

VILLAGE CHARTER SCHOOL

***COUNTY OF MERCER
TRENTON, NEW JERSEY***

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2012***

**VILLAGE CHARTER SCHOOL
COUNTY OF MERCER, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

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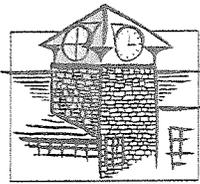
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INTRODUCTORY SECTION



September 24, 2012
Honorable Chair and
Members of the Board of Trustees
Village Charter School
Trenton, New Jersey

The Comprehensive Annual Financial Report of the Village Charter School (the "School") for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of these 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, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Village Charter School. All disclosures necessary to enable the reader to gain an understanding of the School's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory Section includes this transmittal letter, the School's organizational chart and a list of principal officials. The Financial Section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis. The School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, 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 auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit Section of this report.

1. REPORTING ENTITY AND ITS SERVICES: Village Charter School is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the School 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 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. The School completed 2011 – 2012 fiscal year, with an average daily enrollment of 358 students.

2. ECONOMIC CONDITION AND OUTLOOK: The School enrolled 360 students kindergarten to eight grade for the 2011-2012 School Year. Each year since inception, waiting lists have been necessary for all grade levels. Enrollment has stabilized and remained consistent over the last year. With the continued growth in Mercer County, we can look forward to maintaining our enrollment. We will be monitoring any new legislation from Trenton with regards to changes in Charter School Funding, particularly in the area of facility cost aid.

3. Major Initiatives: The educational program of the School continues to expand and improve with each year. Our smaller class sized, flexible teaching schedule, dedicated and experienced teachers, rich resources and parents and community involvement are essentials for the total educational program. Our Board of Trustees is active, involved and committed to the mission of the School. Parent representatives continue to serve on the PTO and the Board of Trustees, including committee participation.

Situated on the 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, and is the first new public school constructed in Trenton in decades.

Educational program initiatives of the Village Charter School during the 2011-2012 school year included **a continuation of the many projects in 2011-12** (e.g., **SuccessMaker; Columbia University, Teachers College Reading and Writing Project; the Echo Hill experience**, among others. We added a Saturday School program that features the tenets of Junior Achievement (financial literacy and entrepreneurship).

4. INTERNAL ACCOUNTING CONTROLS: Management of the 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. To this end, adequate accounting data are compiled periodically to allow accurate preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the School is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure likewise is subjected to periodic evaluation by School management. Since grant periods differ in their prescribed fiscal years, representations are made prior to the end of the fiscal year for those grants having fiscal years other than July 1 through June 30.

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. Annual appropriated budgets are adopted for the general fund and 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 cancelled or are included as

reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reserves for encumbrances and are included as reservations of fund balance at June 30, 2012.

6. ACCOUNTING SYSTEM AND REPORTS: The School accounting records reflect generally accepted accounting principles, as promulgated by the Governmental 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 Statement", Note 1.

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

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

9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The firm of Hodulik & Morrison, P.A., a professional corporation of accountants and auditors was selected and duly appointed by the Village Charter School. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 04-04. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

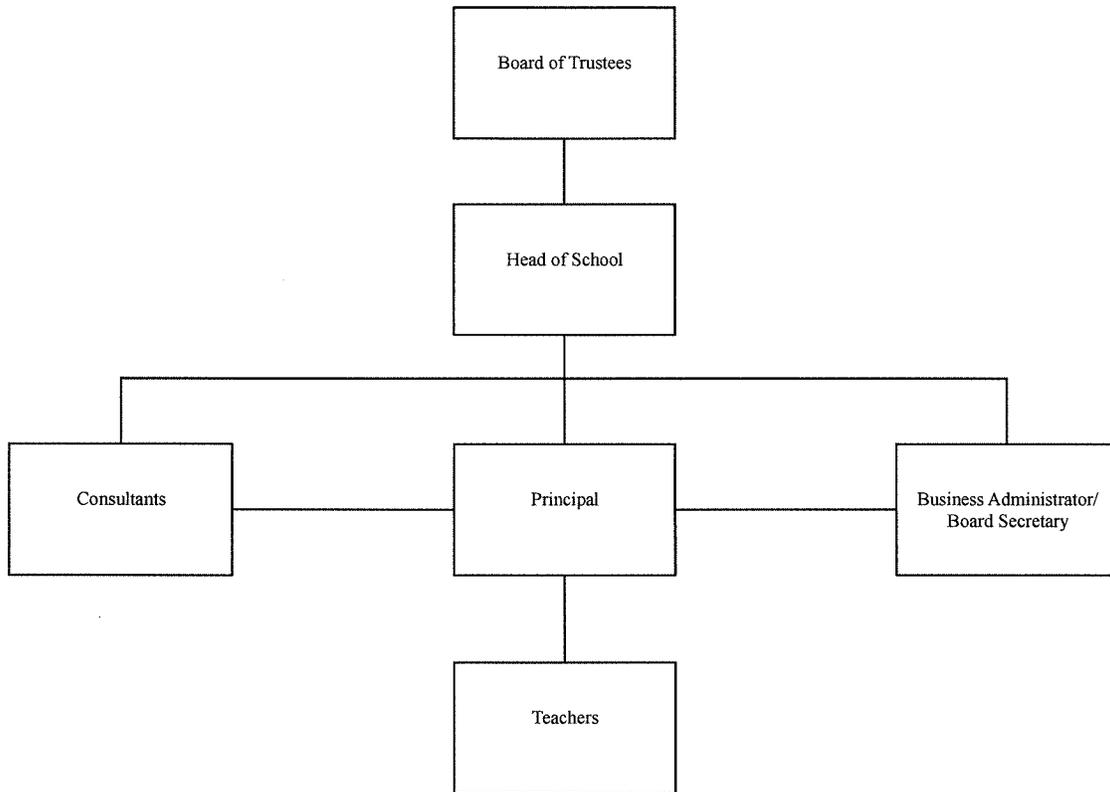
10. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Village Charter School for its concern in providing fiscal accountability to the citizens and taxpayers of the School and contributing its full support to the development maintenance of the financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, business services and accounting staff.

Respectfully submitted,



Leigh Byron
Head of School

VILLAGE CHARTER SCHOOL
2012 ORGANIZATIONAL CHART



VILLAGE CHARTER SCHOOL
 ROSTER OF OFFICIALS
JUNE 30, 2012

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Bud Dotsey	2013
Nicole Brittingham-Furlong	2014
Sheila Glover	2015
Eileen Goldstein	2015
Sally Henriques	2013
Kevin Hogan	2013
Stephen L. Kitts, Chair of Finance	2014
M.Elaine Murphy-Arnold, Corporate Secretary	2014
Eyvonda Queen, Chair of Personnel	2015
Patricia Schorr, Chair of Board	2014
Michael Spicer, Esq.	2015
Cindy Sussmann, MD, Chair of Education	2014
Kimberly Thompson	2013
Catherine Milone-Richards	2015

<u>Other Officials</u>	<u>Title</u>
Dr. Leigh Byron	Head of School
Keoke Wooten-Johnson	Principal
Paul DeWitt	COO/School Business Administrator

**VILLAGE CHARTER SCHOOL
CONSULTANTS AND ADVISORS**

AUDIT FIRM

Hodulik and Morrison, P.A.
1102 Raritan Avenue
Highland Park, N.J. 08904

ATTORNEY

Frank Spada, Esq.
Pepper Hamilton LLC
Suite 400
301 Carnegie Center
Princeton, NJ 08543

OFFICIAL DEPOSITORIES

SUN National Bank
226 Landis Avenue
Vineland, NJ 08360

FINANCIAL SECTION

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

JO ANN BOOS, CPA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF NJ

INDEPENDENT AUDITOR'S REPORT

Honorable Chair and Members
of the Board of Trustees
Village Charter School
Trenton, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village Charter School, in the County of Mercer, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the school's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously 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 in the County of Mercer, State of New Jersey, as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

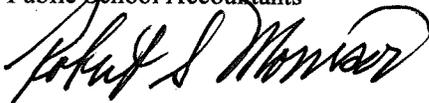
In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012 on our consideration of the Village Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village Charter School's financial statements. The introductory section and other supplementary information such as the combining and individual fund financial statements and statistical tables and 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, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining fund financial statements and schedules of expenditures of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section, financial schedules and statistical section have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express or provide assurance on them.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants



Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
October 9, 2012

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

VILLAGE CHARTER SCHOOL
Trenton, New Jersey
Mercer County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
(Unaudited)
June 30, 2012

This section of the Village Charter School's annual financial report presents a discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2012. It should be read in conjunction with the transmittal letter at the front of this report and the school's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments issued June 1999 and amended by GASB Statement No. 37. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Overall revenue was \$5,936,490.
- Overall expenditures were \$5,812,917.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1

