

VILLAGE CHARTER SCHOOL

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

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2013***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

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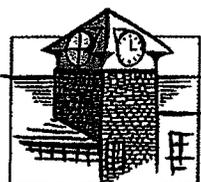
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INTRODUCTORY SECTION



September 27, 2013
Honorable Chair and
Members of the Board of Trustees
The Village Charter School
Trenton, New Jersey

I am pleased to report that the Comprehensive Annual Financial Report of the Village Charter School (the "School") for the fiscal year ended June 30, 2013 has been submitted. As you know, the 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: The 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 and now has the capacity to enroll 360 students in grades kindergarten through eighth grade. On February 28, 2013 the Commissioner of Education and New Jersey Department of Education renewed the School's Charter for a five year term through June 30, 2018. The School offers a data-driven 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, 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 School completed 2012 – 2013 fiscal year, with an average daily enrollment of 357 students.

2. ECONOMIC CONDITION AND OUTLOOK: The School enrolled 360 students kindergarten to eight grade for the 2012-2013 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, data-driven teaching 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 2012-2013 school year included a continuation of SuccessMaker; Columbia University, Teachers College Reading and Writing Project; a Saturday School program that features the tenets of Junior Achievement (financial literacy and entrepreneurship) and an after-school tutoring program.

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, 2013.

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 family for their help in providing fiscal accountability to the citizens and taxpayers of the School and contributing their full support to the development maintenance of the financial operation. The preparation of this report could not have been accomplished without the support of our Board of Trustees and the efficient and dedicated services of our financial, business services and accounting staff.

Respectfully submitted,

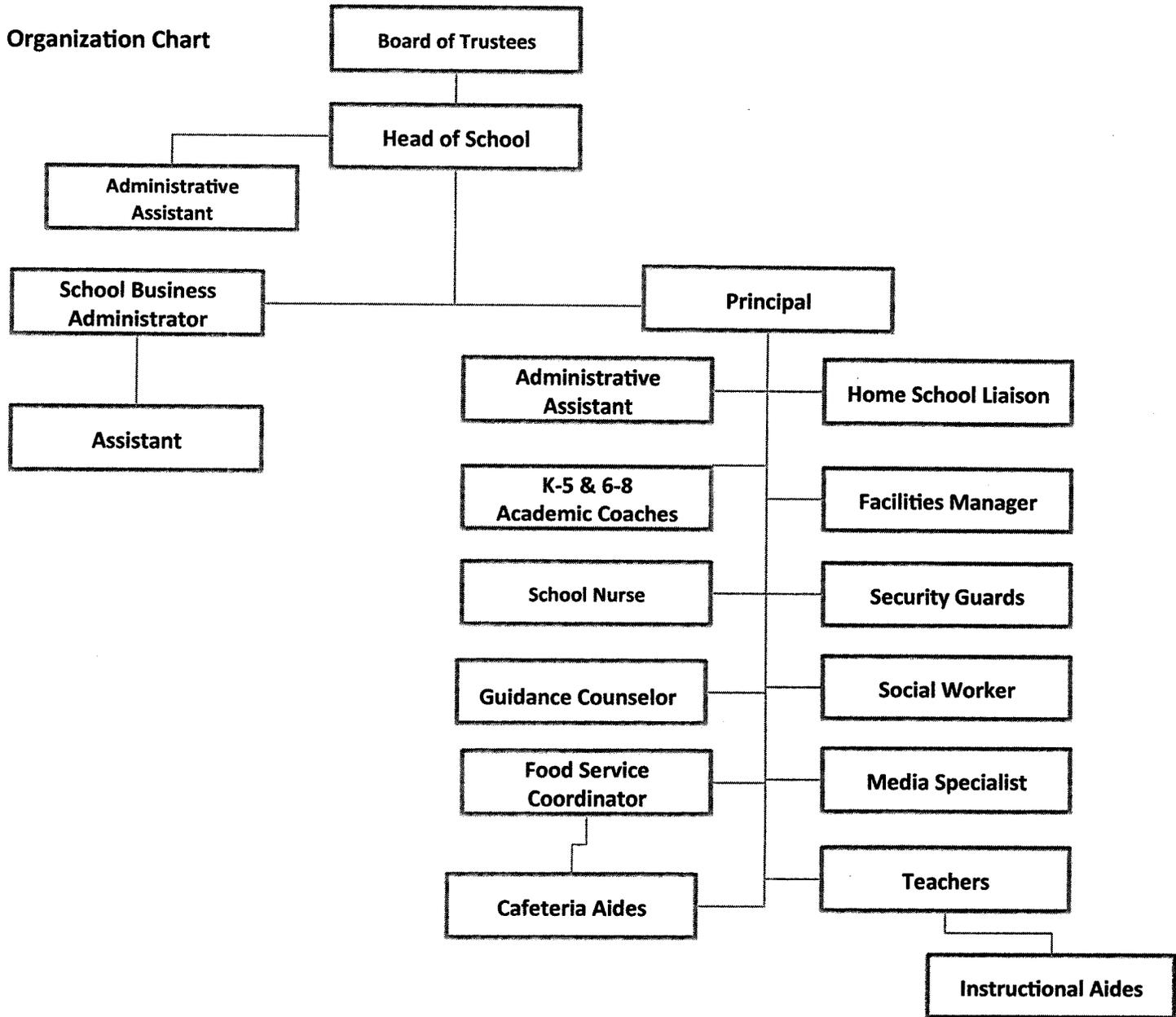


Dale G. Caldwell
Head of School



Paul DeWitt
School Business Administrator/Board Secretary

The Village Charter School Organization Chart



VILLAGE CHARTER SCHOOL
 ROSTER OF OFFICIALS
JUNE 30, 2013

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Bud Dotsey	2013
Eileen Goldstein	2015
Stephen L. Kitts	2014
Eyvonda Queen	2015
Sheila Garvin-Glover	2015
Kevin Hogan	2013
M.Elaine Murphy-Arnold, Corporate Secretary	2014
Catherine Milone-Richards	2015
Patricia Schorr, Chair of Board	2014
George C. Stokes	2016
Cindy Sussmann, MD	2014
Kimberly Thompson	2013
Michael Spicer, Esq.	2015

Other Officials

Title

Dale G. Caldwell	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
1102 RARITAN AVENUE, P.O. BOX 1450
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 N.J.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Village Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village Charter School, County of Mercer, State of New Jersey as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village Charter School's basic financial statements taken as a whole. The accompanying other supplementary information, consisting of the combining and individual fund financial statements, as listed in the table of contents, the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*; and schedule of expenditures of state financial assistance as required by New Jersey OMB's Circular 04-04, and the other information including the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and individual fund financial statements, schedule of federal awards and the schedule of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section 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 an opinion or provide assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2013 on our consideration of the Village Charter School's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hodulik & Morrison, P.A.

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

Robert S. Morrison

Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
September 12, 2013

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

**VILLAGE CHARTER SCHOOL
Trenton, New Jersey
Mercer County**

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
(Unaudited)
June 30, 2013**

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, 2013. 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 Statements No. 37, No. 61 and No. 63. 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 \$5,998,384.
- Overall expenditures were \$5,604,628.

