634</u>
Excess (Deficiency) of revenues over expenditures	<u>23,030</u>				<u>23,030</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds					
Capital leases (non-budgeted)					
Transfer - Contribution to Whole School Reform					
Transfer to Special Revenue Fund - ECPA					
Transfers in	221,296				
Transfers out	(221,296)				
Total other financing sources and uses	<u>-</u>				
Net change in fund balances	23,030				23,030
Fund balance—July 1	222,015				222,015
Fund balance—June 30	<u>\$ 245,045</u>				<u>\$ 245,045</u>

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

**VILLAGE CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

**Total net change in fund balances - governmental funds (from B-2)** \$ 23,030

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	\$ (61,579)	
Capital outlays	-	
		\$ (61,579)

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.

**Change in net assets of governmental activities** \$ (38,549)

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

## **PROPRIETARY FUNDS**

**VILLAGE CHARTER SCHOOL**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

	<b>Business-type                      Activities                      Enterprise funds</b> <hr style="border: 1px solid black;"/> <b>Food Service</b> <hr style="border: 1px solid black;"/>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	
Investments	
Accounts receivable	11,732
Other receivables	
Inventories	
Total current assets	11,732
Noncurrent assets:	
Restricted cash and cash equivalents	
Furniture, machinery & equipment	
Less accumulated depreciation	
Total noncurrent assets	11,732
Total assets	11,732
<b>LIABILITIES</b>	
Current liabilities:	
Cash overdraft	1,039
Accounts payable	
Compensated absences	
Total current liabilities	1,039
Total liabilities	1,039
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	
Restricted for:	
Capital projects	
Unrestricted	10,693
Total net assets	\$ 10,693

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

Exhibit B-5

**VILLAGE CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

			<u>Business-type Activities Enterprise Fund Food Service</u>
Operating revenues:			
Charges for services:			
Daily sales - Reimbursable programs and Special Lunch Program	\$	12,773	
After School Program		-	
Total operating revenues			<u>12,773</u>
Operating expenses:			
Cost of sales			130,508
Salaries and Benefits			-
Professional Fees			
Supplies, Materials and Other Expenses			
Depreciation			
Total Operating Expenses			<u>130,508</u>
Operating income (loss)			<u>(117,735)</u>
Nonoperating revenues (expenses):			
State sources:			
State school lunch program			5,412
Federal sources:			
National school breakfast program			5,662
National school lunch program			116,464
Board Subsidy			-
Total nonoperating revenues (expenses)			<u>127,538</u>
Income (loss) before contributions & transfers			
Capital contributions			
Transfers in (out)			
Change in net assets			<u>9,803</u>
Total net assets—beginning			<u>890</u>
Total net assets—ending	\$		<u><u>10,693</u></u>

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

**VILLAGE CHARTER SCHOOL**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2008**

**Exhibit B-6**

		<b>Business-type</b>
		<b>Activities</b>
		<b>Enterprise Funds</b>
		<b>Food</b>
		<b>Service</b>
		<b>_____</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$	12,773
Payments to employees and benefits		
Payments to suppliers		(130,508)
Net cash provided by (used for) operating activities		<u>(117,735)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State and Federal Sources		127,476
Operating subsidies and transfers to other funds		
Net cash provided by (used for) non-capital financing activities		<u>127,476</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase In Fixed Assets		
Proceeds from sale/maturities of investments		
Net cash provided by (used for) investing activities		
Net increase (decrease) in cash and cash equivalents		9,741
Cash Balances—beginning of year		(10,780)
Cash Balances—end of year	\$	<u>(1,039)</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>		
<b>(used) by operating activities:</b>		
Operating income (loss)	\$	9,803
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities		
Depreciation and net amortization		
(Increase) decrease in accounts receivable, net		(62)
(Increase) decrease in inventories		
(Increase) decrease in USDA Communities		
Increase (decrease) in accounts payable		
Increase (decrease) in accrued compensated absences		
Total adjustments		<u>9,741</u>
Net cash provided by (used for) operating activities	\$	<u>9,741</u>

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

## **FIDUCIARY FUNDS**

**VILLAGE CHARTER SCHOOL**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	<b>Unemployment Compensation Trust</b>	<b>Sports Fund</b>	<b>Agency fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,535	\$ -	\$ -
Investments, at fair value:			
U.S. government obligations			
NJ municipal bonds			
Total investments	1,535	-	
Total assets	1,535	-	
<b>LIABILITIES</b>			
Accounts payable			
Payable to district			
Payable to student groups			
Payroll deductions and withholdings			
Total liabilities			
<b>NET ASSETS</b>			
Held in trust for unemployment claims and other purposes	\$ 1,495	\$ -	
Reserved for club			

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

**VILLAGE CHARTER SCHOOL**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	Unemployment Compensation Trust	Sports Fund
<b>ADDITIONS</b>		
Contributions:		
Plan member		
Other	-	-
Total Contributions	-	-
Investment earnings:		
Net increase (decrease) in fair value of investments		
Interest	41	
Dividends		
Less investment expense		
Net investment earnings	41	
Total additions	41	-
<b>DEDUCTIONS</b>		
Quarterly contribution reports		
Unemployment claims	-	
Sports Activity		
Refunds of contributions		
Administrative expenses		
Total deductions	-	-
Change in net assets	41	
Net assets—beginning of the year	1,495	
Net assets—end of the year	\$ 1,536	\$ -

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

## **NOTES TO FINANICAL STATEMENTS**

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity:**

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

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**B. Government-wide and Fund Financial Statements:**

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

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

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

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

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

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

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

The Village Charter School reports the following major governmental funds:

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

The Village Charter School reports the following major proprietary fund which are organized to be self-supporting through user charges:

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

Additionally, the government reports the following fund types:

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village Charter School has elected not to follow FASB guidance issued subsequent to December 1, 1989.