Organization of the School District Annual Financial Report

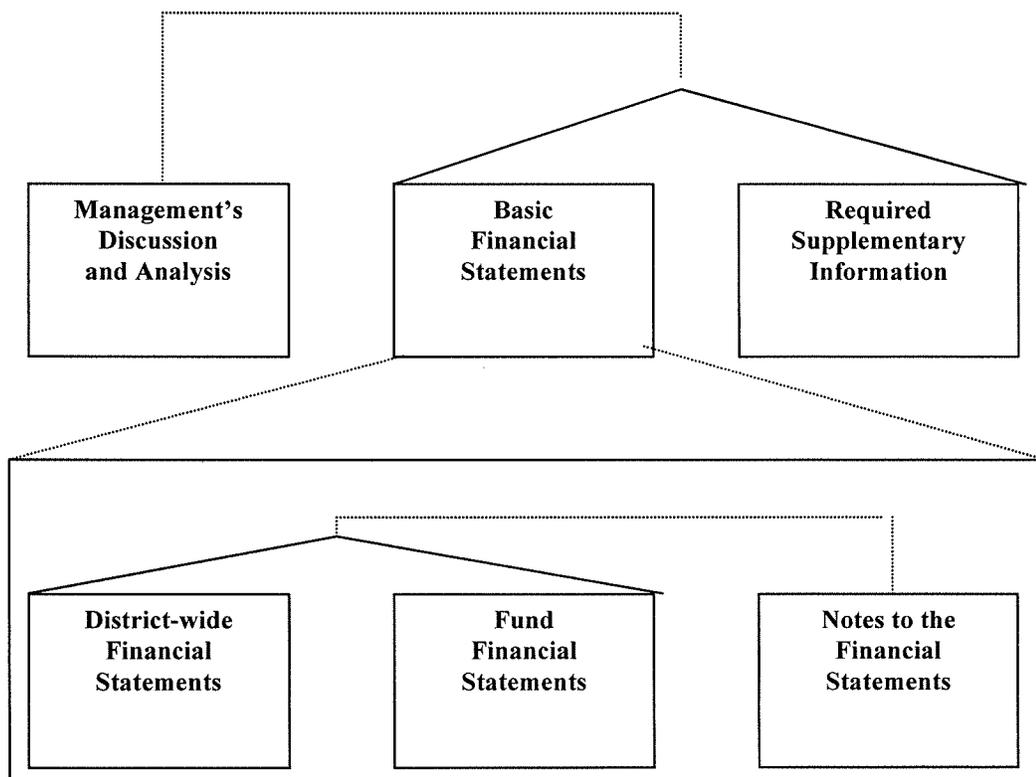


Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-2 Major Features of the School-Wide and Fund Financial Statements				
	Entity-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance	Activities the school operates similar to private businesses: food services and adult education	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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	All additions and deductions during the year, regardless of when cash is received or paid

Entity-wide Statements

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

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

- Over time, increases or decreases in the school's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the school's overall health, you need to consider that the school's goal is to provide services to students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the of the schools to assess the overall health of the school.

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

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

Fund Financial Statements

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

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

The school has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The school’s Governmental Activities net assets were \$1,571,629 at June 30, 2012. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school school’s ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Figure A-3) and change in net assets (Figure A-4) of the school’s governmental activities.

Figure A-3
Net Assets- Governmental Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Current and other assets	\$1,663,699	\$1,532,035	\$131,664	8.59%
Capital assets	<u>107,401</u>	<u>101,358</u>	<u>6,043</u>	<u>5.96%</u>
Total assets	<u>\$1,771,100</u>	<u>\$1,224,123</u>	<u>\$137,707</u>	<u>8.43%</u>

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Current and other liabilities	<u>\$199,471</u>	<u>\$ 191,383</u>	<u>\$8,088</u>	<u>4.23%</u>
Total liabilities	<u>\$199,471</u>	<u>\$191,383</u>	<u>\$8,088</u>	<u>4.23%</u>
<u>Net Assets</u>				
Invested in capital assets, net of debt	107,401	101,358	6,043	5.96%
Restricted	500,000	500,000		
Unrestricted	<u>964,228</u>	<u>840,653</u>	<u>123,575</u>	<u>14.70%</u>
Total net assets	<u>\$1,571,629</u>	<u>\$1,127,244</u>	<u>\$129,618</u>	<u>8.99%</u>

The results of this year's operations for the school Governmental Activities as a whole are reported in the Statement of Activities. Figure A-4, below, takes the information from that Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues and expenses for the year.

FINANCIAL ANALYSIS OF THE SCHOOL AS AWHOLE (Continued)

**Figure A-4
Changes in Net Assets
Year Ended June 30, 2012**

	<u>FY 2012</u>	<u>FY2011</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues:				
Program revenue				
State grants & Entitlements	\$ 348,414	\$ 272,163	76,251	28.02%
General Revenue				
Local tax levy	469,718	442,536	27,182	6.14%
Federal and State aid	5,101,171	4,901,652	199,519	4.07%
Miscellaneous revenues (Incl. Special items & Transfers)	<u>17,188</u>	<u>119,064</u>	<u>(101,876)</u>	<u>(85.56)%</u>
Total revenues	<u>\$5,936,491</u>	<u>\$5,735,415</u>	<u>\$171,766</u>	<u>3.51%</u>
Functions/Program Expenses:				
Instruction				
Regular programs	2,325,118	2,057,922	267,196	12.98%
Special education	319,688	384,236	(64,548)	(16.80)%
Support services				
Student and Instruction	144,404	82,816	61,588	74.37%
School Support Services	1,451,353	1,388,814	62,539	4.50%
General administration and Business services	1,217,898	1,183,598	34,300	2.90%
Unallocated benefits	<u>348,414</u>	<u>323,262</u>	<u>25,152</u>	<u>7.78%</u>
Total expenses	<u>\$ 5,806,875</u>	<u>\$ 5,420,648</u>	<u>386,227</u>	<u>(58.82)%</u>
Increase (decrease) in net assets	<u>\$129,616</u>	<u>\$314,767</u>		

Governmental Activities (Continued)

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$5,458,461 (Expenses less operating grants and contributions). These costs were financed by \$469,718 in local property school taxes, \$5,101,171 in federal and state aid and \$17,188 in miscellaneous revenues including interest, general entitlements, special items and transfers.

In Figure A-5, below, we have presented the cost of each of the school's six largest functions for the current year and the cost of those functions for the previous year. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by the function.

Figure A-5
Governmental Activities – Total Cost of Services

	<u>FY 2012</u>	<u>FY2011</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Regular instruction	\$ 2,325,118	2,057,922	\$ 267,196	12.98%
Special Education	319,688	384,236	(65,548)	(16.80)%
Student & Instruction	144,404	82,816	61,588	74.37%
School Support Services	1,451,353	1,388,814	62,539	2.90%
General Administration	1,217,898	1,183,598	34,300	4.50%
Unallocated Benefits	<u>348,414</u>	<u>323,262</u>	<u>25,152</u>	<u>7.78%</u>
Total	<u>\$5,806,875</u>	<u>\$5,420,648</u>	<u>\$385,227</u>	<u>7.13%</u>

Financial Analysis of the School's Funds

As we noted earlier, the school uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the school is being accountable for the resources provided to it, and also, gives more insight into the school's overall financial health.

General Fund Budgetary Highlights

Over the course of the year, the school revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. Budget changes/transfers are approved by the Board throughout the year. Although the school's projected budget for the general fund anticipated that revenues and expenditures would be roughly equal, the actual results for the year show a surplus.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the school reported \$516,485 invested in a broad range of capital assets, including furniture and equipment. Figure A-6 details the composition of capital assets at June 30th of the current and prior year and the net changes for the current year.

Figure A-6
Governmental Activity Capital Assets at Year-End

	<u>FY 2012</u>	<u>FY2011</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Furniture and Equipment	<u>\$516,485</u>	<u>\$495,639</u>	<u>\$20,846</u>	<u>4.00%</u>
Total	<u>\$516,485</u>	<u>\$495,639</u>	<u>\$20,846</u>	<u>4.00%</u>

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the school's finances and to show the school's accountability for the money it received. If you have questions about this report or wish to request additional financial information, contact the Business Office, Village Charter School, 101 Sullivan Way, Trenton, New Jersey, 08628.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

SECTION – A

VILLAGE CHARTER SCHOOL
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,473,686	\$ 46,426	\$ 1,520,112
Receivables, net	71,311	13,146	84,457
Receivables from other funds	67,338		67,338
Prepaid Expenses	51,364		51,364
Capital assets, net (Note 3)	<u>107,401</u>		<u>107,401</u>
Total Assets	<u>1,771,100</u>	<u>59,572</u>	<u>1,830,672</u>
LIABILITIES			
Accounts payable	176,285		176,285
Deferred Revenue	10,567		10,567
Other Liabilities	2,257		2,257
Interfund payable	<u>10,362</u>	<u>304</u>	<u>10,666</u>
Total Liabilities	<u>199,471</u>	<u>304</u>	<u>199,775</u>
NET ASSETS			
Invested in capital assets, net of related debt	107,401		107,401
Restricted for:			
Other purposes	500,000		500,000
Unrestricted(Deficit)	<u>964,228</u>	<u>59,268</u>	<u>1,023,496</u>
Total Net Assets	<u>1,571,629</u>	<u>59,268</u>	<u>1,630,897</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, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$2,325,118	\$	\$	\$	(\$2,325,118)	\$	(\$2,325,118)
Special education	319,688				(319,688)		(319,688)
Support services:							
Student & instruction related services	144,404				(144,404)		(144,404)
School Support Services	1,451,353				(1,451,353)		(1,451,353)
General and business administrative services	1,217,898				(1,217,898)		(1,217,898)
Unallocated benefits	348,414		348,414				
Total governmental activities	5,806,875		348,414		(5,458,461)		(5,458,461)
Business-type activities:							
Food Service	162,609	15,038	158,276			10,705	10,705
Total business-type activities	162,609	15,038	158,276			10,705	10,705
Total primary government	\$5,969,484	\$15,038	\$506,690		(\$5,458,461)	\$10,705	(\$5,447,756)
General revenues:							
Taxes							
Property taxes, levied for general purposes, net							
					\$469,718		\$469,718
					4,704,175		4,704,175
					396,996		396,996
					622	24	646
					16,566		16,566
Total general revenues, special items, extraordinary items and transfers							
					5,588,077	24	5,588,101
Change in Net Assets							
					129,616	10,728	140,345
Net Assets—beginning							
					1,442,013	48,540	1,490,553
Net Assets—ending							
					1,571,629	59,268	1,630,898