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

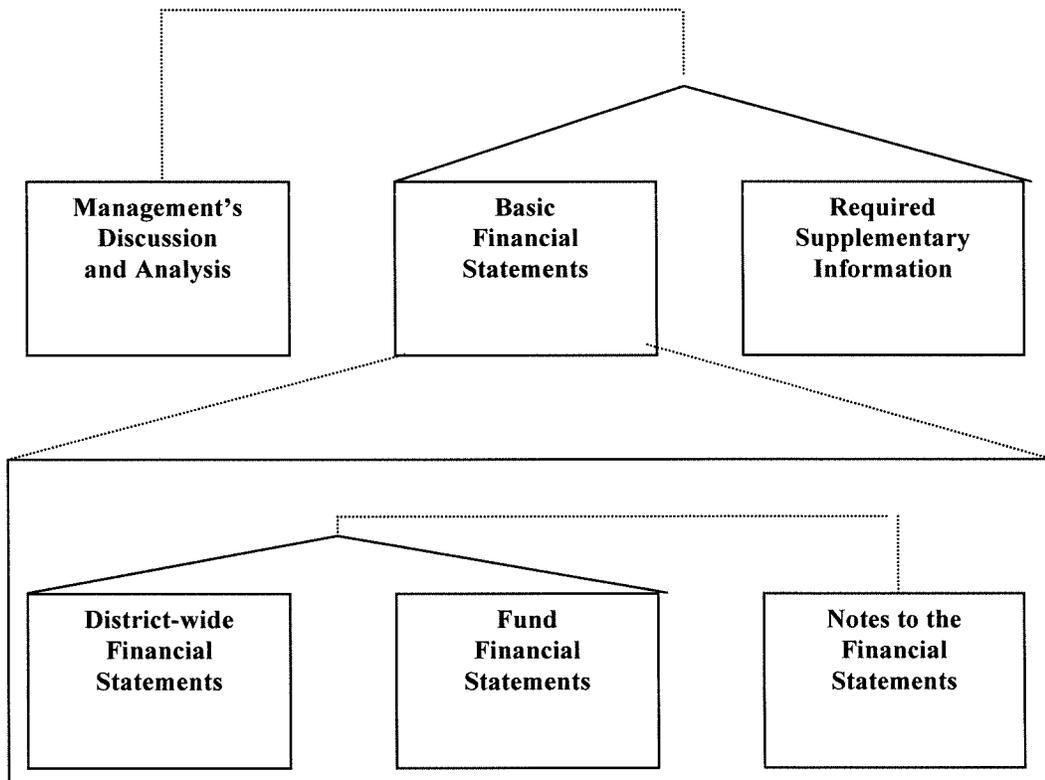


Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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 position • 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 position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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, liabilities deferred inflow/outflows of resources, 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 position 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 position and how they have changed. Net position - 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 position 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 position were \$1,571,629 at June 30, 2013. Restricted net position 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 position (Figure A-3) and change in net position (Figure A-4) of the school’s governmental activities.

Figure A-3
Net Position- Governmental Activities

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Current and other assets	\$1,934,492	\$1,663,699	\$270,7923	16.28%
Capital assets	<u>201,969</u>	<u>107,401</u>	<u>94,568</u>	<u>88.05%</u>
Total assets	<u>\$2,136,461</u>	<u>\$1,771,100</u>	<u>\$365,3601</u>	<u>20.63%</u>

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

Current and other liabilities	<u>\$171,077</u>	<u>\$ 199,471</u>	<u>\$(28,394)</u>	<u>(14.23)%</u>
Total liabilities	<u>\$171,077</u>	<u>\$199,471</u>	<u>\$(28,394)</u>	<u>(14.23)%</u>
<u>Net Position</u>				
Invested in capital assets, net of debt	201,969	107,401	94,568	88.05%
Restricted	500,000	500,000		
Unrestricted	<u>1,263,415</u>	<u>964,228</u>	<u>299,187</u>	<u>31.03%</u>
Total net position	<u>\$1,965,384</u>	<u>\$1,571,629</u>	<u>\$393,755</u>	<u>25.05%</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 Position
Year Ended June 30, 2013**

	<u>FY 2013</u>	<u>FY2012</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues:				
Program revenue				
State grants & Entitlements	\$ 470,713	\$ 348,414	\$122,299	39.29%
General Revenue				
Local tax levy	473,447	469,718	3,729	0.79%
Federal and State aid	5,052,309	5,101,171	(48,862)	(0.96)%
Miscellaneous revenues (Incl. Special items & Transfers)	<u>1,915</u>	<u>17,188</u>	<u>(15,273)</u>	<u>(88.86)%</u>
Total revenues	<u>\$5,998,384</u>	<u>\$5,936,491</u>	<u>\$61,893</u>	<u>1.29%</u>
Functions/Program Expenses:				
Instruction				
Regular programs	1,832,497	2,325,118	(492,621)	(21.19)%
Special education	507,326	319,688	187,638	58.69%
Support services				
Student and Instruction	166,363	144,404	21,959	15.21%
School Support Services	1,416,690	1,451,353	(34,663)	(2.39)%
General administration and Business services	1,211,039	1,217,898	(6,861)	(0.56)%
Unallocated benefits	<u>470,713</u>	<u>348,414</u>	<u>122,299</u>	<u>39.29%</u>
Total expenses	<u>\$ 5,604,628</u>	<u>\$ 5,806,875</u>	<u>(202,249)</u>	<u>(203.79)%</u>
Increase (decrease) in net position	<u>\$393,757</u>	<u>\$129,616</u>		

Governmental Activities (Continued)

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$5,133,915 (Expenses less operating grants and contributions). These costs were financed by \$473,447 in local property school taxes, \$5,052,309 in federal and state aid and \$1,915 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 2013</u>	<u>FY2011</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Regular instruction	\$1,832,497	2,325,118	\$ (492,621)	(21.19)%
Special Education	507,326	319,688	187,638	58.69%
Student & Instruction	166,363	144,404	21,959	15.21%
School Support Services	1,416,691	1,451,353	(34,664)	(2.39)%
General Administration	1,211,038	1,217,898	(6,860)	(0.56)%
Unallocated Benefits	<u>470,713</u>	<u>348,414</u>	<u>122,299</u>	<u>39.29%</u>
Total	<u>\$5,604,628</u>	<u>\$5,806,875</u>	<u>\$(202,249)</u>	<u>(3.23)%</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, 2013, the school reported \$636,009 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 2013</u>	<u>FY2012</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Furniture and Equipment	<u>\$636,009</u>	<u>\$516,485</u>	<u>\$119,524</u>	<u>23.00%</u>
Total	<u>\$636,009</u>	<u>\$516,485</u>	<u>\$119,524</u>	<u>23.00%</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 POSITION
June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,683,566	\$ 32,061	\$ 1,715,627
Receivables, net	151,983	12,981	164,964
Receivables from other funds	79,120		79,120
Prepaid Expense	19,822		19,822
Capital assets, net (Note 3)	<u>201,969</u>		<u>201,969</u>
 Total Assets	 <u>2,136,460</u>	 <u>45,042</u>	 <u>2,181,502</u>
LIABILITIES			
Accounts payable	138,139		138,139
Advance from Grantor	12,295		12,295
Other Liabilities	18,617		18,617
Interfund payable	<u>2,026</u>		<u>2,026</u>
 Total Liabilities	 <u>171,077</u>	 <u> </u>	 <u>171,077</u>
NET POSITION			
Invested in capital assets, net of related debt	201,969		201,969
Restricted for:			
Other purposes	500,000		500,000
Unrestricted(Deficit)	<u>1,263,414</u>	<u>45,042</u>	<u>1,308,456</u>
 Total Net Position	 <u>1,965,383</u>	 <u>45,042</u>	 <u>2,010,425</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$1,832,497	\$	\$	\$	(\$1,832,497)	\$	(\$1,832,497)
Special education	507,326				(507,326)		(507,326)
Support services:							
Student & instruction related services	166,363				(166,363)		(166,363)
School Support Services	1,416,690				(1,416,690)		(1,416,690)
General and business administrative services	1,211,039				(1,211,039)		(1,211,039)
Unallocated benefits	470,713		470,713				
Total governmental activities	<u>5,604,628</u>		<u>470,713</u>		<u>(5,133,915)</u>		<u>(5,133,915)</u>
Business-type activities:							
Food Service	187,704	27,212	146,230			(14,262)	(14,262)
Total business-type activities	<u>187,704</u>	<u>27,212</u>	<u>146,230</u>			<u>(14,262)</u>	<u>(14,262)</u>
Total primary government	<u>\$5,792,332</u>	<u>\$27,212</u>	<u>\$616,943</u>		<u>(\$5,133,915)</u>	<u>(\$14,262)</u>	<u>(\$5,148,177)</u>
General revenues:							
Taxes							
Property taxes, levied for general purposes, net					\$473,447		\$473,447
Federal and State aid not restricted					4,538,335		4,538,335
Federal and State aid restricted					513,974		513,974
Investment Earnings					1,022	36	1,058
Miscellaneous Income					893		893
Total general revenues, special items, extraordinary items and transfers					<u>5,527,671</u>	<u>36</u>	<u>5,527,707</u>
Change in Net Position					393,756	(14,226)	379,530
Net Position—beginning					<u>1,571,627</u>	<u>59,268</u>	<u>1,630,895</u>
Net Position—ending					<u>1,965,383</u>	<u>45,042</u>	<u>2,010,425</u>