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

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

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

**D. Assets, Liabilities and Net Assets or Equity:**

**1. *Deposits and Investments***

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

*2. Deposits and Investments*

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

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

*3. Receivables and Payables*

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

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

**Accrued Liabilities and Payables**

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

**Net Assets**

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

*4. Inventories and Prepaid Items*

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

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

**5. *Capital Assets***

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

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

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

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

**6. *Fund Equity***

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

**Reserve for Encumbrances** - This reserve is created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

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

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

**Reserve for Legally Restricted - Designated for Subsequent Year's Expenditures**  
- This reserve is created to represent the portion of fund balance at June 30, 2008 restricted and utilized in the adopted subsequent year's budget. At June 30, 2008 there were no reserves.

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

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

No difference noted.

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information:**

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

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

The budget is properly amended by the Village Charter School trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**A. Budgetary Information: (continued)**

The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The school approved several budget transfers during 2005/2006.

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

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

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Operating In</u>	<u>Transfers Out</u>
Budgetary Basis	\$412,610	\$412,610	-	-
Adjustments:	-	-	-	-
Add encumbrances at June 30, 2007	-	-	-	-
Less encumbrances at June 30, 2008	-	-	-	-
GAAP Basis	<u>\$412,610</u>	<u>\$412,610</u>	-	-

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

**A. Budgetary Information: (continued)**

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

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

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

As of June 30, 2008, Village Charter School cash and cash equivalents consisted of the following:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>	<u>Total</u>
Operating Account	\$525,171	\$69,741	(\$1,039)	\$593,873

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

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 4. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments (continued)**

**Deposits (continued)**

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

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	\$593,873	\$ 0	\$ 0	\$593,873

The Village Charter School's cash deposits as June 30, 2008 were entirely covered by the Federal Deposit Insurance Corporation (F.D.I.C.) or by the pledged collateral pool maintained by the banks as required by New Jersey statutes.

**Investments**

New Jersey statutes permit the Village Charter School to purchase the following types of securities:

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

The Village Charter School had no outstanding investments at June 30, 2008.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**Investments (continued)**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$92,450</u>	<u>\$ 0</u>	<u>\$11,732</u>	<u>\$104,182</u>
Gross Receivables	<u>\$92,450</u>	<u>\$ 0</u>	<u>\$11,732</u>	<u>\$104,182</u>

**B. Deferred Revenue**

Deferred Revenue represents funds which have been received but not yet earned.

There is deferred revenue of \$0 in the general fund and 65,025 in the special revenue fund for the 2007-08 NCLB program.

**C. Capital Assets**

Capital assets as at the year ended June 30, 2008 was as follows:

**Primary Government:**

	<b><u>Balance at June 30, 2008</u></b>
<b>Capital assets, being depreciated:</b>	
Building Improvements, Equipment	<u>\$615,778</u>
Total capital assets being depreciated	<u>\$615,778</u>
<b>Less accumulated depreciation for:</b>	
Total accumulated depreciation	<u>\$230,195</u>
Total capital assets, being depreciated, net all funds	<u>\$385,583</u>

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)**

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

**Governmental activities:**

Total depreciation expense - governmental activities	<u>\$61,579</u>
--	-----------------

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

**C. Interfund Receivables, Payables, and Transfers:**

As of June 30, 2008, there were no interfund transactions reflected.

**NOTE 5. OTHER INFORMATION**

**A. Contingent Liabilities**

The Village Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Village Charter School may be required to reimburse the grantor government.

As of June 30, 2008, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Village Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Village Charter School.

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

**B. Employee Retirement Systems and Pension Plans**

**Plan Description**

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

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Plan Description**

The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statutes, all employer contributions are made jointly by the State of New Jersey and the Village Charter School. The Public Employees Retirement System is considered a cost-sharing multiple-employer plan.

*Teachers' Pension and Annuity Fund*

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State.

Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service for pension benefits and 25 years for health care coverage. Members are eligible for retirement at age 60 (55 for Veterans for military service, Ch. 133, P.L. 2001) with an annual benefit generally determined to be  $1/60^{\text{th}}$  (amended to  $1/55^{\text{th}}$  as of November 1, 2001, Ch. 133 P.L. 2001) of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service.

Early retirement is available to those under age 60 with 25 or more years of credited service. Anyone who retires early and is under age 55 receives retirement benefits as calculated in the above-mentioned formula but at a reduced rate (one quarter of one percent for each month the member lacks of attaining age 55).

*Public Employees' Retirement System*

The Public Employees' Retirement Systems was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another state-administered retirement system.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Plan Description (continued)**

Membership is mandatory for such employees and vesting occurs after 8 to 10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 (55 for Veterans for military service, Ch. 133, P.L. 2001) with an annual benefit generally determined to be  $1/60^{\text{th}}$  (amended to  $1/55^{\text{th}}$  as of November 1, 2001, Ch. 133 P.L. 2001) of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable 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 for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Significant Legislation**

Effective November 1, 2001, Chapter 133, Public Law of 2001, increases the retirement benefits under the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS) for service, deferred and early retirement by changing the formula from  $1/70$  to  $1/64$  of final compensation for each year of Class A Service and from  $1/60$  to  $1/55$  of final compensation for each year of Class B service.

The law also increases the retirement benefit for TPAF and PERS veteran members with 35 or more years of service and reduces the age qualification for this veteran retirement benefit from 60 to 55. The law further provides that existing retirees and beneficiaries whose retirement allowance is based on a service, deferred, early, or 35-year veteran retirement, would also receive a comparable percentage increase in their retirement allowances (9.09%).

This law also provides up to a 2% reduction in TPAF member contributions from the normal contribution rate of 5% beginning with calendar year 2005. After calendar year 2005, the rate of contribution will be reduced equally with employer normal contributions, but not by more than 2%, from excess valuation of assets if the State Treasurer determines that excess valuation assets will be used to reduce normal contributions by the State. This change provides that future reductions in TPAF and PERS member contribution rates will be calculated in a similar fashion.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Significant Legislation (continued)**

To fund the additional accrued liability for the increase benefits, the law provides that the actuarial value of assets for both TPAF and PERS, for the valuation period ending June 30, 1999, will be the full market value of the assets as of that date.

To fund the additional annual employer normal contribution for the increased benefits, the law establishes a benefit enhancement fund for both TPAF and PERS which would be funded by excess valuation assets beginning with the valuation period ending June 30, 1999. The amount of excess assets credited to the fund cannot exceed the amount of member contributions for the fiscal year in which the normal contributions are payable.