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

FUND FINANCIAL STATEMENTS

SECTION – B

GOVERNMENTAL FUNDS

VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

Exhibit B-1
Page 1 of 2

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,394,269	\$ 79,417	\$ 1,473,686
Accounts Receivable:			
Interfunds	179,638		179,638
Due from other governments		39,962	39,962
Other Accounts Receivable	7,839	23,511	31,350
Prepaid Expenses	51,364		51,364
Total Assets	1,633,109	142,890	1,775,999
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	156,263	20,022	176,285
Interfund Payable	10,362	112,301	122,663
Other Liabilities	2,257		2,257
Deferred Revenue		10,567	10,567
Total Liabilities	168,882	142,890	311,772
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	500,000		500,000
Assigned Fund Balance:			
Maintenance, Improvement and Acquisition of Facilities	14,335		14,335
Unassigned Fund Balance	750,000		750,000
	199,892		199,892
Total Fund Balances	1,464,227		1,464,228
Total Liabilities and Fund Balances	\$ 1,633,109	\$ 142,890	\$ 1,775,999

VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

Exhibit B-1
Page 2 of 2

Amounts reported for <i>governmental activities</i> in the statement of net assets (A-1) are different because:	\$ 1,464,228
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$516,485, and the accumulated depreciation is \$409,084.	<u>107,401</u>
Net assets of governmental activities.	\$ <u><u>1,571,629</u></u>

VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local tax levy	\$ 469,718	\$	\$ 469,718
Interest	622		622
Miscellaneous	16,566		16,566
Local sources		41,280	41,280
State sources	5,052,588		5,052,588
Federal sources		355,716	355,716
	<u>5,539,494</u>	<u>396,996</u>	<u>5,936,490</u>
Total revenues			
EXPENDITURES			
Current:			
Regular instruction	2,310,315		2,310,315
Special education instruction	61,596	258,092	319,688
Support services and undistributed costs:			
General Administration Services	1,217,897		1,217,897
Student & Instruction Related Services	26,346	118,058	144,404
School Support Services	1,451,353		1,451,353
Unallocated Benefits	348,414		348,414
Capital Outlay		20,846	20,846
Total expenditures	<u>5,415,921</u>	<u>396,996</u>	<u>5,812,917</u>
Excess (Deficiency) of revenues over expenditures	<u>123,573</u>	<u></u>	<u>123,573</u>
Net change in fund balances	123,573		123,573
Fund balance—July 1	1,340,653		1,340,653
Fund balance—June 30	<u>\$ 1,464,226</u>	<u>\$</u>	<u>\$ 1,464,226</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, 2012

Total net change in fund balances - governmental funds (from B-2) \$ 123,573

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.

	Capital Outlays	20,846	
	Depreciation expense	<u>(14,803)</u>	<u>6,043</u>

Change in net assets of governmental activities \$ 129,616

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, 2012

	<u>Business-type Activities Enterprise Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 46,426
Receivables from other governments	<u>13,146</u>
Total current assets	<u>59,572</u>
Total assets	<u>\$ 59,572</u>
LIABILITIES	
Current liabilities:	
Interfunds payable	<u>304</u>
Total current liabilities	<u>304</u>
Total liabilities	<u>304</u>
NET ASSETS	
Unrestricted (Deficit)	<u>59,268</u>
Total net assets	<u>59,268</u>
Total Liabilities and Net Assets	<u>\$ 59,572</u>

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

VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

		Business-Type Activities Enterprise Fund
Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$	15,038
Total operating revenues		15,038
Operating expenses:		
Cost of sales		162,609
Total Operating Expenses		162,609
Operating income (loss)		(147,571)
Nonoperating revenues (expenses):		
State sources:		
State school lunch program		2,686
Federal sources:		
National school lunch program		123,612
National school breakfast program		31,978
Interest and investment revenue		24
Total nonoperating revenues (expenses)		158,300
Income (loss) before contributions & transfers		10,729
Change in net assets		10,729
Total net assets—beginning		48,540
Total net assets—ending	\$	59,268

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, 2012

		<u>Business-type Activities - Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	15,038
Payments to suppliers		(170,826)
Net cash provided by (used for) operating activities		<u>(155,788)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal and State Sources		159,644
Transfers from other funds		<u>(12,666)</u>
Net cash provided by (used for) non-capital financing activities		<u>146,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends		<u>24</u>
Net cash provided by (used for) investing activities		<u>24</u>
Net increase (decrease) in cash and cash equivalents		<u>(8,786)</u>
Balances—beginning of year		<u>55,212</u>
Balances—end of year	\$	<u><u>46,426</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(147,571)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities		
Increase (decrease) in accounts payable		<u>(8,217)</u>
Total adjustments		<u>(8,217)</u>
Net cash provided by (used for) operating activities	\$	<u><u>(155,788)</u></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 NET ASSETS
June 30, 2012

	Unemployment Compensation <u>Trust</u>	Agency Fund
ASSETS:		
Cash and cash equivalents	\$ 2,314	\$ 74,382
Interfund Receivable	<u>13,671</u>	<u>2,301</u>
Total Assets	<u>\$ 15,985</u>	<u>\$ 76,683</u>
 LIABILITIES:		
Interfund Payable	\$	\$ 72,644
Claims Payable	9,930	
Payroll Deductions and Withholdings	<u></u>	<u>1,738</u>
Total Liabilities	<u>9,930</u>	<u>74,382</u>
 NET ASSETS:		
Due to Student Groups		2,301
Held in trust for unemployment claims and other purposes	<u>6,055</u>	<u></u>
Total Net Assets	<u>6,055</u>	<u>2,301</u>
Total Liabilities and Net Assets	<u>\$ 15,985</u>	<u>\$ 76,683</u>

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, 2012

		<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions:		
Plan member	\$	5,610
Other		<u>35,746</u>
Total Contributions		<u>41,356</u>
Interest		<u>1</u>
Net investment earnings		<u>1</u>
Total additions		<u>41,357</u>
DEDUCTIONS		
Unemployment claims		<u>35,747</u>
Total deductions		<u>35,747</u>
Change in net assets		5,610
Net assets—beginning of the year		<u>445</u>
Net assets—end of the year	\$	<u><u>6,055</u></u>

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

VILLAGE CHARTER SCHOOL
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (Board) of the Village Charter School (the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2005. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments. This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

The more significant of the Charter School’s accounting policies are described below.

A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. A Head of School is appointed by the Board and is responsible for the administrative control of the Charter School. The purpose of the Charter School is to educate students in grades K-8. The Charter School had an approximate enrollment at June 30, 2012 of 358 students.

The primary criterion for including activities within the Charter School reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Charter School holds the corporate powers of the organization
- the Charter School appoints a voting majority of the organization’s board
- the Charter School is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Charter School
- there is a fiscal dependency by the organization on the Charter School

Based on the aforementioned criteria, the Charter School has no component units. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

On June 25, 1998 the Village Charter School was granted 501(c)(3) status as a non-profit. They are required to file Federal form 990 on a yearly basis.

Basic Financial Statement Presentation

The Charter School-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the Charter School, except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Assets at the Fund Financial Statement level.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Financial Statement Presentation (cont'd):

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 charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Charter School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. The effect of interfund activity has been removed from these statements. Separate Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Charter School-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 revenue of the Charter School internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fiduciary funds are presented in the fiduciary fund financial statements type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Charter School, these funds are not incorporated into the Entity-wide statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**B. Fund Accounting:**

The accounts of the Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

GOVERNMENTAL FUNDS

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

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

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

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from capital reserve, state grants, and temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

Permanent Fund – The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Charter School programs.

PROPRIETARY FUNDS

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

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

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

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

FIDUCIARY FUNDS

Agency Fund – The Agency Fund is used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

Employee Benefit Trust (Unemployment Insurance) – Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

C. Basis of Accounting and Measurement Focus:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures in the Debt Service Fund are recognized on their due dates.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

D. Budgets/Budgetary Control (Cont'd):

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for the budgetary purposes only and the special revenue fund is 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from The budgetary comparison schedules	\$5,534,785	\$397,310
Difference – budget to GAAP:		
Grant accounting budgetary differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	<u>0</u>	(314)
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>4,709</u>	<u>0</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>\$5,539,494</u>	<u>\$396,996</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$5,415,921	\$397,310
Differences – budget to GAAP		
Encumbrances for supplies and equipment ordered but no received is reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	<u>0</u>	<u>(314)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$5,415,921</u>	<u>\$396,996</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Reserve for Encumbrances:

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

Open encumbrances in the special revenue fund, if any, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

F. Cash, Cash Equivalents and Investments:

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

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

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. GUDPA was amended, effective July 1, 2010, by P.L. 2009, c. 326. The amendments provide a greater level of security protection for covered deposits by increasing collateralization requirements and revising the enforcement protocol to allow for timely response in the event that a member bank shows signs of stress.