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, 2013

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,673,616	\$ 9,950	\$ 1,683,566
Accounts Receivable:			
Interfunds	174,012		174,012
Due from other governments	29,788	118,469	148,257
Other Accounts Receivable	1,092	2,633	3,725
Prepaid Expenses	<u>19,822</u>		<u>19,822</u>
Total Assets	<u>1,898,330</u>	<u>131,052</u>	<u>2,029,383</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	114,273	23,866	138,139
Interfund Payable	2,026	94,892	96,918
Other Liabilities	18,617		18,617
Deferred Revenue		<u>12,295</u>	<u>12,295</u>
Total Liabilities	<u>134,916</u>	<u>131,052</u>	<u>265,969</u>
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	500,000		500,000
Assigned Fund Balance:			
Maintenance, Improvement and Acquisition of Facilities	1,000,000		1,000,000
Unassigned Fund Balance	<u>263,414</u>		<u>263,414</u>
Total Fund Balances	<u>1,763,414</u>		<u>1,763,414</u>
Total Liabilities and Fund Balances	<u>\$ 1,898,330</u>	<u>\$ 131,052</u>	<u>\$ 2,029,383</u>

VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

Exhibit B-1
Page 2 of 2

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

\$ 1,763,414

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$636,009, and the accumulated depreciation is \$434,040.

201,969

Net assets of governmental activities.

\$ 1,965,383

VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local tax levy	\$ 473,447	\$	\$ 473,447
Interest	1,022		1,022
Miscellaneous	893		893
Local sources		137,744	137,744
State sources	5,009,048		5,009,048
Federal sources		376,230	376,230
Total revenues	<u>5,484,410</u>	<u>513,974</u>	<u>5,998,384</u>
EXPENDITURES			
Current:			
Regular instruction	1,807,541		1,807,541
Special education instruction	281,953	225,373	507,326
Support services and undistributed costs:			
General Administration Services	1,203,770		1,203,770
Student & Instruction Related Services		166,363	166,363
School Support Services	1,416,690		1,416,690
Unallocated Benefits	470,713		470,713
Capital Outlay	4,555	122,238	126,793
Total expenditures	<u>5,185,222</u>	<u>513,974</u>	<u>5,699,196</u>
Excess (Deficiency) of revenues over expenditures	<u>299,188</u>		<u>299,188</u>
Net change in fund balances	299,188		299,188
Fund balance—July 1	1,464,226		1,464,226
Fund balance—June 30	<u>\$ 1,763,414</u>	<u>\$</u>	<u>\$ 1,763,414</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, 2013

Total net change in fund balances - governmental funds (from B-2) \$ 299,188

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	119,524	
	Depreciation expense	<u>(24,956)</u>	<u>94,568</u>

Change in net assets of governmental activities \$ 393,756

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

PROPRIETARY FUNDS

VILLAGE CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-type Activities
	Enterprise Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,061
Receivables from other governments	12,981
Total current assets	45,042
Total assets	\$ 45,042
 NET POSITION	
Unrestricted (Deficit)	45,042
Total net position	45,042
Total Net Position	\$ 45,042

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

VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

		<u>Business-Type Activities Enterprise Fund</u>
Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$	27,213
Total operating revenues		<u>27,213</u>
Operating expenses:		
Salaries		30,731
Supplies and Materials		1,023
Cost of sales		<u>155,950</u>
Total Operating Expenses		<u>187,704</u>
Operating income (loss)		<u>(160,491)</u>
Nonoperating revenues (expenses):		
State sources:		
State school lunch program		2,582
Federal sources:		
National school lunch program		109,401
National school breakfast program		34,247
Interest and investment revenue		<u>36</u>
Total nonoperating revenues (expenses)		<u>146,266</u>
Income (loss) before contributions & transfers		<u>(14,225)</u>
Change in net position		(14,225)
Total net position—beginning		<u>59,268</u>
Total net position—ending	\$	<u><u>45,042</u></u>

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

VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Business-type Activities - Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 27,213
Payments for Salaries	(30,731)
Payments to suppliers	(156,973)
Net cash provided by (used for) operating activities	<u>(160,491)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal and State Sources	146,395
Transfers from other funds	(305)
Net cash provided by (used for) non-capital financing activities	<u>146,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>36</u>
Net cash provided by (used for) investing activities	<u>36</u>
Net increase (decrease) in cash and cash equivalents	<u>(14,365)</u>
Balances—beginning of year	<u>46,426</u>
Balances—end of year	\$ <u><u>32,061</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (160,491)
Net cash provided by (used for) operating activities	\$ <u><u>(160,491)</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 POSITION
June 30, 2013

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS:		
Cash and cash equivalents	\$2,316	\$87,968
Accounts receivable		947
Interfund Receivable	<u>11,543</u>	<u>2,026</u>
Total Assets	<u>\$13,859</u>	<u>\$90,941</u>
LIABILITIES:		
Interfund Payable	\$1,682	\$88,795
Claims Payable	187	
Payroll Deductions and Withholdings		<u>120</u>
Total Liabilities	<u>1,869</u>	<u>88,915</u>
NET POSITION:		
Due to Student Groups		2,026
Held in trust for unemployment claims and other purposes	<u>11,990</u>	
Total Net Position	<u>11,990</u>	<u>2,026</u>

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

VILLAGE CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

		<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions:		
Plan member	\$	5,933
Other		<u>34,626</u>
Total Contributions		<u>40,559</u>
Interest		<u>2</u>
Net investment earnings		<u>2</u>
Total additions		<u>40,561</u>
DEDUCTIONS		
Unemployment claims		<u>34,626</u>
Total deductions		<u>34,626</u>
Change in net position		5,935
Net position—beginning of the year		<u>6,055</u>
Net position—end of the year	\$	<u><u>11,990</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, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e.; the statement of net position and the statement of activities) of the Board of Trustees (Board) of the Village Charter School (the "Charter School") report information on all of the nonfiduciary activities of the primary government only. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The School is not financially accountable for any legally separate component units, and no component units have been included in the government-wide financial statements.

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

B. 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, 2013 of 357 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.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. Any remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

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

D. Basis of Presentation – Fund Financial Statements (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.

The School reports the following major enterprise funds:

Food Service Fund – The Food Service Fund is used to account fore the activities of the cafeteria operations of the School.

The School also reports the following fiduciary fund types:

Agency Fund – The Agency Fund is used to account for assets held by the 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.

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.

During the course of its normal operations, the School will have activity between funds (interfund activity) for various purposes. Any residual interfund balances at year end are reported as interfund accounts receivable/payable. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included within governmental activities (the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, any interfund balances between business-type (enterprise) funds are eliminated so that only the net amount is included as internal balances in the business-type activities columns.

Further, interfund activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. In the preparation of the government-wide financial statements, transfers between funds included as governmental activities are eliminated so that only net amounts of resources transferred from or to the governmental activities are reported. A similar treatment is afforded transfers of resources between enterprise funds for the preparation of business-type activity financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**E. Measurement Focus and Basis of Accounting:**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting refers to the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal period that the taxes are levied by the municipality(s) within which the School is domiciled, or certified, prior to the end of the school year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State categorical aid revenues are recognized as School revenue during the fiscal period in which they are appropriated.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual basis accounting. General capital asset acquisitions are recorded as expenditures in the governmental funds and are not capitalized.

The School records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Entitlements are recorded as revenue when all eligibility requirements, including timing of funding appropriations, are met, subject to the 60-day availability requirement for collection. Interest and tuition revenues are considered susceptible to accrual and have been recognized as revenues of the current fiscal period, subject to availability. Expenditure driven grant revenues are recorded as qualifying expenditures are incurred and all other eligibility requirements have been met, subject to availability requirements. All other revenue items are considered measurable and available only when cash is received by the School.

The School's proprietary funds, employee benefit trust fund and private purpose scholarship trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**F. Budgets/Budgetary Control:**

Annual budgets are adopted for the general, special revenue and debt service funds using a regulatory basis of accounting which differs from generally accepted accounting principles in one material respect; Budgetary revenues for certain nonexchange state aid transactions are recognized for budgetary purposes in the fiscal period prior to the period in which the state recognizes expenditures/expenses. The amounts of the adjustments needed to reconcile the budgetary basis to the GAAP based fund financial statements is set forth in the explanation of differences schedules which follow.