**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

TPAF provides for a current employee contribution rate of 4.5% for employees' annual compensation, as defined. Chapter 415, P.L. 1999 provided for a reduction in the PERS employee contributions rate from 5% to 3%. Prior to January 1, 2001, the employee contribution rate was set at 4.5% in accordance with Chapter 115, P.L. 199, which lowered the contribution rate by 1/2 of 1% for calendar years 1998 and 1999. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Village Charter School is a non-contributing employer of the TPAF.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 5. OTHER INFORMATION (continued)**

**B. Employee Retirement Systems and Pension Plans (continued)**

**Funding Policy (continued)**

During the year ended June 30, 2008, the State of New Jersey was required to contribute \$126,309 to the TPAF for normal cost pension contribution or post-retirement medical benefits on behalf of the Village Charter School.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Village Charter School \$64,963 during the year ended June 30, 2008 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been included in the general purpose financial statements, and the combining and individual fund statements and schedules as a revenue and expenditure in accordance with GASB No. 34.

**C. Post Retirement Benefits**

**Post-Employment Medical 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. As of June 30, 2008, there were 75,860 retirees eligible for post-retirement benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994 with an additional contribution beginning in fiscal year 1996 to maintain a medical reserve of one half of one percent of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in fiscal year 2006.

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in fiscal year 2006.

**THE VILLAGE CHARTER SCHOOL**  
**Notes to Financial Statements**  
**Year Ended June 30, 2008**

**NOTE 6. RISK MANAGEMENT**

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

**NOTE 7. LONG-TERM LEASES**

The school leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2008 amount to \$579,453. Future obligations over the primary terms of the long-term lease is as follows:

2009  
2010  
2011  
2012  
2013

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

## **BUDGETARY COMPARISON SCHEDULES**

**VILLAGE CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30,2008**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>REVENUES:</b>					
Local Sources:					
Local Share	\$ 513,807	(12,206)	\$ 501,601	\$ 505,066	\$ (3,465)
State Share	2,462,198	(58,497)	2,403,701	2,406,302	-2,601
Other Restricted Miscellaneous Revenues	24,000	0	24,000	14,821	9,179
Philanthropy	175,000	(100,000)	75,000	75,000	0
Total - Local Sources	<u>3,175,005</u>	<u>(170,703)</u>	<u>3,004,302</u>	<u>3,001,189</u>	<u>3,113</u>
Categorical Aid					
Early Childhood Program Aid	243,823	42,536	286,359	287,012	(653)
Abbott Kindergarten	199,224	(70,020)	129,204	132,696	(3,492)
Targeted At-Risk Aid	-	129,950	129,950	125,700	
Technology Grant	4,672	(2,346)	2,326	14,068	(11,742)
Teachers Mentoring		0		2,326	
T&E Gap Funding	113,000	(62)	112,938	113,036	(98)
Demonstrably Effective	164,826	(2,544)	162,282	162,652	(370)
Special Education	98,714	(38,302)	60,412	60,412	-
TPAF Pension (On-Behalf - Non-Budgeted)	-	0	-	-	-
TPAF Social Security (Reimbursed - Non-Budgeted)			-	64,963	(64,963)
Total State Sources	<u>824,259</u>	<u>59,212</u>	<u>883,471</u>	<u>962,865</u>	<u>(81,318)</u>
Federal Sources:					
Impact Aid					
Medical Assistance Program					
Total - Federal Sources					
<b>Total Revenues</b>	<u>3,999,264</u>	<u>(111,491)</u>	<u>3,887,773</u>	<u>3,964,054</u>	<u>(78,205)</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Teachers Salary	\$ 1,524,922	(25,483)	1,499,439	1,447,581	\$ 51,858
Other Salaries	7,000	(7,000)		-	-
Prof/Tech Services	15,000	27,134	42,134	42,134	-
Other Purchased Services (400-500 series)	50,000	(26,281)	23,719	23,719	-
General Supplies	62,345	(13,455)	48,890	33,637	15,253
Textbooks	45,000	(44,898)	102	102	-
Other Objects	6,600	129,450	136,050	98,541	37,509
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<u>1,710,867</u>	<u>39,467</u>	<u>1,750,334</u>	<u>1,645,714</u>	<u>104,620</u>

**VILLAGE CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30,2008**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Support Services - General Administrative</b>					
Salaries of Administrative Salaries	127,680	175,123	302,803	302,803	-
Salaries of Secretarial and Clerical Assistants	78,280	(7,316)	70,964	70,964	-
Cost of Benefits	325,000	152,540	477,540	403,225	74,315
Consultants	4,500	15,325	19,825	19,825	-
Other Purchased Services (400-500 series)	51,600	(12,125)	39,475	39,475	-
Communications/Telephone	25,000	11,400	36,400	15,983	20,417
Supplies and Materials	5,000	2,411	7,411	6,638	773
Other Objects	6,000	(1,636)	4,364	4,364	-
	<u>623,060</u>	<u>335,722</u>	<u>958,782</u>	<u>863,277</u>	<u>95,505</u>
<b>Support Services - School Admin/Operation Plant Services</b>					
Salaries	453,437	(149,824)	303,613	299,848	3,765
Purchased Professional and Technical Services	50,000	49,984	99,984	99,207	777
Other Purchased Services	185,500	(27,000)	158,500	157,242	1,258
Rental of Land and Building- other than Lease Purchase Agreements	720,000	(137,221)	582,779	579,453	3,326
Insurance	50,000	(9,760)	40,240	21,250	18,990
General Supplies	4,000	1,230	5,230	1,754	3,476
Transportation- Trips	5,200	0	5,200	3,915	1,285
Energy (Energy and Electricity)	100,000	5,760	105,760	105,760	-
Other Objects	30,200	(408)	29,792	29,786	6
<b>Total Undist. Expend. - Other Oper. &amp; Maint. Of Plant</b>	<u>1,598,337</u>	<u>(267,239)</u>	<u>1,331,098</u>	<u>1,298,215</u>	<u>32,883</u>
<b>Food Service</b>					
Other Purchsed Services		-	-	-	-
<b>Total Food Services</b>		-	-	-	-
On-behalf TPAF pension Contributions (non-budgeted)					
Reimbursed TPAF Social Security Contributions (non-budgeted)			-	64,963	(64,963)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,963</u>	<u>(64,963)</u>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>					
	<u>2,221,397</u>	<u>68,483</u>	<u>2,289,880</u>	<u>2,226,455</u>	<u>63,425</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>3,932,264</u>	<u>107,950</u>	<u>4,040,214</u>	<u>3,872,169</u>	<u>168,045</u>