Under the new law, collateralization of GUDPA deposits up to 75% of New Jersey capital is based on a sliding scale that requires the minimum of 5% collateral for well capitalized institutions to a maximum of 120% collateral for critically undercapitalized institutions. All uninsured GUDPA deposits in excess of 75% of New Jersey capital require 100% collateral. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to Governmental Units.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G. Prepaid Expenses:

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

H. Short-Term Interfund Receivables/Payables:

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

I. Capital Assets:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Charter School maintains a threshold level of \$2,000 or more for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

Capital assets are recorded in the Entity-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the Charter School, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

The Charter School does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Compensated Absences:

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

K. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash that has been received but not yet earned. Deferred revenue in the proprietary funds represents payments received from customers for services to be provided in future periods.

L. Accrued Salaries and Wages

The Charter School does not allow employees, who provide services to the School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2012.

M. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

N. Restricted Assets:

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as capital reserve requirements and proceeds from the issuing of the bonds and leases related to the capital project.

O. Net Assets:

Net assets represent the difference between assets and liabilities in the entity-wide financial statements. 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 long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the entity-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

P. Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Village Charter School had the following depository accounts. All deposits are carried at cost plus accrued interest.

Depository Account	Bank Balance
Insured - FDIC	\$250,000
Insured – NJGUDPA (N.J.S.A.17:941)	<u>1,544,937</u>
Total Deposits	<u>\$1,794,937</u>

Custodial Credit Risk – Deposits- Custodial credit risk is the risk that in the event of a bank failure, the board’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$0.00 of the Board’s bank balance of \$1,794,937 was exposed to custodial risk . (See Note 1F relating to statutory mitigation of custodial risk in the event of a bank failure).

The carrying amount of the Charter School’s cash and cash equivalents and investments at June 30, 2012 was \$1,596,807.62 and the bank balance was \$1,794,937.

As of June 30, 2012, the Charter School held no investments.

New Jersey Cash Management Fund – All investments in the fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for the reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2012, the Charter School had no funds on deposit with the New Jersey Cash Management fund.

NOTES TO FINANCIAL STATEMENTS

VILLAGE CHARTER SCHOOL
 CAPITAL ASSETS NOTE DISCLOSURE
NOTE 3 - DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities:			
Machinery, Equipment, Furniture & Vehicles	\$ 495,639	\$ 20,846	\$ 516,485
Totals at Historical Cost	<u>495,639</u>	<u>20,846</u>	<u>516,485</u>
Less Accumulated Depreciation For:			
Equipment, Furniture, and Vehicles	<u>(394,281)</u>	<u>(14,803)</u>	<u>(409,084)</u>
Total Accumulated Depreciation	<u>(394,281)</u>	<u>(14,803)</u>	<u>(409,084)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>101,358</u>	<u>6,043</u>	<u>107,401</u>
Government Activities Capital Assets, Net	<u>\$ 101,358</u>	<u>\$ 6,043</u>	<u>\$ 107,401</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ <u>14,803</u>
Total depreciation expense	\$ <u><u>14,803</u></u>

NOTE 4. PENSION PLANS

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

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

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

Defined Contribution Retirement System(DCRP) - The DCRP was established effective July 1, 2007 to provide coverage to certain elected and appointed officials who became excluded from the PERS system pursuant to the provisions of P.L. 2007, c. 92. In addition, certain members of the PERS and TPAF, enrolled after July 1, 2007 who earn salary in excess of those systems' maximum compensation limits are eligible for DCRP membership for the compensation not credited to PERS or TPAF participation.

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

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

NOTE 5. PENSION PLANS (CONT'D)

Vesting and Benefit Provisions (cont'd):

Vesting in the DCRP occurs after one year of membership. Employer contributions to the DCRP are set at 3% of base salary.

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

DCRP requires employee contributions of 3% of base salary.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 51,791	100 %	\$ 51,791
6/30/11	38,014	100	38,014
6/30/10	66,554	100	66,554

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$-0-	100%	\$0
6/30/11	-0-	100%	0
6/30/10	-0-	100%	0

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$156,811 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure in accordance with GASB 27.

NOTE 6. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P. L. 2007, c.103 amended the law to eliminate the funding of post retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994,c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625.

The State's contributions to the Health Benefits Program Fund on-behalf of the Charter School for TPAF retiree health benefits, for the last three years, is as follows:

Contribution Requirements

Three-Year Trend Information for On-Behalf Post Retirement Medical Contributions
(Paid on-behalf of the Charter School)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Post-Retirement</u> <u>Medical Contributions</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/12	\$131,659	100%	\$0
6/30/11	115,352	100%	0
6/30/10	107,504	100%	0

The amounts of State contributions to the Health Benefits Program Fund on-behalf of the Charter School for PERS retiree health benefits has not been made available.

NOTE 7. COMPENSATED ABSENCES

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

NOTE 8. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 9. RISK MANAGEMENT

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

The Charter School has a traditionally funded, participating plan for its health benefits coverage with New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Charter School is a member of the New Jersey School Boards Association Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected. As a member of the Group, The charter School could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

Selected, summarized financial information for the Group as of June 30, 2011 is as follows:

	New Jersey School Boards Association <u>Insurance Group</u>
Total Assets	\$253,778,056
Net Assets	62,802,257
Total Revenue	83,993,678
Total Expenses	79,175,491
Change in Net Assets	4,818,187
Net Assets Distribution to Members	-0-

NOTES TO FINANCIAL STATEMENTS

NOTE 10. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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

Due to legal restrictions imposed by the State of New Jersey on the accumulated balance in the Charter School Unemployment Compensation Insurance Fund, the Charter School has elected to treat this fund as an expendable trust fund for the purpose of financial reporting. Information relating to this fund for the year ended June 30, 2012:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$5,610	1	35,747	\$6,055
2010-2011	5,293	8	53,232	443
2009-2010	6,842		79,479	2,665

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 169,276	\$
Special Revenue Fund		112,301
Unemployment Trust	13,671	
Student Activity Fund	2,301	
Agency Fund		72,643
Enterprise Funds		304
	<u>\$ 185,248</u>	<u>\$ 185,248</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 12. OPERATING LEASES

The Village Charter School leases its premises under the terms of a non-cancelable lease. Rent expense for the year ended June 30, 2012 amounted to \$621,030. The term of the lease is in place until 2020.

NOTE 13. DESIGNATION OF FUND BALANCE

A designation of fund balance was established by the Village Charter School on June 23, 2011 in the amount of \$500,000 for the accumulation of funds for maintenance, improvement and possible acquisition of the school facilities from the Non-Profit Organization from which they lease the property.

The activity for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$500,000
Ending Balance June 30, 2012	<u>\$500,000</u>

NOTE 14. OTHER RESERVES

On June 23, 2011 the Board of Trustees established a Maintenance Reserve Account in the amount of \$500,000.

NOTE 15. FUND BALANCE APPROPRIATED

General Fund (B-1) - Of the \$1,340,653 General Fund balance (budgetary basis) at June 30, 2012 \$500,000 has been restricted in the Maintenance Reserve Account, \$750,000 has been assigned for maintenance, improvements and acquisition of facilities and \$14,335 is assigned for encumbrances and \$199,892 has been unassigned.

NOTE 16. DEFICIT FUND BALANCES

The Charter School did not have any deficit fund balances at June 30, 2012 that would have been reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, Charter Schools must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school Charter Schools to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school Charter School can not recognize the last state aid payment on the GAAP financial statements until the year the State records the payable.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

NOTE 18. LITIGATION

As at the date of this report, there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the Village Charter School.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

BUDGETARY COMPARISON SCHEDULES

SECTION – C

VILLAGE CHARTER SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit - C-1
 Page 1 of 3

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 444,521		\$ 444,521	\$ 469,718	\$ (25,197)
Interest on Investments	500		500	622	(122)
Miscellaneous	<u>30,000</u>		<u>30,000</u>	<u>16,566</u>	<u>13,434</u>
Total - Local Sources	<u>475,021</u>		<u>475,021</u>	<u>486,906</u>	<u>(11,885)</u>
State Sources:					
Special Education Aid - Charter School Aid	112,968		112,968	128,520	
Security Aid	146,052		146,052	154,911	8,859
Charter School Aid - State Share	4,142,766		4,142,766	4,381,860	239,094
Technology Grant (E-Rate)	33,200		33,200	34,174	974
On-Behalf TPAF Pension					
Contrib. - Not Budgeted				197,153	197,153
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted				<u>151,261</u>	<u>151,261</u>
Total - State Sources	<u>4,434,986</u>		<u>4,434,986</u>	<u>5,047,879</u>	<u>597,341</u>
Total Revenues	<u>4,910,007</u>		<u>4,910,007</u>	<u>5,534,785</u>	<u>585,456</u>