Annual appropriated budgets are prepared in the spring of each year for the general fund. The budgets are submitted to the state for approval. 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. New Jersey statutes place limits on the School's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the School to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds. The School did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

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 budgetary purposes only and special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Appropriations in the general fund lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances, for which the contracted performance is expected during the subsequent budget cycle, are legally restricted at year-end and are automatically re-appropriated and become part of the subsequent years' budget pursuant to state regulations.

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 statements.

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

NOTES TO FINANCIAL STATEMENTS

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

F. Budgets/Budgetary Control (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	\$5,484,410	\$511,678
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>	<u>2,296</u>
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>0</u>	<u>0</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>\$5,484,410</u>	<u>\$513,974</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$5,185,222	\$511,678
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>2,296</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$5,185,222</u>	<u>\$513,974</u>

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

G. Cash, Cash Equivalents and Investments:

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

New Jersey school 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.

H. 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.

I. Short-Term Interfund Receivables/Payables:

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

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

J. 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.

K. 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.

L. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time.

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

M. Unearned Revenue/Advances from Grantors:

Unearned revenue represents cash advances received relating to services (expenditures/expenses) that will be provided in a subsequent fiscal period. Similarly, for expenditure-driven grants, amounts advanced to the School in excess of the amounts expended and earned are recorded as advances from grantors.

N. Net Position Flow Assumption (District-Wide and Proprietary Fund Financial Statements)

Periodically, the School may fund outlays for a particular purpose from both restricted resources, such as bond referendum proceeds and/or grant proceeds, and unrestricted resources. To determine the amounts of net position- restricted and unrestricted that should be reported in the government-wide and proprietary fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied.. In the absence of specific grant compliance requirements to the contrary, the School policy is to utilize all amounts of available restricted net position prior to applying unrestricted net position to fund acquisition costs.

O. Fund Balance Flow Assumption (Governmental Fund Financial Statements)

Periodically, the School may fund outlays for a particular purpose from both restricted resources and unrestricted resources (the total of the committed, assigned and unassigned fund balance). To determine the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the School policy is to utilize all amounts of available restricted fund balance prior to applying any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, with unassigned fund balance applied last.

P. Fund Balance Policies:

Fund balance of the governmental funds is reported in various categories based upon the nature of any limitations requiring the use of resources for specific purposes. The School itself can establish limitations on the use of resources through actions to transfer amounts to legally restricted reserve accounts (capital, maintenance and emergency reserves), or actions to commit or assign fund balance.

The committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. Commitments of fund balance remain in place until the committed fund balance is fully depleted or an amendatory action is taken by the Board of Education.

Assignments of fund balance are made by the Board of Education for specific purposes that do not the criteria to be classified as committed. The Board of education also assigns fund balance when it appropriates unrestricted/unassigned fund balance to bridge a gap between estimated revenue and appropriations in the subsequent year budget. Unlike commitments, assignments are generally temporary in nature, and additional actions of the Board are generally not required to remove an assignment, whereas an action of the Board is essential to the modification or elimination of an unexpended committed fund balance.

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

Q. District-Wide Financial Statement Classifications

1. Program Revenues – Amounts reported as program revenues include a) charges to customers or applicants who purchase, use or benefit from goods services or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.
2. General Revenues – all taxes, including those designated for specific purposes such as debt service, are reported as general revenues. All other resources, including internally dedicated resources, unrestricted entitlements, and investment income are reported as general revenues.
3. Capital Assets – In the statement of net position, capital assets are reported, net of accumulated depreciation as assets of the governmental activities and business-type activities.
4. Long-term Debt - In the statement of net position, long-term debt is reported as a component of long-term liabilities of the governmental activities and business-type activities.
5. Net Investment in Fixed Assets – In the statement of Net Position, the net undepreciated value of capital assets, less the value of outstanding debt issued to purchase acquire or build those capital assets, is reported as Net Investment in Fixed assets as a component of net position for the governmental activities and business-type activities.

R. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products in connection with the primary purpose or function for which the fund was established. The School's Food Service proprietary fund reports operating revenues from the sales of lunches and a la carte items, and operating expenses include the costs of sales (food, supplies and labor), administrative costs and depreciation on capital assets. Revenues earned through the School's participation in the National School Lunch Program are classified as nonoperating revenues, notwithstanding the limitations on the pricing of Type A student lunches that is required for program participation.

S. Reconciliation of District-Wide and Fund Financial Statements

I. Differences between governmental fund balance sheet and District-wide statement of net position:

Total Governmental Fund Balance (B-1)	\$1,763,414
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	<u>201,969</u>
Net Position of Governmental Activities	<u>\$1,965,383</u>

NOTES TO FINANCIAL STATEMENTS

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

S. Reconciliation of District-Wide and Fund Financial Statements (cont'd):

II. Differences between governmental fund statement of revenues, expenditures and changes in fund balances and District-wide statement of activities:

Total Net Change Governmental Fund Balance (B-2)	\$299,188
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	94,568
Net Position of Governmental Activities	<u>\$393,756</u>

U. 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.

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>1,753,893</u>
Total Deposits	<u>\$2,003,893</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, 2013, \$0.00 of the Board’s bank balance of \$2,003,893 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, 2013 was \$1,802,090 and the bank balance was \$2,003,893.

As of June 30, 2013, the Charter School held no investments.

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd):

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, 2013, 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

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance - total governmental funds is made to reflect the carrying value of the School's capital assets at year-end in the District-wide financial statements, which consisted of:

Total capital assets at cost	\$ 636,009
Less: accumulated depreciation	<u>(434,040)</u>
Government Activities Capital Assets, Net	<u>\$ 201,969</u>

Capital assets by classification and activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities:			
Machinery, Equipment, Furniture & Vehicles	\$ <u>516,485</u>	\$ <u>119,524</u>	\$ <u>636,009</u>
Totals at Historical Cost	<u>516,485</u>	<u>119,524</u>	<u>636,009</u>
Less Accumulated Depreciation For:			
Equipment, Furniture, and Vehicles	<u>(409,084)</u>	<u>(24,956)</u>	<u>(434,040)</u>
Total Accumulated Depreciation	<u>(409,084)</u>	<u>(24,956)</u>	<u>(434,040)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>107,401</u>	<u>94,568</u>	<u>201,969</u>
Government Activities Capital Assets, Net	<u>\$ 107,401</u>	<u>\$ 94,568</u>	<u>\$ 201,969</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ <u>24,956</u>
Total depreciation expense	<u>\$ 24,956</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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. 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>
6/30/13	\$ 50,907	100 %	\$ 50,907
6/30/12	51,791	100	51,791
6/30/11	38,014	100	38,014

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>
6/30/13	\$146,183	100%	\$0
6/30/12	65,494	100%	0
6/30/11	5,187	100%	0

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$159,234 during the year ended June 30, 2013 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 5. 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, 2012 there were 97,661 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 Funding</u>	<u>Annual Post-Retirement Medical Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/13	\$165,296	100%	\$0
6/30/12	131,659	100%	0
6/30/11	115,352	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 6. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. 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 8. 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, 2012 is as follows:

	New Jersey School Boards Association <u>Insurance Group</u>
Total Assets	\$267,924,509
Net Assets	64,143,384
Total Revenue	85,639,095
Total Expenses	84,297,968
Change in Net Assets	1,341,127
Net Assets Distribution to Members	-0-

NOTES TO FINANCIAL STATEMENTS

NOTE 9. 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, 2013:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012-2013	\$5,933	2	34,626	\$11,990
2011-2012	5,610	1	35,747	6,055
2010-2011	5,293	8	53,232	443

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2013:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 171,986	\$
Special Revenue Fund		94,892
Unemployment Trust	9,675	
Student Activity Fund	2,026	
Agency Fund		88,795
	<u>\$ 183,687</u>	<u>\$ 183,687</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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, 2013 amounted to \$588,654. The term of the lease is in place until 2020.

NOTE 12. 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, 2012 to June 30, 2013 fiscal year is as follows:

Beginning balance, July 1, 2012	\$500,000
Ending Balance June 30, 2013	<u>\$500,000</u>

NOTE 13. OTHER RESERVES

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

NOTE 14. FUND BALANCE APPROPRIATED

General Fund (B-1) - Of the \$1,763,414 General Fund balance (budgetary basis) at June 30, 2013 \$500,000 has been restricted in the Maintenance Reserve Account, \$1,000,000 has been assigned for maintenance, improvements and acquisition of facilities and \$263,414 has been unassigned.