**VILLAGE CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended June 30,2008**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CAPITAL OUTLAY</b>					
<b>Equipment</b>					
<b>Regular Programs - Instruction:</b>					
Instructional Equipment	6,000	(6,000)	-	-	-
Non-Instructional Equipment	6,000	(6,000)	-	-	-
Miscellaneous	55,000	13,855	68,855	68,855	-
<b>Total Equipment</b>	<u>67,000</u>	<u>1,855</u>	<u>68,855</u>	<u>68,855</u>	<u>-</u>
<b>TOTAL EXPENDITURES- GENERAL FUND</b>	3,999,264	109,805	4,109,069	3,941,024	168,045
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>		(221,296)	(221,296)	23,030	(92,958)
<b>Other Financing Sources:</b>					
<b>Operating Transfer In:</b>		221,296	221,296	-	-
<b>Total Other Financing Sources:</b>	<u>-</u>	<u>221,296</u>	<u>221,296</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Use:</b>	-	-	-	23,030	(92,868)
<b>Fund Balance, July 1</b>	-	-	222,015	222,015	
<b>Fund Balance, June 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,015</u>	<u>\$ 245,045</u>	<u>\$ (92,868)</u>

**VILLAGE CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2008**

Exhibit C-2  
Page 1

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources	\$ 40,821		\$ 40,821	\$ 40,821	
State Sources	1,048		1,048	1,048	
Federal Sources	370,741		370,741	370,741	
<b>Total Revenues</b>	<b>412,610</b>		<b>412,610</b>	<b>412,610</b>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	96,933		96,933	96,933	
Other Salaries for Instruction	153,776		153,776	153,776	
Purchased Professional -Educational Services	-		-	-	
Purchased Professional and Technical Services	51,867		51,867	51,867	
Transportation					
Other Purchased Services (400-500 series)	30,664		30,664	30,664	
General Supplies	28,483		28,483	28,483	
Personal Services- Employee Benefits	23,593		23,593	23,593	
Math Program	27,294		27,294	27,294	
Other Objects					
<b>Total Instruction</b>	<b>412,610</b>		<b>412,610</b>	<b>412,610</b>	
<b>Support Services</b>					
Salaries of Supervisor of Instruction					
Salaries of Program Directors					
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants	-		-	-	
Other Salaries					
Personal Services - Employee Benefits	-		-	-	
Purchased Professional - Educational Services					
Other Purchased Professional Services					
Purchased Technical Services					
Field Trips					
Scholarships					
Tuition					
Travel					
Other Object	-		-	-	
Supplies & Materials	-		-	-	
<b>Total Support Services</b>	<b>-</b>		<b>-</b>	<b>-</b>	

**VILLAGE CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements					
Instructional Equipment					
Noninstructional Equipment					
<b>Total Facilities Acquisition and Construction Services</b>					
<b>Transfer to Charter School</b>					
Total Expenditures	\$412,610		\$412,610	\$412,610	
<b>Other Financing Sources (Uses)</b>					
<b>Transfer in from General Fund</b>					
<b>Transfer Out to Whole School Reform (General Fund)</b>					
<b>Total Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>					
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>					

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**VILLAGE CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**For the Fiscal Year Ended June 30, 2008**

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

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

## **SPECIAL REVENUE FUND**

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

**VILLAGE CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures- Budgetary Basis**  
**For the Year Ended June 30, 2008**

	IDEA PART	NCLB 2008				NCLB C/O 2007			IDEA PART	Gertrude	Gertrude	CHARACTER	
	TOTAL	B-Basic	TITLE	TITLE	Title	TITLE	TITLE	TITLE	B-Basic	SKELLEY	SKELLEY	GRANT	
		Reg. Prog.	I	IIA	IID	IV	I	IIA	IV	Reg. Prog.	2008	2007	
<b>REVENUES</b>													
Intergovernmental													
State	1,048											1,048	
Federal	370,741	77,509	222,243	24,274	1,857	3,565	20,994	12,491	5,933	1,875			
Other Sources													
Miscellaneous	40,821										27,294	13,527	
Total Revenues	412,610	77,509	222,243	24,274	1,857	3,565	20,994	12,491	5,933	1,875	27,294	13,527	1,048
<b>EXPENDITURES</b>													
Instruction													
Salaries	96,933	59,503	14,074	10,408		1,140	11,808						
Other Instructional Salaries	153,776		150,270							3,506			
Transportation													
Other Purch Services	30,664		12,633	5,720				2,796	9,515				
Purchased Prof. and Tech. Services	51,867		40,445	3,598	1,857				2,976	2,991			
General Supplies	28,483	3,130	1,414	1,946		2,425	176		2,942	1,875		13,527	1,048
Math Program	27,294										27,294		
Personal Services - Employee Benefits	23,593	14,876	3,407	2,602			2,708			0			
Total Instruction	412,610	77,509	222,243	24,274	1,857	3,565	20,994	12,491	5,933	1,875	27,294	13,527	1,048
<b>TOTAL EXPENDITURES</b>	<b>412,610</b>	<b>77,509</b>	<b>222,243</b>	<b>24,274</b>	<b>1,857</b>	<b>3,565</b>	<b>20,994</b>	<b>12,491</b>	<b>5,933</b>	<b>1,875</b>	<b>27,294</b>	<b>13,527</b>	<b>1,048</b>