VILLAGE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES:					
Current Expense:					
Instruction:					
Salaries of Teachers - Specialists	\$ 631,212	\$(72,294)	\$ 558,918	\$ 558,918	
Salaries of Teachers - Kindergarten	108,493	600	109,093	109,093	
Salaries of Teachers - Grade 1-5	641,087	74,227	715,314	715,314	
Salaries of Teachers - Grade 6-8	316,123	(22,177)	293,946	293,946	
Other Salaries for Instruction	102,000	58,321	160,321	160,321	
Purchased Professional/Technical Services	31,800	(15,658)	16,142	16,142	
Other Purchased Services - Speech Services	40,000	4,572	44,572	44,572	
Other Purchased Services - NIT and Other	60,000	24,117	84,117	81,267	2,850
General Supplies - Instruction	46,085	4,472	50,557	50,557	
General Supplies - Workbooks	20,265	7,781	28,046	28,046	
General Supplies - Technology Supplies	136,128	28,407	164,535	161,159	3,375
Textbooks	30,751	7,635	38,386	38,386	
Miscellaneous	43,452	(1,567)	41,885	41,885	
Special Ed Salaries		59,656	59,656	59,656	
Purch/Prof Dev. SPED		750	750	750	
Other Purchs. Svcs. Sped. Ed Tutoring		11,900	11,900	11,900	
Total Instructional Expense	2,207,396	170,741	2,378,136	2,371,911	6,225
Extra Curricular Activities:					
Salaries		9,500	9,500	9,500	
General Supplies		1,980	1,980	1,980	
		11,480	11,480	11,480	
Saturday School Program					
Teachers - Salaries		9,763	9,763	9,763	
Other Instruction - Salaries		4,200	4,200	4,200	
Support - Salaries		750	750	750	
General Supplies		154	154	154	
Total Saturday Program		14,866	14,866	14,866	
Administrative:					
Salaries - Administration	140,000		140,000	140,000	
Salaries of Secretarial and Clerical Assistants	47,483	200	47,683	47,683	
Audit Fees	17,250		17,250	17,250	
Purchased Prof./Tech. Services Admin.	26,850	(10,000)	16,850	11,304	5,546
Other Purch. Services - Admin. Conf.	4,000	(3,628)	372	372	
Other Purchased Services - Teacher Conf.	6,000	128	6,128	6,128	
Other Purchased Services NJSBA	7,000		7,000	5,250	1,750
Communication/Telephone	32,375		32,375	29,555	2,820
Communications Ads and Postage	10,000	(3,250)	6,750	3,316	3,434
General Supplies Admin.	2,000	424	2,424	2,424	
Misc. Exp. Admin. Dues and Board Expense	5,150		5,150	5,093	57
Salaries - Principal	108,768	200	108,968	108,968	
Salaries of Secretarial/Clerical	43,260	200	43,460	43,460	
Supplies - Principal	2,500		2,500	2,477	23
Misc. Exp. Dues	3,100		3,100	2,596	504
Salaries - Business Office	124,372	200	124,572	124,572	
Salaries Admin. Business Office	72,423	(4,490)	67,933	67,933	
Purch. Prof. / Tech. Serv.	5,000	(5,000)			
Supplies - Business Office	2,000	(424)	1,576	608	968
Admin. Technology	2,000		2,000	594	1,406
Insurance - Workers Compensation	31,500		31,500	27,762	3,738
FICA Expense	59,000	9,670	68,670	68,670	
Unemployment Insurance	81,832	(44,762)	37,070	35,746	1,324
Health Benefits Cost	392,436	3,490	395,926	395,926	
Tuition Reimbursements	9,000	10,263	19,263	19,263	
Pension Expense (PERS)	38,100	14,200	52,300	50,949	1,351
Total Administrative Expense	1,273,399	(32,580)	1,240,819	1,217,898	22,921

VILLAGE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Exhibit - C-1
Page 3 of 3

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
Support Services:					
Club and Coaching Stipends	\$ 35,000	\$ (9,950)	\$ 25,050	\$ 25,050	
Nurse Salary	59,280	(40,745)	18,535	18,535	
Purch. Prof. Services CAP Worksheet		54,525	54,525	54,525	
Supplies - Nurse	1,000	85	1,085	1,085	
Salaries - Guidance Counselors	104,402	645	105,047	105,047	
Purch. Prof./Tech. Services CST	20,000	9,494	29,494	21,384	8,110
Staff Development		12,089	12,089	12,089	
Misc. Expense -Support Sports	4,500	15	4,515	4,515	
Oper/Maint. Support Staff Salaries	225,318	356	225,674	224,228	1,446
Other Purchased Services	257,800	(64,673)	193,127	193,127	
Rental of Land and Buildings	583,484	26,585	610,069	610,069	
Insurance for Property, Liability and Fidelity	24,145	425	24,570	24,570	
Lease Purchase	50,000	(14,375)	35,625	35,625	
Transportation - Other than To/From School	4,105	(1,879)	2,226	1,824	402
Energy Costs (Heat and Electricity)	118,000	1,680	119,680	119,680	
Total Support Services	<u>1,487,034</u>	<u>(25,722)</u>	<u>1,461,312</u>	<u>1,451,353</u>	<u>9,959</u>
On-Behalf TPAF Pension					
Contrib. - Not Budgeted				197,153	(197,153)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted				151,261	(151,261)
Total On-Behalf Contributions				<u>348,414</u>	<u>(348,414)</u>
Total Expenditures - Current Expense	<u>4,967,829</u>	<u>138,785</u>	<u>5,106,614</u>	<u>5,415,921</u>	<u>(309,308)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(57,822)</u>	<u>(138,785)</u>	<u>(196,607)</u>	<u>118,864</u>	<u>894,765</u>
Balances Carried Forward	(57,822)	(138,785)	(196,607)	118,864	894,765
Excess (Deficiency) of Revenues Over					
(Under) Expenditures and Other					
Financing Uses	(57,822)	(138,785)	(196,607)	118,864	894,765
Fund Balances, July 1	<u>843,328</u>		<u>969,660</u>	<u>1,345,362</u>	
Fund Balances, June 30	<u>\$ 785,506</u>	<u>\$ (138,785)</u>	<u>\$ 773,053</u>	<u>\$ 1,464,226</u>	<u>\$ 894,765</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 500,000	
Committed Fund Balance:					
Year-end Encumbrances				14,335	
Assigned Fund Balance:					
Maintenance, Improvement & Acquisition of Facilities				750,000	
Unassigned Fund Balance				<u>199,891</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,464,226</u>	

Village Charter School
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$	62,345	\$ 62,345	\$ 41,280	\$ (21,065)
Total - Local Sources		62,345	62,345	41,280	(21,065)
Federal Sources:					
Title I Part A		289,650	289,650	226,062	(63,588)
Title I ARRA		16,991	16,991	16,991	
Title II, Part A		23,480	23,480	22,792	(688)
Title IV		3,155	3,155	3,155	
IDEA Part B, ARRA		328	328	328	
IDEA Part B		82,862	82,862	82,862	
Learn and Serve		3,840	3,840	3,840	
Total - Federal Sources		420,306	420,306	356,030	(64,276)
Total Revenues		482,651	482,651	397,310	(85,341)
EXPENDITURES:					
Instruction					
Salaries of Teachers		116,405	116,405	116,405	
Other Salaries for Instruction		97,115	97,115	77,379	19,736
Purchased Professional - Educational Services		68,336	68,336	46,272	22,064
General Supplies		22,568	22,568	13,894	8,674
Other Objects		4,443	4,443	4,143	300
Total instruction		308,867	308,867	258,093	50,774
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries		5,600	5,600	5,540	60
Personal Services - Employee Benefits		23,281	23,281	23,281	
Purchased Professional - Educational Services		61,643	61,643	60,955	688
Purchased Professional Services		48,504	48,504	19,765	28,739
Other Purchased Services		1,898	1,898	960	938
Supplies & Materials		12,012	12,012	7,870	4,142
Total support services		152,938	152,938	118,371	34,567
Capital Outlay					
Noninstructional Equipment		20,846	20,846	20,846	
Total Capital Outlay		20,846	20,846	20,846	
Total Expenditures		482,651	482,651	397,310	85,341
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$	\$	\$	\$	\$

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET-TO-GAAP
 RECONCILIATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule (C-series)	(C-1)	\$ 5,534,785	(C-2)	\$ 397,310
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized (net)				(314)
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		<u>4,709</u>		
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	(B-2)	<u>5,539,494</u>	(B-2)	<u>396,996</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	5,415,921	(C-2)	397,310
Differences - budget to GAAP				
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.				<u>(314)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	<u>\$ 5,415,921</u>	(B-2)	<u>\$ 396,996</u>