NOTE 15. DEFICIT FUND BALANCES

The Charter School did not have any deficit fund balances at June 30, 2013 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 16. 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.

NOTE 17. SUBSEQUENT EVENTS

On September 26, 2013 the Board of Trustees of the Village Charter School Inc. deemed it advisable to purchase 101 Sullivan Way from Mercer Street Friends in accordance with the Settlement Memorandum dated March 26, 2013 and the Agreement of Sale dated September 12, 2013. The purchase of the property is to be financed by entering into a bond agreement with the New Jersey Economic Development Authority and Roma Bank in which the Village Charter School will borrow \$6,000,000 secured by a note and a mortgage on the property in favor of the Authority. They agreed to additional financing in the amount of \$260,000 from Mercer Street Friends, secured by a note and a mortgage on the property in favor of the Mercer Street Friends, which mortgage shall be subordinate to the mortgage in favor of Lender and to all future mortgage liens on the property. The closing for the purchase of 101 Sullivan Way was October 16, 2013.

**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, 2013

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	\$ 28,300	\$	\$ 28,300	\$ 26,375	\$ 1,925
Nurse Salary	60,466	(686)	59,780	59,780	
Purch. Prof. Services CAP Worksheet		4,821	4,821	4,821	
Supplies - Nurse	1,200		1,200	1,097	103
Salaries - Guidance Counselors	107,458	1,000	108,458	108,458	
Guidance Office Supplies		395	395	395	
Purch. Prof./Tech. Services CST	48,110	(40,000)	8,110	8,110	
Staff Development		1,095	1,095	1,095	
Purch. Prof./Tech. Services Support		7,000	7,000	7,000	
Other Purchased Services - Support	5,000	(420)	4,580	220	4,360
Misc. Expense -Support Sports	5,000		5,000	3,669	1,331
Oper/Maint. Support Staff Salaries	237,592	(28,446)	209,146	206,687	2,458
Other Purchased Services	231,995	(14,797)	217,198	180,071	37,128
Rental of Land and Buildings	631,484	32,196	663,680	663,680	
Insurance for Property, Liability and Fidelity	27,767	(2,263)	25,504	25,501	3
Lease Purchase	43,000		43,000	32,675	10,325
Transportation - Other than To/From School	4,105		4,105	3,291	814
Energy Costs (Heat and Electricity)	118,000		118,000	83,763	34,237
Total Support Services	<u>1,549,477</u>	<u>(40,105)</u>	<u>1,509,372</u>	<u>1,416,690</u>	<u>92,682</u>
On-Behalf TPAF Pension				311,479	(311,479)
Contrib. - Not Budgeted					
On-Behalf TPAF Soc. Sec.				159,234	(159,234)
Contrib. - Not Budgeted					
Total On-Behalf Contributions				<u>470,713</u>	<u>(470,713)</u>
Capital Outlay					
Noninstructional Equipment	4,555	14,797	19,352	4,555	14,797
Total Capital Outlay	<u>4,555</u>	<u>14,797</u>	<u>19,352</u>	<u>4,555</u>	<u>14,797</u>
Total Expenditures - Current Expense	<u>5,018,258</u>	<u>50,783</u>	<u>5,069,041</u>	<u>5,185,222</u>	<u>(116,181)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(14,336)	0	(14,336)	299,188	605,854
Balances Carried Forward	(14,336)	0	(14,336)	299,188	605,854
Excess (Deficiency) of Revenues Over					
(Under) Expenditures and Other					
Financing Uses	(14,336)	0	(14,336)	299,188	605,854
Fund Balances, July 1	<u>1,464,226</u>		<u>1,464,226</u>	<u>1,464,226</u>	
Fund Balances, June 30	<u>\$ 1,449,890</u>	<u>\$ 0</u>	<u>\$ 1,449,890</u>	<u>\$ 1,763,414</u>	<u>\$ 605,854</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 500,000	
Committed Fund Balance:					
Year-end Encumbrances				66,965	
Assigned Fund Balance:					
Maintenance, Improvement & Acquisition of Facilities				1,000,000	
Unassigned Fund Balance				<u>196,449</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,763,414</u>	

VILLAGE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
EXPENDITURES:					
Current Expense:					
Instruction:					
Salaries of Teachers - Specialists	\$ 661,103	\$ (193,551)	\$ 467,552	\$ 441,425	\$ 26,126
Salaries of Teachers - Kindergarten	110,663	(1,757)	108,906	107,130	1,776
Salaries of Teachers - Grade 1-5	556,875	8,466	565,341	565,341	
Salaries of Teachers - Grade 6-8	324,378	40,151	364,529	364,529	
Other Salaries for Instruction	111,200	(28,200)	83,000	62,905	20,095
Purchased Professional/Technical Services	24,000	4,500	28,500	10,250	18,250
Other Purchased Services - Speech Services	40,000	(40,000)			
Other Purchased Services - NIT and Other	74,650	(24,770)	49,880	45,151	4,729
General Supplies - Instruction	68,183	21,826	90,009	37,874	52,135
General Supplies - Workbooks	24,546		24,546	22,855	1,691
General Supplies - Technology Supplies	128,950	9,344	138,294	137,832	462
Textbooks	4,421	(653)	3,768	1,720	2,049
Miscellaneous	21,591	(10,000)	11,591	10,529	1,062
Total Regular Programs - Instruction	2,150,560	-214,644	1,935,916	1,807,541	128,375
Special Education:					
Special Ed Salaries		187,026	187,026	167,035	19,991
Special Education Aide Salaries		30,500	30,500	30,360	140
Supplies		5,783	5,783	5,783	
Textbooks		279	279	279	
Purch/Prof. Develop. SPED		40,217	40,217	41,293	(1,077)
Other Purchased Services - Tutoring		2,000	2,000	630	1,370
Purch/Prof. Technical Services		37,975	37,975	36,573	1,402
Total Special Education		303,779	303,779	281,953	21,826
Administrative:					
Salaries - Administration	160,000	14,890	174,890	174,890	
Salaries of Secretarial and Clerical Assistants	48,433	500	48,933	48,933	0
Legal Services		6,000	6,000	6,000	
Audit Fees	17,250		17,250	17,250	
Purchased Prof./Tech. Services Admin.	15,850	(762)	15,088	9,769	5,319
Other Purch. Services - Admin. Conf.		5,000	5,000	3,929	1,071
Other Purchased Services NJSBA	3,490	5,620	9,110	9,110	
Communication/Telephone	33,475		33,475	30,194	3,281
Communications Ads and Postage	5,900	(1,672)	4,228	2,539	1,689
General Supplies Admin.	1,000	2,188	3,188	3,016	172
Misc. Exp. Admin. Dues and Board Expense	1,150	136	1,286	1,161	125
Salaries - Principal	110,943	500	111,443	111,443	
Salaries of Secretarial/Clerical	44,125	500	44,625	44,625	0
Supplies - Principal	2,500	3,347	5,847	5,373	474
Salaries - Business Office	126,859	500	127,359	127,359	
Salaries Admin. Business Office	73,933	(1,558)	72,375	70,356	2,019
Other Purchased Services		358	358	323	35
Supplies - Business Office	2,000		2,000	903	1,097
Admin. Technology	2,000		2,000	1,821	179
Insurance - Workers Compensation	36,225	5,048	41,273	39,208	2,065
FICA Expense	72,100		72,100	59,335	12,765
Unemployment Insurance	61,833	10,810	72,643	40,370	32,273
Health Benefits Cost	440,000	(62,500)	377,500	343,245	34,255
Pension Expense (PERS)	54,600	(1,950)	52,650	52,616	34
Total Administrative Expense	1,313,666	(13,044)	1,300,622	1,203,769	96,852

VILLAGE CHARTER SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Exhibit - C-1
 Page 1 of 3