## **PROPRIETARY FUNDS**

## **ENTERPRISE FUND**

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

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

Exhibit G-1

VILLAGE CHARTER SCHOOL  
 Statement of Net Assets  
 June 30, 2008

	<u>Business-Type Activities</u>	
	Enterprise Fund	Food Services
<b>ASSETS</b>		
Current Assets		
Cash		
Intergovernmental Receivable		
Federal	\$ 11,241	
State		491
Accounts Receivable		
Total Current Assets		<u>11,732</u>
Total Assets		<u><u>11,732</u></u>
<b>LIABILITIES</b>		
Accounts Payable		
Cash Overdraft		1,039
Total Current Liabilities		<u>1,039</u>
Net Assets		
Unrestricted		10,693
Invested in capital assets net of related debt		
Total Net Assets		<u><u>\$10,693</u></u>

Exhibit G-2

**VILLAGE CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2008**

	<b>Business-Type Activities</b>
	Enterprise Fund Food Services
<b>OPERATING REVENUES</b>	
Local Sources	
Daily Sales - Reimbursable Programs	
Special Lunch and Breakfast Program	\$12,773
Revenue After School Program	
Special Functions	
Total Operating Revenues	12,773
<b>OPERATING EXPENSES</b>	
Salaries, wages and employee benefits	
Supplies, Materials & Other	130,508
Professional Fee	
Depreciation	
Cost of Sales	
Total Operating Expenses	130,508
Income (Loss) From Operations	(117,735)
Nonoperating Revenues	
State Sources	
State Sources	5,412
Federal Sources	
School Breakfast Program	5,662
National School Lunch Program	116,464
U.S. D.A. Commodities	
Board Subsidy	
Total Nonoperating Revenues	127,538
Net Income (Loss)	9,803
Total Net Assets- Beginning of Year	890
Total Net Assets- End of Year	\$10,693

**VILLAGE CHARTER SCHOOL**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended June 30, 2008**

	<u>2008</u>
Cash flows from operating activities	
Cash Received from Customers	12,773
Cash Payments to Employee's Salaries and Benefits	
Cash Payments to Suppliers for Goods and Services	(130,508)
Net Cash (Used) by Operating Activities	<u>(117,735)</u>
 Cash Flows from Noncapital Financing Activities	
Cash Received from General Fund Transfer (Contribution)	
Cash Received from State and Federal Subsidy Reimbursements	127,476
Net Cash Provided by Noncapital Financing Activities	<u>127,476</u>
 Cash Flows from Investing Activities	
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	9,741
Cash and Cash Equivalents, Beginning of Year	(10,780)
Cash and Cash Equivalents, End of Year	<u>(\$1,039)</u>
 Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	\$9,803
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Depreciation	
Increase in Accounts Receivable	(62)
USDA Commodities	
Change in Assets and Liabilities	
Increase/(Decrease) in Accounts Payable	
Increase/(Decrease) in Deferred Revenue	
Increase/(Decrease) in Compensated Absences	
Increase/(Decrease) in Inventory	
Total Adjustment	<u>(62)</u>
 Net Cash Used by Operating Activities	<u>\$9,741</u>

## **FIDUCIARY FUNDS**

**VILLAGE CHARTER SCHOOL**  
**Combining Statement of Agency Fund Net Assets**  
**Fiduciary Funds**  
**As of June 30, 2008**

	<u>Unemployment</u> <u>Insurance</u>	<u>Expendable trust</u> <u>Scholarships</u>	<u>Sports</u> <u>Fund</u>	<u>Payroll</u> <u>Agency</u>	<u>TOTAL</u>
<b>ASSETS</b>					
Cash	\$1,536				\$1,536
Total Assets	\$1,536				\$1,536
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Intergovernmental Payble - State					
Payroll Deductions and Withholdings					
Accrued Salaries and Wages					
Due to Student Groups					0
Total Liabilities					0
Fund Balances					
Reserve For Unemploy. Trust Fund	1,536				1,536
Total Fund Balances	1,536				1,536
Total Liabilities and Fund Balances	\$1,536	\$0		\$0	\$1,536

**Exhibit H-2**

**VILLAGE CHARTER SCHOOL  
Nonexpendable Trust Fund  
Combining Statement of Agency Fund Net Assets  
Fiduciary Funds  
As of June 30, 2008**

**NOT APPLICABLE**

VILLAGE CHARTER SCHOOL  
Student Activity Agency Fund  
Schedule of Receipts and Disbursements  
Fiduciary Funds  
For the Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2008</u>
Sports Fund	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	\$0	\$0	\$0	\$0

**VILLAGE CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	_____	\$2,837,917	\$2,837,917	_____
Total Liabilities	=====	2,837,917	2,837,917	=====
<b>LIABILITIES</b>				
Payroll Deductions and Withholdings		512,846	512,846	
Accrued Salaries and Wages	_____	2,325,071	2,325,071	_____
Total Liabilities	=====	\$2,837,917	\$2,837,917	=====

**VILLAGE CHARTER SCHOOL**  
**Unemployment Compensation Insurance Trust Fund**  
**Statement of Receipts and Disbursements**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>ASSETS</b>				
Cash and cash Equivalents	\$1,495	41	\$0	\$1,536
Total Assets	<u>\$1,495</u>	<u>41</u>	<u></u>	<u>\$1,536</u>
<b>LIABILITIES</b>				
<b>FUND BALANCE</b>				
Reserve for Unemployment Compensation	<u>1,495</u>	<u>41</u>	<u>-</u>	<u>1,536</u>
Total Liabilities and Fund Balance	<u><u>1,495</u></u>	<u><u>41</u></u>	<u><u>-</u></u>	<u><u>1,536</u></u>

## **FINANCIAL TRENDS**

**VILLAGE CHARTER SCHOOL  
NET ASSETS BY COMPONENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005, 2004**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 385,583	\$ 447,162	\$ 508,741	\$ 513,937	\$ 510,163
Restricted					
Unrestricted	245,045	222,015	314,973	452,769	304,105
Total governmental activities net assets	<u>\$ 630,628</u>	<u>\$ 669,177</u>	<u>\$ 823,714</u>	<u>\$ 966,706</u>	<u>\$ 814,268</u>
Business-type activities					
Invested in capital assets, net of related debt					
Restricted	10,693	890	890	890	890
Unrestricted	<u>\$ 10,693</u>	<u>\$ 890</u>	<u>\$ 890</u>	<u>\$ 890</u>	<u>\$ 890</u>
Total business-type activities net assets					
District-wide					
Invested in capital assets, net of related debt	385,583	447,162	508,741	513,937	510,163
Restricted					
Unrestricted	245,045	222,905	315,863	453,659	304,995
Total district net assets	<u>\$ 630,628</u>	<u>\$ 670,067</u>	<u>\$ 824,604</u>	<u>\$ 967,596</u>	<u>\$ 815,158</u>