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

SECTION – E

VILLAGE CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit - E-1

	N.C.L.B TITLE I Part A	TITLE IV	TITLE II PART A 11-12	LEARN TO SERVE	A.R.R.A TITLE I Part A	A.R.R.A I.D.E.A. BASIC	I.D.E.A BASIC	NJSBA SAFETY GRANT	NYU STEINHARDT GRANT	NJM GRANT	PARENT ACADEMY	SCHOOLS & LIBRARIES UNIVERSAL SERVICE	TOTAL TOTALS 2011-2012
REVENUES													
Local Sources	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Federal Sources	226,062	3,155	22,792	3,840	16,991	328	82,862	4,760	7,015	1,350	7,309	20,846	41,280
Total Revenues	226,062	3,155	22,792	3,840	16,991	328	82,862	4,760	7,015	1,350	7,309	20,846	397,310
EXPENDITURES													
Instruction:													
Salaries of Teachers	47,353						69,052						116,405
Other Salaries for Instruc.	77,379												77,379
Purchased Prof. - Educational Services	29,281				16,991								46,272
General Supplies	13,566					328							13,894
Other Objects				3,840							303		4,143
Total Instruction	167,578			3,840	16,991	328	69,052				303		258,092
Support Services:													
Other Salaries											5,540		5,540
Personal Services - Empl. Benefits	9,471						13,810						23,281
Purch. Prof. - Educ. Services	38,163		22,792										60,955
Purchased Professional Services	10,850							2,760	6,155				19,765
Other Purch. Services (400-500 series)									860		100		960
Supplies and Materials		3,155						2,000		1,350	1,366		7,871
Total Support Services	58,484	3,155	22,792				13,810	4,760	7,015	1,350	7,006		118,372
Capital Outlay													
Noninstructional Equipment												20,846	20,846
Total Expenditures	\$ 226,062	\$ 3,155	\$ 22,792	\$ 3,840	\$ 16,991	\$ 328	\$ 82,862	\$ 4,760	\$ 7,015	\$ 1,350	\$ 7,309	\$ 20,846	\$ 397,310

CAPITAL PROJECTS FUND

SECTION – F

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

VILLAGE CHARTER SCHOOL
STATEMENT OF NET ASSETS
ENTERPRISE FUND
AS OF JUNE 30, 2012

Assets	
Cash and Cash Equivalents	\$ 46,426
Accounts Receivable:	
State	225
Federal	<u>12,921</u>
Total Current Assets	<u>59,572</u>
Total Assets	\$ <u><u>59,572</u></u>
Liabilities	
Current Liabilities:	
Interfund Payable	\$ <u>304</u>
Total Current Liabilities	<u>304</u>
Total Liabilities	<u>304</u>
Net Assets	
Unrestricted (Deficit)	<u>59,268</u>
Total Liabilities and Net Assets	\$ <u><u>59,572</u></u>

VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Charges for Daily Services:	
Daily Sales - Reimbursable Programs:	
School Lunch/Breakfast Program	\$ <u>15,038</u>
Total - Operating Revenue	<u>15,038</u>
Operating Expenses:	
Supplies and Materials	<u>162,609</u>
Total Operating Expenses	<u>162,609</u>
Operating Income (Loss)	<u>(147,571)</u>
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	2,686
Federal Sources:	
National School Lunch Program	123,612
National School Breakfast Program	31,978
Interest Income	<u>24</u>
Total Non-Operating Revenues	<u>158,299</u>
Net Income (Loss) Before Operating Transfers	<u>10,728</u>
Change in Net Assets	10,728
Total Net Assets Beginning	<u>48,540</u>
Total Net Assets Ending	<u>\$ <u>59,268</u></u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 15,038
Cash Payments to Suppliers for Goods and Services	<u>(170,826)</u>
Net Cash Provided by Operating Activities	<u>(155,788)</u>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from State and Federal Sources	159,644
Transfers In from General Fund	<u>(12,666)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>146,978</u>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>24</u>
Net Cash Provided by Investing Activities	<u>24</u>
Net Increase in Cash and Cash Equivalents	(8,786)
Cash and Cash Equivalents at Beginning of Year	<u>55,212</u>
Cash and Cash Equivalents at End of Year	<u>\$ 46,426</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income/(Loss)	\$ (147,571)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:	
Changes in Assets and Liabilities	
Increase (Decrease) in Accounts Payable	<u>(8,217)</u>
Net Cash Provided by Operating Activities	<u>\$ (155,788)</u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

VILLAGE CHARTER SCHOOL
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND
FOR YEAR ENDED JUNE 30,2012

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY</u>	
		<u>STUDENT ACTIVITY</u>	<u>PAYROLL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,314	\$	\$ 74,382
Interfunds Receivable	<u>13,671</u>	<u>2,301</u>	<u></u>
Total Assets	<u>\$ 15,985</u>	<u>\$ 2,301</u>	<u>\$ 74,382</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Claims Payable	\$ 9,930	\$	\$
Payroll Deductions and Withholdings			1,738
Interfund Payable			<u>72,644</u>
Total Liabilities	<u>9,930</u>		<u>74,382</u>
Net Assets:			
Due to Student Groups		2,301	
Held in trust for unemployment claims and other purposes	<u>6,055</u>		
Total Net Assets	<u>6,055</u>	<u>2,301</u>	
Total Liabilities and Net Assets	<u>\$ 15,985</u>	<u>\$ 2,301</u>	<u>\$ 74,382</u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

		<u>TRUST FUND</u>	
			<u>UNEMPLOYMENT COMPENSATION</u>
ADDITIONS			
Contributions:			
Other	\$	35,746	
Plan Member		<u>5,610</u>	
Total Contributions		<u>41,357</u>	
Investment Earnings:			
Interest		<u>1</u>	
Total investment earnings		<u>1</u>	
Total Additions		<u>41,358</u>	
DEDUCTIONS			
Unemployment Claims		<u>35,747</u>	
Total Deductions		<u>35,747</u>	
Change in Net Assets		<u>5,611</u>	
Net Assets - beginning of the year		<u>445</u>	
Net Assets - end of the year	\$	<u><u>6,055</u></u>	

VILLAGE CHARTER SCHOOL
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2011</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2011</u>
Charter Village School	\$ _____	\$ 9,918	\$ 7,617	\$ 2,301
Total	\$ <u> </u>	\$ <u>9,918</u>	\$ <u>7,617</u>	\$ <u>2,301</u>

VILLAGE CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2012</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 76,031	\$ 3,290,687	\$ 3,292,337	\$ 74,382
Total Assets	\$ <u>76,031</u>	\$ <u>3,290,687</u>	\$ <u>3,292,337</u>	\$ <u>74,382</u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 2,283	\$ 3,290,687	3,291,232	\$ 1,738
Due to General Fund	<u>73,748</u>		<u>1,105</u>	<u>72,644</u>
Total Liabilities	\$ <u>76,031</u>	\$ <u>3,290,687</u>	\$ <u>3,292,337</u>	\$ <u>74,382</u>

LONG-TERM DEBT

SECTION - I

STATISTICAL SECTION

SECTION – J

Village Charter School
Net Assets by Component,
Last Nine Fiscal Years
Unaudited
(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Invested in capital assets, net of related debt	\$ 510,163	\$ 513,937	\$ 508,741	\$ 447,162	\$ 385,583	\$ 324,004	\$ 262,425	\$ 101,358	\$ 107,401
Restricted								500,000	500,000
Unrestricted	304,105	452,769	314,973	222,015	245,045	1,089,831	1,080,259	840,653	946,228
Total governmental activities net assets	<u>\$ 814,268</u>	<u>\$ 966,706</u>	<u>\$ 823,714</u>	<u>\$ 669,177</u>	<u>\$ 630,628</u>	<u>\$ 1,413,835</u>	<u>\$ 1,342,684</u>	<u>\$ 1,442,011</u>	<u>\$ 1,553,629</u>
Business-type activities									
Unrestricted	\$ 890	\$ 890	\$ 890	\$ 890	\$ 10,693	\$ 40,494	\$ 40,727	\$ 48,540	\$ 59,268
Total business-type activities net assets	<u>\$ 890</u>	<u>\$ 890</u>	<u>\$ 890</u>	<u>\$ 890</u>	<u>\$ 10,693</u>	<u>\$ 40,494</u>	<u>\$ 40,727</u>	<u>\$ 48,540</u>	<u>\$ 59,268</u>
District-wide									
Invested in capital assets, net of related debt	\$ 510,163	\$ 513,937	\$ 508,741	\$ 447,162	\$ 385,583	\$ 324,004	\$ 262,425	\$ 101,358	\$ 107,401
Restricted								500,000	500,000
Unrestricted	304,995	453,659	315,863	222,905	245,045	1,130,325	1,120,986	889,193	1,005,496
Total district net assets	<u>\$ 815,158</u>	<u>\$ 967,596</u>	<u>\$ 824,604</u>	<u>\$ 670,067</u>	<u>\$ 630,628</u>	<u>\$ 1,454,329</u>	<u>\$ 1,383,411</u>	<u>\$ 1,539,091</u>	<u>\$ 1,672,165</u>