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 473,344	\$ 1,502	\$ 474,846	\$ 473,447	\$ 1,399
Interest on Investments	500		500	1,022	(522)
Miscellaneous	30,000		30,000	893	29,107
Total - Local Sources	503,844	1,502	505,346	475,362	29,984
State Sources:					
Special Education Aid - Charter School Aid	4,186,488	56,396	4,242,884	4,229,707	(13,177)
Security Aid	140,015	(2,816)	137,199	136,284	(915)
Charter School Aid - State Share	140,375	(4,299)	136,076	136,076	
Technology Grant (E-Rate)	33,200		33,200	36,268	3,068
On-Behalf TPAF Pension					
Contrib. - Not Budgeted				311,479	311,479
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted				159,234	159,234
Total - State Sources	4,500,078	49,281	4,549,359	5,009,048	459,689
Total Revenues	5,003,922	50,783	5,054,705	5,484,410	489,674

Village Charter School
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2013

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ _____	\$ 156,459	\$ 156,459	\$ 140,376	\$ (16,083)
Total - Local Sources		<u>156,459</u>	<u>156,459</u>	<u>140,376</u>	<u>(16,083)</u>
Federal Sources:					
Title I Part A		293,988	293,988	265,206	(28,782)
Title II, Part A		25,371	25,371	21,408	(3,963)
IDEA Part B		<u>89,346</u>	<u>89,346</u>	<u>84,688</u>	<u>(4,658)</u>
Total - Federal Sources		<u>408,704</u>	<u>408,704</u>	<u>371,302</u>	<u>(37,402)</u>
Total Revenues		<u>565,163</u>	<u>565,163</u>	<u>511,678</u>	<u>(53,485)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers		133,908	133,908	108,442	25,466
Other Salaries for Instruction		94,236	94,236	87,541	6,695
General Supplies		<u>30,669</u>	<u>30,669</u>	<u>29,390</u>	<u>1,279</u>
Total instruction		<u>258,813</u>	<u>258,813</u>	<u>225,373</u>	<u>33,440</u>
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries		10,730	10,730	8,230	2,500
Personal Services - Employee Benefits		49,192	49,192	49,192	
Purchased Professional Services		101,399	101,399	97,436	3,963
Supplies & Materials		<u>6,576</u>	<u>6,576</u>	<u>6,576</u>	
Total support services		<u>167,897</u>	<u>167,897</u>	<u>161,434</u>	<u>6,463</u>
Capital Outlay					
Noninstructional Equipment		<u>138,453</u>	<u>138,453</u>	<u>124,871</u>	<u>13,582</u>
Total Capital Outlay		<u>138,453</u>	<u>138,453</u>	<u>124,871</u>	<u>13,582</u>
Total Expenditures		<u>565,163</u>	<u>565,163</u>	<u>511,678</u>	<u>53,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET-TO-GAAP
 RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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)	\$ 5,484,410	(C-2)	\$ 511,678
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)				2,296
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.				
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)	(B-2)	5,484,410	(B-2)	513,974
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	5,185,222	(C-2)	511,678
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.				2,296
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	\$ 5,185,222	(B-2)	\$ 513,974

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, 2013

Exhibit - E-1

	N.C.L.B TITLE I Part A	IDEA BASIC REGULAR 12/13	TITLE II PART A 12/13	NJSBA SAFETY GRANT	NJM GRANT	PARENT ACADEMY	SCHOOLS & LIBRARIES UNIVERSAL SERVICE	TOTAL TOTALS 2012-2013
REVENUES								
Local Sources	\$	\$	\$	\$ 3,740	\$ 4,100	\$ 7,665	\$ 124,871	\$ 140,376
Federal Sources	265,206	84,688	21,408					371,302
Total Revenues	<u>265,206</u>	<u>84,688</u>	<u>21,408</u>	<u>3,740</u>	<u>4,100</u>	<u>7,665</u>	<u>124,871</u>	<u>511,678</u>
EXPENDITURES								
Instruction:								
Salaries of Teachers	38,969	69,473						108,442
Other Salaries for Instruc.	87,541							87,541
Purchased Prof. - Educational Services								
General Supplies	28,691				699			29,390
Other Objects								
Total Instruction	<u>155,201</u>	<u>69,473</u>			<u>699</u>			<u>225,373</u>
Support Services:								
Other Salaries					3,310	4,920		8,230
Personal Services - Empl. Benefits	33,977	15,215						49,192
Purch. Prof. - Educ. Services								
Purchased Professional Services	76,028		21,408					97,436
Other Purch. Services (400-500 series)								
Supplies and Materials				3,740	91	2,745		6,576
Total Support Services	<u>110,005</u>	<u>15,215</u>	<u>21,408</u>	<u>3,740</u>	<u>3,401</u>	<u>7,665</u>		<u>161,434</u>
Capital Outlay								
Noninstructional Equipment							124,871	124,871
Total Expenditures	<u>\$ 265,206</u>	<u>\$ 84,688</u>	<u>\$ 21,408</u>	<u>\$ 3,740</u>	<u>\$ 4,100</u>	<u>\$ 7,665</u>	<u>\$ 124,871</u>	<u>\$ 511,678</u>

CAPITAL PROJECTS FUND

SECTION – F

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

VILLAGE CHARTER SCHOOL
 STATEMENT OF NET POSITION
 ENTERPRISE FUND
AS OF JUNE 30, 2013

Assets	
Cash and Cash Equivalents	\$ 32,061
Accounts Receivable:	
State	201
Federal	<u>12,780</u>
Total Current Assets	<u>45,042</u>
Total Assets	\$ <u>45,042</u>
Net Position	
Unrestricted (Deficit)	<u>45,042</u>
Total Net Position	\$ <u>45,042</u>

VILLAGE CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Charges for Daily Services:	
Daily Sales - Reimbursable Programs:	
School Lunch/Breakfast Program	\$ <u>27,213</u>
Total - Operating Revenue	<u>27,213</u>
Operating Expenses:	
Salaries	30,731
Supplies and Materials	1,023
Cost of Sales	<u>155,950</u>
Total Operating Expenses	<u>187,704</u>
Operating Income (Loss)	<u>(160,491)</u>
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	2,582
Federal Sources:	
National School Lunch Program	109,401
National School Breakfast Program	34,247
Interest Income	<u>36</u>
Total Non-Operating Revenues	<u>146,265</u>
Net Income (Loss) Before Operating Transfers	<u>(14,226)</u>
Change in Net Position	(14,226)
Total Net Position Beginning	<u>59,268</u>
Total Net Position Ending	\$ <u><u>45,042</u></u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 27,213
Cash Payments for Salaries	(30,731)
Cash Payments to Suppliers for Goods and Services	<u>(156,973)</u>
Net Cash Provided by Operating Activities	<u>(160,491)</u>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from State and Federal Sources	146,395
Transfersto General Fund	<u>(305)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>146,090</u>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>36</u>
Net Cash Provided by Investing Activities	<u>36</u>
Net Increase in Cash and Cash Equivalents	(14,365)
Cash and Cash Equivalents at Beginning of Year	<u>46,426</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>32,061</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income/(Loss)	\$ <u>(160,491)</u>
Net Cash Provided by Operating Activities	\$ <u><u>(160,491)</u></u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

VILLAGE CHARTER SCHOOL
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
FOR YEAR ENDED JUNE 30,2013

	UNEMPLOYMENT COMPENSATION TRUST	AGENCY STUDENT ACTIVITY	PAYROLL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,316	\$	\$ 87,968
Accounts Receivable			947
Interfunds Receivable	<u>11,543</u>	<u>2,026</u>	<u></u>
Total Assets	<u>\$ 13,859</u>	<u>\$ 2,026</u>	<u>\$ 88,915</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Claims Payable	\$ 187	\$	\$
Payroll Deductions and Withholdings			120
Interfund Payable	<u>1,682</u>	<u></u>	<u>88,795</u>
Total Liabilities	<u>1,869</u>	<u></u>	<u>88,915</u>
Net Position:			
Due to Student Groups		2,026	
Held in trust for unemployment claims and other purposes	<u>11,990</u>	<u></u>	<u></u>
Total Net Position	<u>11,990</u>	<u>2,026</u>	<u></u>
Total Net Position	<u>\$ 13,859</u>	<u>\$ 2,026</u>	<u>\$ 88,915</u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

		<u>TRUST FUND</u>
		<u>UNEMPLOYMENT COMPENSATION</u>
ADDITIONS		
Contributions:		
Other	\$	34,626
Plan Member		<u>5,933</u>
Total Contributions		<u>40,559</u>
Investment Earnings:		
Interest		<u>2</u>
Total investment earnings		<u>2</u>
Total Additions		<u>40,561</u>
DEDUCTIONS		
Unemployment Claims		<u>34,626</u>
Total Deductions		<u>34,626</u>
Change in Net Position		<u>5,935</u>
Net Position - beginning of the year		<u>6,055</u>
Net Position - end of the year	\$	<u><u>11,990</u></u>