**VILLAGE CHARTER SCHOOL**  
**CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005, 2004**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Expenses</b>					
Governmental activities					
Instruction					
Regular	2,058,324	1,735,663	1,725,528	1,685,321	1,445,214
Support Services:					
General administration	863,277	1,114,365	659,659	882,903	653,874
School Administrative Services	1,298,215	1,292,228	1,668,450	598,776	1,777,140
On-behalf TPAF Social Security	64,963	143,802	103,962	99,933	81,821
Capital outlay	68,855	0	66,501	29,918	63,595
Unallocated depreciation	61,579	61,579	71,697	48,503	18,779
Total governmental activities expenses	<u>4,415,213</u>	<u>4,347,637</u>	<u>4,295,797</u>	<u>3,345,354</u>	<u>4,040,423</u>
Business-type activities:					
Food service	130,508	154,687	177,142	73,678	64,212
Child Care					
Total business-type activities expense	<u>130,508</u>	<u>154,687</u>	<u>177,142</u>	<u>73,678</u>	<u>64,212</u>
Total district expenses	<u>4,545,721</u>	<u>4,502,324</u>	<u>4,472,939</u>	<u>3,419,032</u>	<u>4,104,635</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Daily Sales- National Lunch Program	0	0	0	0	0
Pupil transportation	0	0	0	0	0
Central and other support services					
Operating grants and contributions	412,610	393,830	409,108	0	0
Capital grants and contributions					
Total governmental activities program revenues	<u>412,610</u>	<u>393,830</u>	<u>409,108</u>	<u>0</u>	<u>0</u>
Business-type activities:					
Charges for services					
Food service	140,311	154,687	177,142	90,557	64,212
Child care					
Operating grants and contributions					
Capital grants and contributions					
Total business type activities program revenues	<u>140,311</u>	<u>154,687</u>	<u>177,142</u>	<u>90,557</u>	<u>64,212</u>
Total district program revenues	<u>552,921</u>	<u>548,517</u>	<u>586,250</u>	<u>90,557</u>	<u>64,212</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(3,992,800)	(3,953,807)	(3,886,689)	(3,328,475)	(4,040,423)
Business-type activities	0	0	0	0	0
Total district-wide net expense	<u>(3,992,800)</u>	<u>(3,953,807)</u>	<u>(3,886,689)</u>	<u>(3,328,475)</u>	<u>(4,040,423)</u>

**VILLAGE CHARTER SCHOOL**  
**CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005, 2004**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Local share	505,066	522,148	615,574	671,263	784,756
State Share	2,406,302	2,298,132	2,149,369	1,503,193	2,167,688
State and Federal Aid aid	962,865	873,772	831,141	1,010,392	914,018
Miscellaneous income	89,821	105,218	81,112	153,757	254,507
Increase in Net Capital Outlay	0	0	66,501	0	702,070
Transfers					
Total governmental activities	<u>3,964,054</u>	<u>3,799,270</u>	<u>3,743,697</u>	<u>3,338,605</u>	<u>4,823,039</u>
Business-type activities:					
Investment earnings					
Transfers					
Total business-type activities	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total district-wide	<u>3,964,054</u>	<u>3,799,270</u>	<u>3,743,697</u>	<u>3,338,605</u>	<u>4,823,039</u>
<b>Change in Net Assets</b>					
Governmental activities	(38,549)	(154,537)	(142,992)	10,130	782,616
Business-type activities	9,803	0	0	0	0
Total district	<u>(28,746)</u>	<u>(154,537)</u>	<u>(142,992)</u>	<u>10,130</u>	<u>782,616</u>

**VILLAGE CHARTER SCHOOL  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005, 2004**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	304,135	452,796	314,973	222,015	245,045
Total general fund	<u>\$ 304,135</u>	<u>\$ 452,796</u>	<u>\$ 314,973</u>	<u>\$ 222,015</u>	<u>\$ 245,045</u>
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue fund					
Capital projects fund					
Debt service fund					
Permanent fund					
Total all other governmental funds	<u>\$ -</u>				

**VILLAGE CHARTER SCHOOL**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**JUNE 30, 2003, 2004, 2005, 2006, 2007, 2008**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>						
Local tax Levy	\$ 369,131	\$ 357,197	\$ 470,318	\$ 696,686	\$ 522,148	\$ 505,066
Other local revenue	54,302	118,995	120,255	2,149,369	2,413,823	2,601,907
State sources	1,771,645	2,315,139	2,617,857	831,141	876,601	898,950
Federal sources	310,984	372,047	403,871	409,108	380,528	370,741
Total revenue	<u>2,506,062</u>	<u>3,163,378</u>	<u>3,612,301</u>	<u>4,086,304</u>	<u>4,193,100</u>	<u>4,376,664</u>
<b>Expenditures</b>						
Instruction	720,701	911,225	1,250,763	1,316,420	1,349,531	1,645,714
Regular Instruction						
Support Services:						
General administration	445,584	550,765	571,879	659,659	1,106,667	863,277
School administrative services/Plant	804,362	990,406	1,138,654	1,668,450	1,292,228	1,298,215
TPAF Social Security	41,650	60,967	79,533	103,962	143,802	64,963
Food Service						
Capital outlay	136,244	190,561	14,937	66,501	0	68,855
Debt service:						
Principal						
Interest and other charges						
Special Revenue	314,984	376,047	407,871	409,108	393,830	412,610
Total expenditures	<u>2,463,525</u>	<u>3,079,971</u>	<u>3,463,637</u>	<u>4,224,100</u>	<u>4,286,058</u>	<u>4,353,634</u>
Excess (Deficiency) of revenues over (under) expenditures						
<b>Other Financing sources (uses)</b>						
Proceeds from borrowing						
Capital leases (non-budgeted)						
Proceeds from refunding						
Payments to escrow agent						
Transfers in						
Transfers out						
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>\$ 1,456,661</u>	<u>\$ 1,939,092</u>	<u>\$ 2,209,986</u>	<u>\$ 422,033</u>	<u>\$ (92,958)</u>	<u>\$ 23,030</u>
Debt service as a percentage of noncapital expenditures						