Source: CAFR Schedule A-1

Village Charter School
 Changes in Net Assets, Last Nine Fiscal Years
 Unaudited
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
Instruction									
Regular	\$ 1,445,214	\$ 1,685,321	\$ 1,725,528	\$ 1,735,663	\$2,058,324	\$2,160,409	\$3,202,118	\$2,057,922	\$2,325,118
Special education						104,349	142,537	384,236	319,688
Support Services:									
Student & Instruction Related Services								82,816	144,404
General administrative services	653,874	882,903	659,659	1,114,365	863,277	668,077	882,896	1,183,598	1,451,353
School administrative services	1,777,140	598,776	1,668,450	1,292,228	1,298,215	1,383,941	1,407,249	1,388,814	1,217,898
Unallocated Benefits	81,821	99,933	103,962	143,802	64,963			323,262	348,414
Capital Outlay	63,595	29,918	66,501		68,855				
Unallocated depreciation	18,779	48,503	71,697	61,579	61,579	33,446			
Total governmental activities expenses	<u>4,040,423</u>	<u>3,345,354</u>	<u>4,295,797</u>	<u>4,347,637</u>	<u>4,415,213</u>	<u>4,350,222</u>	<u>5,634,800</u>	<u>5,420,648</u>	<u>5,806,875</u>
Business-type activities:									
Food service	64,212	73,678	177,142	154,687	130,508	155,672	172,435	165,973	162,609
Total business-type activities expense	<u>64,212</u>	<u>73,678</u>	<u>177,142</u>	<u>154,687</u>	<u>130,508</u>	<u>155,672</u>	<u>172,435</u>	<u>165,973</u>	<u>162,609</u>
Total district expenses	<u>\$ 4,104,635</u>	<u>\$ 3,419,032</u>	<u>\$ 4,472,939</u>	<u>\$ 4,502,324.00</u>	<u>\$ 4,545,721.00</u>	<u>\$ 4,505,894.00</u>	<u>5,807,235</u>	<u>5,586,621</u>	<u>5,969,484</u>

Village Charter School
Changes in Net Assets, Last Nine Fiscal Years
Unaudited
(accrual basis of accounting)

Exhibit J-2

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues									
Governmental activities:									
Operating grants and contributions			409,108	393,830	412,610	596,280	940,040	272,163	348,414
Total governmental activities program revenues	-	-	409,108	393,830	412,610	596,280	940,040	272,163	348,414
Business-type activities:									
Charges for services									
Food service	64,212	90,557	177,142	154,687	140,311	13,548	12,404	19,892	15,038
Operating grants and contributions						171,928	160,264	156,628	158,276
Total business type activities program revenues	64,212	90,557	177,142	154,687	140,311	185,476	172,668	176,520	173,314
Total district program revenues	\$ 64,212	\$ 90,557	\$ 586,250	\$ 548,517	\$ 552,921	\$ 781,756	\$ 1,112,708	\$ 448,683	\$ 521,728
Net (Expense)/Revenue									
Governmental activities									
Business-type activities	-	16,879	-	-	9,803	29,804	233	10,547	10,705
Total district-wide net expense	\$ (4,040,423)	\$ (3,345,354)	\$ (3,886,689)	\$ (3,953,807)	\$ (4,002,603)	\$ (3,753,942)	\$ (4,694,760)	\$ (5,148,485)	\$ (5,458,461)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Local Property Taxes - Charter School Aid	\$ 784,756	\$ 671,263	\$ 615,574	\$ 522,148	\$ 505,066	457,988	441,688	442,536	469,718
Unrestricted Federal and State Aid	2,167,688	1,503,193	2,149,369	2,298,132	2,406,302	4,068,699	4,181,568	4,383,501	4,704,175
State and Federal Aid	914,018	1,010,392	831,141	873,772	962,865			518,151	396,996
Miscellaneous income	254,507	153,757	81,112	105,218	89,821	10,462	353	119,064	17,188
Total governmental activities	4,823,039	3,338,605	3,743,697	3,799,270	3,964,054	4,537,149	4,623,609	5,463,252	5,588,077
Business-type activities:									
Investment earnings								40	24
Total business-type activities								40	24
Total district-wide	\$ 4,823,039	\$ 3,338,605	\$ 3,743,697	\$ 3,799,270	\$ 3,964,054	\$ 4,537,149	\$ 4,623,609	\$ 5,463,292	\$ 5,588,101
Change in Net Assets									
Governmental activities									
Business-type activities		16,879	-	-	9,803	29,804	233	10,587	10,728
Total district	\$ 782,616	\$ (6,749)	\$ (142,992)	\$ (154,537)	\$ (38,549)	\$ 783,207	\$ (71,151)	\$ 314,767	\$ 129,616
	\$ 782,616	\$ 10,130	\$ (142,992)	\$ (154,537)	\$ (28,746)	\$ 813,011	\$ (70,918)	\$ 325,354	\$ 140,344

Source: CAFR Schedule A-2

Village Charter School
Fund Balances, Governmental Funds,
Last Nine Fiscal Years
Unaudited
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Restricted	\$	\$	\$	\$	\$	\$	\$	\$ 500,000	\$500,000
Unrestricted	304,135	452,496	314,973	222,015	245,045	1,089,831	1,080,259	840,653	964,228
Total general fund	\$ 304,135	\$ 452,496	\$ 314,973	\$ 222,015	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228
Total all governmental funds	\$ 304,135	\$ 452,496	\$ 314,973	\$ 222,015	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228

Village Charter School
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
Unaudited

Exhibit J-4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax levy	\$ 369,131	\$ 357,197	\$ 470,318	\$ 696,686	\$ 522,148	\$ 505,066	\$457,988	\$ 441,688	\$ 442,536	\$ 469,718
Miscellaneous				8,895	6,973	18,291	10,462	23,358	119,064	17,188
Local sources									6,854	41,280
State sources	1,825,947	2,434,134	2,738,112	2,980,510	3,290,424	3,500,857	4,337,465	4,433,524	4,655,664	5,052,588
Federal sources	310,984	372,047	403,871	409,108	380,528	370,741	327,514	665,079	511,297	355,716
Total revenue	<u>2,506,062</u>	<u>3,163,378</u>	<u>3,612,301</u>	<u>4,095,199</u>	<u>4,200,073</u>	<u>4,394,955</u>	<u>5,133,429</u>	<u>5,563,649</u>	<u>5,735,415</u>	<u>5,936,490</u>
Expenditures										
Instruction										
Regular Instruction	720,701	911,225	1,250,763	1,316,420	1,349,531	1,645,714	1,735,273	2,638,968	2,041,167	2,310,315
Special education instruction							104,349	142,537	384,236	319,688
Support Services:										
General Administration Services	445,584	550,765	571,879	659,659	1,106,667	863,277	457,912	626,769	1,183,598	1,217,897
School Administrative Services	804,362	990,406	1,138,654	1,668,450	1,292,228	1,298,215	1,383,941	1,407,249	1,388,814	1,451,353
Student & Instruction Related Services									82,816	144,404
Unallocated employee benefits	41,650	60,697	79,533	103,962	143,802	64,963	573,722	757,698	323,262	348,414
Unallocated Expenditures							33,446			
Capital outlay	136,244	190,561	14,937	66,501		68,855				20,846
Special Revenue	314,984	376,047	407,871	409,108	393,830	412,610				
Total expenditures	<u>2,463,525</u>	<u>3,079,701</u>	<u>3,463,637</u>	<u>4,224,100</u>	<u>4,286,058</u>	<u>4,353,634</u>	<u>4,288,643</u>	<u>5,573,221</u>	<u>5,403,893</u>	<u>5,812,917</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>42,537</u>	<u>83,677</u>	<u>148,664</u>	<u>(128,901)</u>	<u>(85,985)</u>	<u>41,321</u>	<u>844,786</u>	<u>(9,572)</u>	<u>331,522</u>	<u>123,573</u>
Net change in fund balances	<u>\$ 42,537</u>	<u>\$ 83,677</u>	<u>\$ 148,664</u>	<u>\$ (128,901)</u>	<u>\$ (85,985)</u>	<u>\$ 41,321</u>	<u>\$ 844,786</u>	<u>\$ (9,572)</u>	<u>\$ 331,522</u>	<u>\$ 123,573</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Interest	Donations and Other	Total
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
2009		10,462	10,462
2010		233,358	233,358
2011	603	118,461	119,064
2012	622	16,566	17,188

Source: Charter School Records

Village Charter School
 Full-time Equivalent District Employees by Function/Program,
 Last Six Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction						
Regular	31.0	28.0	30.0	30.0	32.0	33.0
Special education	1.0	2.0	3.0	3.0	3.5	4.5
Other instruction		7.0	7.0	7.0	4.0	5.5
Support Services:						
Student & instruction related services				4.0	3.0	3.0
General administrative services	1.0	1.0	3.0	4.0	4.0	4.5
School administrative services	2.0	3.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	1.0	1.0	2.0	2.0	1.0	1.0
Central Services	1.0	2.0	4.0	2.0	2.0	2.0
Other Support Services	3.0	3.0	3.0	1.0	1.5	1.5
Food Service	4.0	3.0		3.0	3.0	3.0
Total	<u>44.0</u>	<u>50.0</u>	<u>53.0</u>	<u>57.0</u>	<u>55.0</u>	<u>59.0</u>

Source: Charter School Personnel Records

Village Charter School
 Operating Statistics
 Last Eight Fiscal Years
Unaudited

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2005	309	3,463,547	11,209	3.72%	N/A	18		314.0	289.0	9.03%	92.04%
2006	348	3,598,937	10,342	-7.74%	N/A	10		352.0	333.0	12.10%	94.60%
2007	347	3,892,228	11,217	8.46%	N/A	18		340.0	325.0	-3.41%	95.59%
2008	358	3,964,054	11,073	-1.28%	30	18		352.0	339.0	3.53%	96.31%
2009	357	4,288,643	12,013	8.49%	33	11		355.4	321.3	0.97%	90.41%
2010	357	5,573,221	15,611	29.95%	33	11		354.1	344.8	-0.37%	97.37%
2011	359	5,148,485	14,341	-8.14%	35	10		357.7	340.7	1.02%	95.25%
2012	358	5,458,461	15,247	6.32%	35	10		357.9	337.8	0.06%	94.38%

Sources: Village Charter School Records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay;
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

VILLAGE CHARTER SCHOOL
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

<u>Company</u>	<u>Coverage</u>	<u>Deductible</u>
School Package Policy		
Commercial Property	\$553,600	\$1,000
Boiler and Machinery	100,000,000	1,000
Automobile	16,000,000	5,000
School Board Legal Liability	16,000,000	5,000
Worker's Compensations	2,000,000	

SINGLE AUDIT SECTION

SECTION – K

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REGISTERED MUNICIPAL ACCOUNTANTS OF

JO ANN BOOS, CPA, PSA

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

Honorable Chair and Members
of the Board of Trustees
Village Charter School
Trenton, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village Charter School, in the County of Mercer, State of New Jersey, as of and for the year ended June 30, 2012, which collectively comprise the Village Charter School's basic financial statements and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Village Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Village Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village Charter School's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted other matters that we reported to the Board of Trustees in a separate report entitled, Auditors Management Report on Administrative Findings dated October 9, 2012.