VILLAGE CHARTER SCHOOL
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	BALANCE JUNE 30, 2012	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2013
Charter Village School	\$ <u>2,301</u>	\$ <u>10,696</u>	\$ <u>10,971</u>	\$ <u>2,026</u>
Total	\$ <u><u>2,301</u></u>	\$ <u><u>10,696</u></u>	\$ <u><u>10,971</u></u>	\$ <u><u>2,026</u></u>

VILLAGE CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2013</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 74,382	\$ 2,507,699	\$ 2,494,113	\$ 87,968
Accounts Receivable		947		947
Total Assets	<u>\$ 74,382</u>	<u>\$ 2,508,646</u>	<u>\$ 2,494,113</u>	<u>\$ 88,915</u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 1,738	\$ 2,507,699	2,509,317	\$ 120
Due to General Fund	<u>72,644</u>	<u>16,150</u>		<u>88,795</u>
Total Liabilities	<u>\$ 74,382</u>	<u>\$ 2,523,849</u>	<u>\$ 2,509,317</u>	<u>\$ 88,915</u>

LONG-TERM DEBT

SECTION - I

STATISTICAL SECTION

SECTION – J

Financial Trends

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

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 201,969
Restricted								500,000	500,000	500,000
Unrestricted	304,105	452,769	314,973	222,015	245,045	1,089,831	1,080,259	840,653	964,228	1,263,414
Total governmental activities net assets/position	<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>\$ 1,571,629</u>	<u>\$ 1,965,383</u>
Business-type activities										
Unrestricted	\$ 890	\$ 890	\$ 890	\$ 890	\$ 10,693	\$ 40,494	\$ 40,727	\$ 48,540	\$ 59,268	\$ 45,042
Total business-type activities net assets/position	<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>	<u>\$ 45,042</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	\$ 201,969
Restricted								500,000	500,000	500,000
Unrestricted	304,995	453,659	315,863	222,905	245,045	1,130,325	1,120,986	889,193	1,023,496	1,308,456
Total district net assets/position	<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>\$ 1,630,897</u>	<u>\$ 2,010,425</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$1,832,497
Special education						104,349	142,537	384,236	319,688	507,326
Support Services:										
Student & Instruction Related Services								82,816	144,404	166,363
General administrative services	653,874	882,903	659,659	1,114,365	863,277	668,077	882,896	1,183,598	1,451,353	1,211,038
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	1,416,690
Unallocated Benefits	81,821	99,933	103,962	143,802	64,963			323,262	348,414	470,713
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	4,040,423	3,345,354	4,295,797	4,347,637	4,415,213	4,350,222	5,634,800	5,420,648	5,806,875	5,604,627
Business-type activities:										
Food service	64,212	73,678	177,142	154,687	130,508	155,672	172,435	165,973	162,609	187,704
Total business-type activities expense	64,212	73,678	177,142	154,687	130,508	155,672	172,435	165,973	162,609	187,704
Total district expenses	\$ 4,104,635	\$ 3,419,032	\$ 4,472,939	\$ 4,502,324.00	\$ 4,545,721.00	\$ 4,505,894.00	5,807,235	5,586,621	5,969,484	5,792,331

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

Exhibit J-2

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities:										
Operating grants and contributions			409,108	393,830	412,610	596,280	940,040	272,163	348,414	470,713
Total governmental activities program revenues	-	-	409,108	393,830	412,610	596,280	940,040	272,163	348,414	470,713
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	27,212
Operating grants and contributions						171,928	160,264	156,628	158,276	146,230
Total business type activities program revenues	64,212	90,557	177,142	154,687	140,311	185,476	172,668	176,520	173,314	173,442
Total district program revenues	\$ 64,212	\$ 90,557	\$ 586,250	\$ 548,517	\$ 552,921	\$ 781,756	\$ 1,112,708	\$ 448,683	\$ 521,728	\$ 644,155
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (5,133,914)
Business-type activities	-	16,879	-	-	9,803	29,804	233	10,547	10,705	(14,262)
Total district-wide net expense	\$ (4,040,423)	\$ (3,328,475)	\$ (3,886,689)	\$ (3,953,807)	\$ (3,992,800)	\$ (3,724,138)	\$ (4,694,527)	\$ (5,137,938)	\$ (5,447,756)	\$ (5,148,176)
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	473,447
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	4,538,335
State and Federal Aid	914,018	1,010,392	831,141	873,772	962,865	-	-	518,151	396,996	513,974
Miscellaneous income	254,507	153,757	81,112	105,218	89,821	10,462	353	119,064	17,188	1,915
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	5,527,671
Business-type activities:										
Investment earnings								40	24	36
Total business-type activities	-	-	-	-	-	-	-	40	24	36
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	\$ 5,527,707
Change in Net Position										
Governmental activities	\$ 782,616	\$ (6,749)	\$ (142,992)	\$ (154,537)	\$ (38,549)	\$ 783,207	\$ (71,151)	\$ 314,767	\$ 129,616	\$ 393,757
Business-type activities		16,879	-	-	9,803	29,804	233	10,587	10,728	(14,226)
Total district	\$ 782,616	\$ 10,130	\$ (142,992)	\$ (154,537)	\$ (28,746)	\$ 813,011	\$ (70,918)	\$ 325,354	\$ 140,344	\$ 379,531

Source: CAFR Schedule A-2

Village Charter School
Fund Balances, Governmental Funds,
Last Ten 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	2013
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	1,263,414
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	\$ 1,763,414
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	\$ 1,763,414

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

Exhibit J-4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Tax levy	\$ 357,197	\$ 470,318	\$ 696,686	\$ 522,148	\$ 505,066	\$457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447
Miscellaneous			8,895	6,973	18,291	10,462	23,358	119,064	17,188	1,915
Local sources								6,854	41,280	137,744
State sources	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	5,009,048
Federal sources	372,047	403,871	409,108	380,528	370,741	327,514	665,079	511,297	355,716	376,230
Total revenue	<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>	<u>5,998,384</u>
Expenditures										
Instruction										
Regular Instruction	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	1,807,541
Special education instruction						104,349	142,537	384,236	319,688	507,326
Support Services:										
General Administration Services	550,765	571,879	659,659	1,106,667	863,277	457,912	626,769	1,183,598	1,217,897	1,203,769
School Administrative Services	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	1,416,690
Student & Instruction Related Services								82,816	144,404	166,363
Unallocated employee benefits	60,697	79,533	103,962	143,802	64,963	573,722	757,698	323,262	348,414	470,713
Unallocated Expenditures						33,446				
Capital outlay	190,561	14,937	66,501		68,855				20,846	126,793
Special Revenue	376,047	407,871	409,108	393,830	412,610					
Total expenditures	<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>	<u>5,699,195</u>
Excess (Deficiency) of revenues over (under) expenditures	<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>	<u>299,189</u>
Net change in fund balances	<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>	<u>\$ 299,189</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
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
2013	1,022	893	1,915

Source: Charter School Records

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Village Charter School
 Full-time Equivalent District Employees by Function/Program,
 Last Seven 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>	<u>2013</u>
Instruction							
Regular	31.0	28.0	30.0	30.0	32.0	31.0	29.0
Special education	1.0	2.0	3.0	3.0	3.5	4.5	5.0
Other instruction		7.0	7.0	7.0	4.0	4.0	4.0
Support Services:							
Student & instruction related services				4.0	3.0	3.0	3.0
General administrative services	1.0	1.0	3.0	4.0	4.0	4.5	4.0
School administrative services	2.0	3.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	1.0	1.0	2.0	2.0	1.0	1.0	1.0
Central Services	1.0	2.0	4.0	2.0	2.0	2.0	2.0
Other Support Services	3.0	3.0	3.0	1.0	1.5	1.5	2.0
Food Service	4.0	3.0		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>55.5</u>	<u>54.0</u>

Source: Charter School Personnel Records

Village Charter School
 Operating Statistics
 Last Nine 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%
2013	358	5,586,982	15,606	2.35%	35	10		355.7	339.5	-0.61%	95.45%

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, 2013
 UNAUDITED

Company	Coverage	Deductible
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	