**Source: District records**

## **REVENUE CAPACITY**

**EXHIBIT J-5**

**VILLAGE CHARTER SCHOOL  
REVENUE CAPACITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOT APPLICABLE**

**Exhibit J-6**

**VILLAGE CHARTER SCHOOL  
Assessed Value and Actual Value of Taxable Property  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**Exhibit J-7**

**VILLAGE CHARTER SCHOOL  
Direct and Overlapping Property Tax Rates  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**Exhibit J-8**

**VILLAGE CHARTER SCHOOL  
Principal Property Taxpayers  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

## **DEBT CAPACITY**

**Exhibit J-9**

**VILLAGE CHARTER SCHOOL  
Property Tax Levies and Collections  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**Exhibit J-10**

**VILLAGE CHARTER SCHOOL  
Ratios of Outstanding Debt by Type  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

Exhibit J-11

**VILLAGE CHARTER SCHOOL**  
**Ratios of Net General Bonded Debt Outstanding**  
**For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**Exhibit J-12**

**VILLAGE CHARTER SCHOOL  
Direct and Overlapping Governmental Activities Debt  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Exhibit J-13**

**VILLAGE CHARTER SCHOOL  
Demographic and Economic Statistics  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**Exhibit J-14**

**VILLAGE CHARTER SCHOOL  
Principal Employers  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**OPERATING INFORMATION  
(UNAUDITED)**

**VILLAGE CHARTER SCHOOL**  
**Full-time Equivalent District Employees by Function/Program**  
**For the Year Ended June 30, 2008**

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>
Instruction		
Regular	31	28
Special education	1	2
Other special education		
Vocational		
Other instruction (Aides)	-	7
Nonpublic school programs		
Adult/continuing education programs		
Support Services:		
Student & instruction related services		
General administration	1	1
School administrative services	2	3
Other administrative services		
Central services	1	2
Administrative Information Technology		
Plant operations and maintenance	1	1
Pupil transportation	-	-
Other support services	3	3
Special Schools	-	-
Food Service	4	3
Child Care		
Total	<u>44</u>	<u>50</u>

**Source:** District Personnel Records

VILLAGE CHARTER SCHOOL  
 Operating Statistics  
 For the Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil Teacher Ratio</u> Elementary	<u>Average Daily Enrollment (ADE)</u>	<u>Average Daily Attendance (ADA)</u>	<u>&amp; Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2005	309	3,463,547	11,209	3.72%	N/A	18	314	289	9.03%	92.00%
2006	348	3,598,937	10,342	-7.74%	N/A	10	352	333	12.10%	98.60%
2007	347	3,892,228	11,217	8.46%	N/A	18	340	325	-3.41%	95.50%
2008	358	3,964,054	11,072	-1.29%	30	18	352	339	3.53%	96.30%

Sources: District records

**VILLAGE CHARTER SCHOOL  
School Building Information  
For the Year Ended June 30, 2008**

**Non Applicable**

**VILLAGE CHARTER SCHOOL  
Insurance Schedule  
For the Year Ended June 30, 2008**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$ 1,000,000	\$ 1,000
Boiler and Machinery	1,600,000	1,000
Automobile	1,000,000	
School Board Legal Liability	3,000,000	
Umbrella	2,000,000	
Workers' Compensation	500,000	
 Surety Bonds		
School Board Legal Liability	2,500	
Public Official Bond	2,500	

Source: Charter School Records

**VILLAGE CHARTER SCHOOL**  
**General Fund - Other Local Revenue By Source**  
**For the Year Ended June 30, 2008**

<b>Fiscal Year Ending June 30,</b>	<b>Sale of Capital Assets</b>	<b>Donations and Other</b>	<b>Rentals</b>	<b>Prior Year Refunds</b>	<b>Sale and Leaseback of Textbooks</b>	<b>Annual Totals</b>
2002		54,302				54,302
2003	-	118,995			-	118,995
2004	-	120,255			-	120,255
2005	-	44,262			-	44,262
2006	-	81,112			-	81,112
2007	-	105,218			-	105,218
2008	-	89,821			-	89,821

Source: District records

**Exhibit J-20**

**VILLAGE CHARTER SCHOOL  
Schedule of Allowable Maintenance Expenditures by School Facility  
For the Year Ended June 30, 2008**

**NOT APPLICABLE**

**SINGLE AUDIT SECTION K**

**SCOTT J. LOEFFLER**

CERTIFIED PUBLIC ACCOUNTANT  
7 CLEVELAND STREET  
CALDWELL, NEW JERSEY 07006

TELEPHONE  
**973-226-5985**

FAX  
**973-226-9701**

**EXHIBIT K-1**

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

The Honorable President and  
Members of the Board of Trustees  
Village Charter School  
County of Mercer  
Trenton, New Jersey

I have audited the financial statements of the Board of Trustee's of Village Charter School County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2008, and have issued my report thereon dated October 15, 2008. I conducted my audit in accordance with generally accepted auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Village Charter School Board of Trustee's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Village Charter School Board of Trustee's internal control over financial reporting. Accordingly, I do not express an opinion on effectiveness of Village Charter School Board of Trustee's internal control over financial reporting.

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

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

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

### **Compliance and Other Matters**

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

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink that reads "Scott J Loeffler" followed by "CPA" in smaller letters.