This report is intended solely for the information and use of the Board of Trustees, management, New Jersey 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.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
October 9, 2012

HODULIK & MORRISON, P.A.
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MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF

JO ANN BOOS, CPA, PSA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

Honorable Chair and Members
of the Board of Trustees
Village Charter School
Trenton, New Jersey

Compliance

We have audited the compliance of the Village Charter School's compliance 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 Compliance Manual "State Grant Compliance Supplement" that are applicable to each of its major federal and state programs for the year ended June 30, 2012. The Village Charter School'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 requirement of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Village Charter School's management. Our responsibility is to express an opinion on the Village Charter School's compliance based on our audit.

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

In our opinion, the Village Charter School in the County of Mercer, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Village Charter School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Village Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of the Village Charter School's internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Education, management, the New Jersey 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.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
October 9, 2012

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A NO.	Grant or State Project Number	GRANT PERIOD		PROGRAM OR AWARD AMOUNT	BALANCE AT JUNE 30, 2011	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUST- MENTS	BALANCE AT JUNE 30, 2012		
			FROM	TO						ACCOUNTS RECEIVABLE	DEFERRED REVENUE	DUE TO GRANTOR
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Child Nutrition Cluster:												
National School Breakfast Program	10.553	N/A	7/1/10	6/30/11	33,420.06	(\$3,122)	\$3,122	\$	\$	\$	\$	\$
National School Breakfast Program	10.553	N/A	7/1/11	6/30/12	31,978.00		29,286	(31,978)		(2,692)		
National School Lunch Program	10.555	N/A	7/1/10	6/30/11	120,675.40	(11,141)	11,141					
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	123,612.00		113,383	(123,612)		(10,229)		
Total Child Nutrition Cluster						(14,263)	156,932	(155,590)		(12,921)		
U.S. Department of Education												
Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I Cluster:												
Title I, Part A	84.010	NCLB-8140-11	9/1/10	8/31/11	256,412.00	(85,396)	83,235		2,161			
Title I, Part A	84.010	NCLB-8140-12	9/1/11	8/31/12	256,727.00		198,945	(226,062)		(27,117)		
Title I - ARRA	84.389	NCLB-8140-10	7/1/09	8/31/12	158,025.00	(9,243)	26,234	(16,991)				
Title I - SIA, Part A	84.010	NCLB-8140-11	9/1/10	8/31/11	34,166.00	(34,166)	34,166					
Total Title I Cluster						(128,805)	342,580	(243,053)	2,161	(27,117)		
Title II, Part A	84.367	NCLB-8140-11	9/1/10	8/31/11	32,881.00	(17,263)	17,263					
Title II, Part A	84.367	NCLB-8140-12	9/1/11	8/31/12	22,792.00		18,829	(22,792)		(3,963)		
Total Title II Part A						(17,263)	36,092	(22,792)		(3,963)		
Title II, Part D	84.318	NCLB-8140-11	9/1/10	8/31/11	593.00	(593)	593					
Total Title II Part D						(593)	593					
Title IV, Part A	84.186	NCLB-8140-12	9/1/11	8/31/12	3,155.00		3,155	(3,155)				
Total Title IV							3,155	(3,155)				
Special Education Cluster:												
I.D.E.A. Part B-A.R.R.A.	84.391	ARRA-8140-10	7/1/09	8/31/11	106,916.00	(9,501)	9,829	(328)				
I.D.E.A. Part B	84.027	IDEA-8140-12	9/1/11	8/31/12	82,862.00		69,052	(82,862)		(13,810)		
I.D.E.A. Part B, Basic	84.027	IDEA-8140-11	9/1/10	8/31/11	97,697.00	(18,182)	18,182					
Total Special Education Cluster						(27,683)	97,063	(83,190)		(13,810)		
Total U.S. Department of Education						(174,344)	479,483	(352,190)	2,161	(44,890)		
National Science Foundation												
Corporation for National & Community Service												
Learn and Serve America	94.004	N/A	7/1/10	6/30/12	14,000.00	(6,660)	10,500	(3,840)				
Total National Science Foundation						(6,660)	10,500	(3,840)				
Total Federal Financial Assistance						(\$195,267)	\$646,915	(\$511,620)	\$2,161	(\$57,811)		\$

See Accompanying Notes to Schedules of Financial Assistance

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2011			BALANCE AT JUNE 30, 2012			MEMO	
				DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	CASH RECEIVED	BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE
State Department of Education:											
General Fund:											
Charter School Aid - Local	12-495-034-5120-071	7/1/11-6/30/12	\$ 468,718	\$	\$	\$ 468,718	\$ (468,718)	\$	\$	\$	\$ (468,718)
Charter School Aid - State	11-495-034-5120-071	7/1/10-6/30/11	4,142,455	(4,709)		4,709					
Charter School Aid - State	12-495-034-5120-071	7/1/11-6/30/12	4,381,860			4,381,860	(4,381,860)				(4,381,860)
Special Education Aid	12-495-034-5120-089	7/1/11-6/30/12	128,520			128,520	(128,520)				(128,520)
Other Categorical Aid:											
Security Aid	12-495-034-5120-084	7/1/11-6/30/12	154,911			154,911	(154,911)				(154,911)
* On Behalf TPAF Pension Contributions	12-495-034-5095-007	7/1/11-6/30/12	197,153			197,153	(197,153)				(197,153)
Reimb. T.P.A.F. Social Security Contrib.	12-495-034-5095-002	7/1/11-6/30/12	151,261			143,422	(151,261)	(7,839.00)			(151,261)
Total General Fund				(4,709)		5,479,293	(5,482,423)	(7,839.00)			(5,482,423)
State Department of Agriculture:											
Enterprise Fund:											
National School Lunch Prog. (State Share)	11-100-010-3350-023	7/1/11-6/30/12	2,686			2,461	(2,686)	(225)			(2,686)
National School Lunch Prog. (State Share)	12-100-010-3350-023	7/1/10-6/30/11	2,533	(251)		251					
Total Enterprise Fund				(251)		2,712	(2,686)	(225)			(2,686)
Total State Financial Assistance			\$ (4,960)	\$	\$ 5,482,005	\$ (5,485,109)	\$ (8,064)	\$	\$		(5,485,109)

Note: See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

* Not Included in the Single Audit Type A determination calculation

VILLAGE CHARTER SCHOOL
 NOTES TO THE SCHEDULES OF AWARDS
 AND FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the general fund and \$ (314) for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as presented on the following page:

VILLAGE CHARTER SCHOOL
 NOTES TO THE SCHEDULES OF AWARDS
 AND FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D.):

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$0	\$5,842,423	\$5,842,423
Special Revenue Fund	356,031	0	356,031
Food Service Fund	<u>155,590</u>	<u>2,686</u>	<u>158,276</u>
Total Awards & Financial Assistance	<u>\$511,621</u>	<u>\$5,845,109</u>	<u>\$6,356,730</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2012. 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, 2012.

VILLAGE CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

K-6

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section.510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	<u>Title I Cluster:</u> <u>Title I</u>
84.389	<u>Title I ARRA</u> <u>National School Lunch Program</u> <u>Cluster:</u>
10.553	<u>National School Breakfast Program</u>
10.555	<u>National School Lunch Program</u>

Dollar threshold used to distinguish between Type A and B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

VILLAGE CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Section 1 - Summary of Auditor's Results (cont'd)

State Awards

Dollar threshold used to distinguish between Type A and B programs: \$300,000.00

Auditee qualified as low-risk auditee? _____ Yes X No

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

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X No

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 _____ Yes X No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>12-495-034-5120-071</u>	<u>Charter School Aid - State</u>
<u>12-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>12-495-034-5120-084</u>	<u>Security Aid</u>
<u>12-495-034-5095-002</u>	<u>TPAF Social Security Contribution</u>
_____	_____
_____	_____
_____	_____
_____	_____

VILLAGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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Section II - Financial Statement Findings

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance related to the general-purpose financial statements that are required to be reported in accordance with chapter 5.18 of *Governmental Auditing Standards*.

Significant Deficiency(ies)/Material Weaknesses

None Noted.

Noncompliance

None Noted.

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

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

Federal and State Award Programs:

Significant Deficiency(ies)/Material Weaknesses

None Noted.

Noncompliance

None Noted.

VILLAGE CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

N/A