**Village Charter School
Near Term Indicators
Fiscal Ratios**

Exhibit J- 21

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,199,893	1,473,686	1,683,566	Audit: Exhibit A-1
Current Assets	433,500	297,414	452,894	Audit: Exhibit A-1
Total Assets	1,633,393	1,771,100	2,136,460	Audit: Exhibit A-1
Current Liabilities	191,383	199,471	171,077	Audit: Exhibit A-1
Total Liabilities	191,383	199,471	171,077	Audit: Exhibit A-1
Net Assets	1,442,011	1,571,629	1,965,383	Audit: Exhibit A-1
Total Revenue	5,735,415	5,936,491	6,012,964	Audit: Exhibit A-2
Total Expenses	5,420,648	5,806,875	5,619,207	Audit: Exhibit A-2
Change in Net Assets	314,767	129,616	393,757	Audit: Exhibit A-2
Depreciation Expense	16755	14803	24956	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	359	358	355	DOE Enrollment Reports
March 30th Budgeted Enrollment	360	360	353	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2011	2012	2013	Source:
1a. Current Ratio	2.27	1.49	2.65	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	80.79	92.63	109.36	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	99%	101%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit

**Village Charter School
Sustainability Indicators
Fiscal Ratios**

Exhibit J- 22

	2011 Audit	2012 Audit	2013 Audit	Source
Cash	1,199,893	1,473,686	1,683,566	Audit: Exhibit A-1
Current Assets	433,500	297,414	452,894	Audit: Exhibit A-1
Total Assets	1,633,393	1,771,100	2,136,460	Audit: Exhibit A-1
Current Liabilities	191,383	199,471	171,077	Audit: Exhibit A-1
Total Liabilities	191,383	199,471	171,077	Audit: Exhibit A-1
Net Assets	1,442,011	1,571,629	1,965,383	Audit: Exhibit A-1
Total Revenue	5,735,415	5,936,491	6,012,964	Audit: Exhibit A-2
Total Expenses	5,420,648	5,806,875	5,619,207	Audit: Exhibit A-2
Change in Net Assets	314,767	129,616	393,757	Audit: Exhibit A-2
Depreciation Expense	16755	14803	24956	Financial Statements/Audit Workpapers
Interest Expense	0	0	0	Financial Statements/Audit Workpapers
Principal Payments	0	0	0	Financial Statements/Audit Workpapers
Interest Payments	0	0	0	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	359	358	355	DOE Enrollment Reports
March 30th Budgeted Enrollment	360	360	353	Charter School Budget

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RATIOS ANALYSIS...					
Sustainability Indicators	2011	2012	2013	3 YR CUM	
2a. Total Margin	5%	2%	7%	5%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.12	0.11	0.08		Total Liabilities/Total Assets
2c. ** Cash Flow	334,391	273,793	209,880	818,064	Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		

SINGLE AUDIT SECTION

SECTION – K

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
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MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Village Charter School's basic financial statements and have issued our report thereon dated September 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village Charter School's internal control

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses deficiencies or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 involving internal control and internal control over financial reporting that we reported to the Board of Trustees in a separate report entitled, Auditors Management Report on Administrative Findings dated September 12, 2013.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hodulik & Morrison, P.A.

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

Highland Park, New Jersey
September 12, 2013

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

JO ANN BOOS, CPA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND
STATE FINANCIAL ASSISTANCE REQUIRED BY
OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04**

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

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the Village Charter School 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 could have a direct and material effect on each of the Village Charter Schools' major federal and state programs for the year ended June 30, 2013. The Village Charter Schools' major federal and state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; audit requirements as prescribed by 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 and 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 for each major federal and state program. However, our audit does not provide a legal determination on the Village Charter School's compliance.

Opinion on each Major Federal and State Program

In our opinion, the Village Charter School complied, in all material respects, with the types of compliance 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, 2013.

Report on 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 and state programs 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 OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and New Jersey OMB 04-04. Accordingly, this report is not suitable for any other purpose.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants

Highland Park, New Jersey
September 12, 2013

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2012	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUST- MENTS	BALANCE AT JUNE 30, 2013		
			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	7/1/12	6/30/13	34,247	\$	\$31,038	(\$34,247)	\$	(\$3,209)	\$	\$
National School Breakfast Program	10.553	N/A	7/1/11	6/30/12	31,978		2,692					
National School Lunch Program	10.555	N/A	7/1/12	6/30/13	109,401		99,830	(109,401)		(9,571)		
National School Lunch Program	10.555	N/A	7/1/11	6/30/12	123,612		10,229					
Total Child Nutrition Cluster							(12,921)	143,789	(143,648)	(12,780)		
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-8140-13	9/1/12	8/31/13	274,650		157,712	(246,834)		(89,122)		
Title I, Part A C/O	84.010	NCLB-8140-12	9/1/11	8/31/12	256,727		(27,117)	50,455	(19,338)		4,000	
Total Title I Cluster							(27,117)	208,167	(266,172)	(89,122)	4,000	
Title II, Part A	84.367	NCLB-8140-13	9/1/12	8/31/13	32,881		25,133	(25,371)		(238)		
Title II, Part A	84.367	NCLB-8140-12	9/1/11	8/31/13	22,792		(3,963)	3,963				
Total Title II Part A							(3,963)	29,096	(25,371)	(238)		
Special Education Cluster:												
I.D.E.A. Part B	84.027	IDEA-8140-12	9/1/11	8/31/13	82,862		(13,810)	13,810				
I.D.E.A. Part B, Basic	84.027	IDEA-8140-13	9/1/12	8/31/13	89,346		40,278	(69,388)		(29,110)		
Total Special Education Cluster							(13,810)	54,088	(69,388)	(29,110)		
Total U.S. Department of Education							(44,890)	291,351	(360,931)	(118,470)	4,000	
Total Federal Financial Assistance							(\$57,811)	\$435,140	(\$504,579)	(\$131,250)	\$4,000	

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, 2013

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2012			BALANCE AT JUNE 30, 2013			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	13-495-034-5120-071	7/1/12-6/30/13	\$ 473,447	\$	\$	\$ 473,447	\$ (473,447)	\$	\$	\$	\$ (473,447)
Charter School Aid - State	13-495-034-5120-071	7/1/12-6/30/13	4,381,860			4,229,707	(4,214,216)		15,491.00		(4,214,216)
Special Education Aid	13-495-034-5120-089	7/1/12-6/30/13	136,076			136,076	(136,076)				(136,076)
Other Categorical Aid:											
Security Aid	13-495-034-5120-084	7/1/12-6/30/13	136,284			136,284	(136,284)				(136,284)
* On Behalf TPAF Pension Contributions	13-495-034-5095-007	7/1/12-6/30/13	311,479			311,479	(311,479)				(311,479)
Reimb. T.P.A.F. Social Security Contrib.	13-495-034-5095-002	7/1/12-6/30/13	159,234			151,635	(159,234)	(7,599)			(159,234)
Total General Fund						5,438,628	(5,430,736)	(7,599)	15,491.00		(5,430,736)
State Department of Agriculture:											
Enterprise Fund:											
National School Lunch Prog. (State Share)	13-100-010-3350-023	7/1/12-6/30/13	2,582			2,381	(2,582)	(201)			(2,582)
National School Lunch Prog. (State Share)	12-100-010-3350-023	7/1/11-6/30/12	2,533	(251)		251					
Total Enterprise Fund				(251)		2,632	(2,582)	(201)			(2,582)
Total State Financial Assistance			\$	(251)	\$	5,441,260	(5,433,318)	(7,800)	\$ 15,491.00		(5,433,318)

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, 2013

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, 2013

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$0	\$5,009,048	\$5,009,048
Special Revenue Fund	376,230	0	376,230
Food Service Fund	<u>143,648</u>	<u>2,582</u>	<u>146,230</u>
Total Awards & Financial Assistance	<u>\$519,878</u>	<u>\$5,011,630</u>	<u>\$5,531,508</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, 2013. 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, 2013.

VILLAGE CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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>
_____	<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? X Yes _____ No

VILLAGE CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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? X Yes No

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

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 None Reported

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:

GMIS Number(s)	Name of State Program
13-495-034-5120-071	Charter School Aid - State
13-495-034-5120-071	Charter School Aid - Local

VILLAGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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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, 2013

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

N/A