Scott J Loeffler, CPA

October 15, 2008

**SCOTT J. LOEFFLER**

CERTIFIED PUBLIC ACCOUNTANT  
7 CLEVELAND STREET  
CALDWELL, NEW JERSEY 07006

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**973-226-5985**

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**EXHIBIT K-2**

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

The Honorable President and  
Members of the Board of Trustees  
Village Charter School  
County of Mercer  
Trenton, New Jersey

**Compliance**

I have audited the compliance of the Board of Trustee's of Village Charter School, in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008. Village Charter School Board of Trustee's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Village Charter School Board of Trustee's management. My responsibility is to express an opinion on Village Charter School Board of Trustee's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Village Charter School's Board of Trustee's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Board of Trustee's of Village Charter School compliance with those requirements.

In my opinion, the Board of Trustee's of Village Charter School, in the County of Mercer, State of New Jersey, complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 2008.

### **Internal Control Over Compliance**

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

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

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

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

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

Licensed Public School Accountant No. 870

A handwritten signature in black ink, appearing to read "Scott J. Loeffler" with "CPA" written in smaller letters to the right.

Scott J. Loeffler, CPA  
October 15, 2008

VILLAGE CHARTER SCHOOL  
 Schedule of Federal Financial Assistance  
 For the Fiscal Year Ended June 30, 2008

<u>Federal/Grantor/Program Title</u>	<u>CFDA/GRANT Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2007</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustment</u>	<u>Deferred Revenue/ (Accounts Receivable) 30-Jun-08</u>	<u>Due to Grantor at June 30, 2008</u>
<b>Food Subsidy</b>											
Federal School Lunch	10.555	08/01/07-07/30/08				\$105,609	\$116,464			(\$10,855)	
Federal Breakfast	10.555	08/01/07-07/30/08				5,276	5,662			(\$386)	
Special Revenue Fund											
<b>Special Revenue</b>											
<b>NCLB</b>											
Title I	NCLB732008	09/01/07-08/31/08	273,164			273,164	222,243			50,921	
Title I C/O	NCLB732008	09/01/07-08/31/08	20,994		20,994		20,994				
Title IIA	NCLB732008	09/01/07-08/31/08	30,514			30,514	24,274			6,240	
Title IIA C/O	NCLB732008	09/01/07-08/31/08	12,491		12,491		12,491				
Title IID	NCLB732008	09/01/07-08/31/08	1,857			1,857	1,857			0	
Title IV	NCLB732008	09/01/07-08/31/08	5,812			5,812	3,565			2,247	
Title IV C/O	NCLB732008	09/01/07-08/31/08	5,933		5,933		5,933				
Title V	NCLB732008	09/01/07-08/31/08	972			972				972	
Title VI	IDEA		77,509			77,509	77,509			0	
Title VI C/O	IDEA		1,875		1,875	0	1,875				
Total Special Revenue					41,293	389,828	370,741			60,380	
					\$41,293	\$500,713	\$492,867			\$49,139	\$0

**VILLAGE CHARTER SCHOOL**  
**Schedule of State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2008**

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance July 1, 2007</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjustments</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2008</u>	<u>Due to Grantor at June 30, 2008</u>
GENERAL FUND										
TPAF Social Security	96-495034095-032	7/1/07-06/30/08	\$64,963		\$64,963	\$64,963				
On Behalf Pension	96-495034095-032	7/1/07-06/30/08								
		7/1/07-06/30/08								
Charter School Aid - Local *	5120-495/150-360030-60	7/1/07-06/30/08	505,066		505,066	505,066				
Charter School Aid - State *	5120-195/070030-60	7/1/07-06/30/08	2,406,302		2,406,302	2,406,302				
Targeted At -Risk Aid	5120-195/070030-60	7/1/07-06/30/08	125,700		125,700	125,700				
Teachers Mentoring			2,326		2,326	2,326				
Technology Grant			14,068		14,068	14,068				
T&E Gap Funding	5120-195/070030-60	7/1/07-06/30/08	113,036		113,036	113,036				
Early Childhood	5120-195/070030-60	7/1/07-06/30/08	287,012		287,012	287,012				
Special Education	5120-195/070030-60	7/1/07-06/30/08	60,412		60,412	60,412				
Abbott Kindergarten	5120-195/070030-60	7/1/07-06/30/08	132,696	--	132,696	132,696				
Demonstrably Effective	5120-495/050030-60	7/1/07-06/30/08	162,652		162,652	162,652				
Total General Fund				--	3,874,233	3,874,233				
SPECIAL REVENUE FUND										
Character Grant	Char	7/1/07-06/30/08	1,048	1,048	0	1,048			0	
Total Special Revenue Fund					0	1,048			0	
ENTERPRISE FUND										
State School Lunch	96-100-034-5120-122	7/1/07-06/30/08		--	4,921	5,412			(491)	
GRAND TOTAL				--	\$3,879,154	\$3,880,693			(\$491)	

\*Major Program

**THE VILLAGE CHARTER SCHOOL  
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

**1. GENERAL**

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

**2. BASIS OF ACCOUNTING**

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

**3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

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

**THE VILLAGE CHARTER SCHOOL  
FOOTNOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

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

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

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ ---	\$3,809,270	\$3,809,270
Special Revenue Fund	370,741	1,048	371,789
Food Service Fund	<u>122,126</u>	<u>5,412</u>	<u>127,538</u>
Total Awards and Financial Assistance	<u>\$ 492,867</u>	<u>\$ 3,815,730</u>	<u>\$4,308,597</u>

**4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**5. OTHER**

The amount reported as TPAF Pension Contributions of \$126,301 represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2008. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2008.

**THE VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
YEAR ENDED JUNE 30, 2008**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statement Section**

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

**State Awards**

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

Identification of major programs:

<b><u>C DFA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
5120-07	Charter School Aid Local and State

**THE VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
JUNE 30, 2008**

**PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)**

**Federal and State Awards Section (continued)**

Identification of Major Programs:

**Federal**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
NONE	NONE

**State**

<u>Program Number(s)</u>	<u>Name of State Program or Cluster</u>
5120-07	Charter School Aid/Local And State

**THE VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
YEAR ENDED JUNE 30, 2008**

**PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS**

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

**THE VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS OF NONCOMPLIANCE  
JUNE 30, 2008**

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

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

**THE VILLAGE CHARTER SCHOOL  
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Status of Prior Year Findings**

No findings were reported for the prior year.