

VILLAGE CHARTER SCHOOL

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

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2015***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

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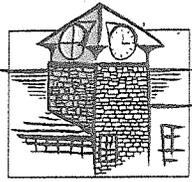
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INTRODUCTORY SECTION



October 15, 2015
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, 2015 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 and No. 68. 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 2014 – 2015 fiscal year, with an average daily enrollment of 359 students.

2. ECONOMIC CONDITION AND OUTLOOK: The School enrolled 360 students in kindergarten through eighth grade for the 2014-2015 School Year. The school continues to be one of the most popular in the area. Waiting lists have been the norm for each grade since the school was founded in 1999. School enrollment has remained consistent over the last year. It is anticipated that, with the demand for quality K-8 public education in Trenton, we will be able to

maintain our enrollment for the foreseeable future. We will continue to monitor any new legislation from Trenton as it relates 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 size, comprehensive teacher evaluations, flexible teaching schedules, experienced teachers, rich resources, data-driven teaching, social-emotional student development and parent and community involvement, are the foundation of our comprehensive educational program. Our Board of Trustees is active, involved and committed to the mission of the School. Parents play an extremely active role in the school. Parent representatives continue to serve on the Board of Trustees, including committee participation.

Situated on the 10-acre campus bordering the Delaware and Raritan Canal in Trenton's West Ward, The Village Charter School, a state of the art facility, provides an exciting and appealing learning environment for all its students. The school building and property, which was purchased by the school in 2013, 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 2015-2016 school year included the expansion of the Linkit data-assessment program, the Journeys language arts program and the Go Math program which are aligned to the Common Core Standards. In addition, the school implemented a school funded tutoring program and continued the successful Boys and Girls Club recreational, summer and tutoring programs.

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, 2015.

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.

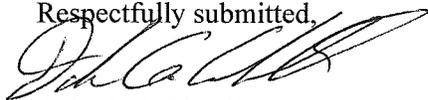
7. CASH MANAGEMENT: The investment policy of the School is guided by state statute as detailed in "Notes to the Financial Statements", Note 2. The School has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the 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 Community 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

VILLAGE CHARTER SCHOOL
 ROSTER OF OFFICIALS
JUNE 30, 2015

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Caroline Clarke	2016
Sheila Garvin-Glover	2018
Margaret Herrmann	2016
Dynell Kellyman	2016
Stephen L. Kitts, Chair of the Board	2017
M. Elaine Murphy-Arnold, Corporate Secretary	2017
Kristina Schulte	2018
Michael Spicer, Esq.	2018
Cindy Sussmann, MD	2017
Kimberly Thompson	2016

<u>Other Officials</u>	<u>Title</u>
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

Investors Bank
101 Wood Ave. South
Iselin, NJ 08830

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 CPAs
NEW JERSEY SOCIETY OF CPAs
REGISTERED MUNICIPAL ACCOUNTANTS OF NJ

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the fiscal year ending June 30, 2015, the Village Charter School implemented the provisions of Statement Number 68 of the Governmental Accounting Standards Board (GASB 68). GASB 68 changed the measurement criteria and reporting provisions relating to the School's proportionate share (if any), of the net pension liability of the defined benefit pension plans in which its employees are enrolled. The accompanying statement of net position discloses the School's net pension liability and pension plan related deferred outflows and deferred inflows of financial resources. The accompanying statement of activities and Note 17 to the financial statements disclose the adjustments to the Schools beginning net position based upon GASB 68 implementation. Our opinion is not modified with respect to this matter.

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, including the Notes thereto, and pension plan information, including the Notes thereto, 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*; the 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 the schedule of state financial assistance are the responsibility of management and were derived from and relate 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

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, the schedule of expenditures of federal awards and the schedule of expenditures 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 October 26, 2015 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 our audit performed in accordance with *Government Auditing Standards* in considering the Village Charter Schools internal control over financial reporting.



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



Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
October 26, 2015

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

VILLAGE CHARTER SCHOOL
Trenton, New Jersey
Mercer County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
(Unaudited)
June 30, 2015

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, 2015. 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 \$6,019,158.
- Overall expenditures were \$5,806,741.

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

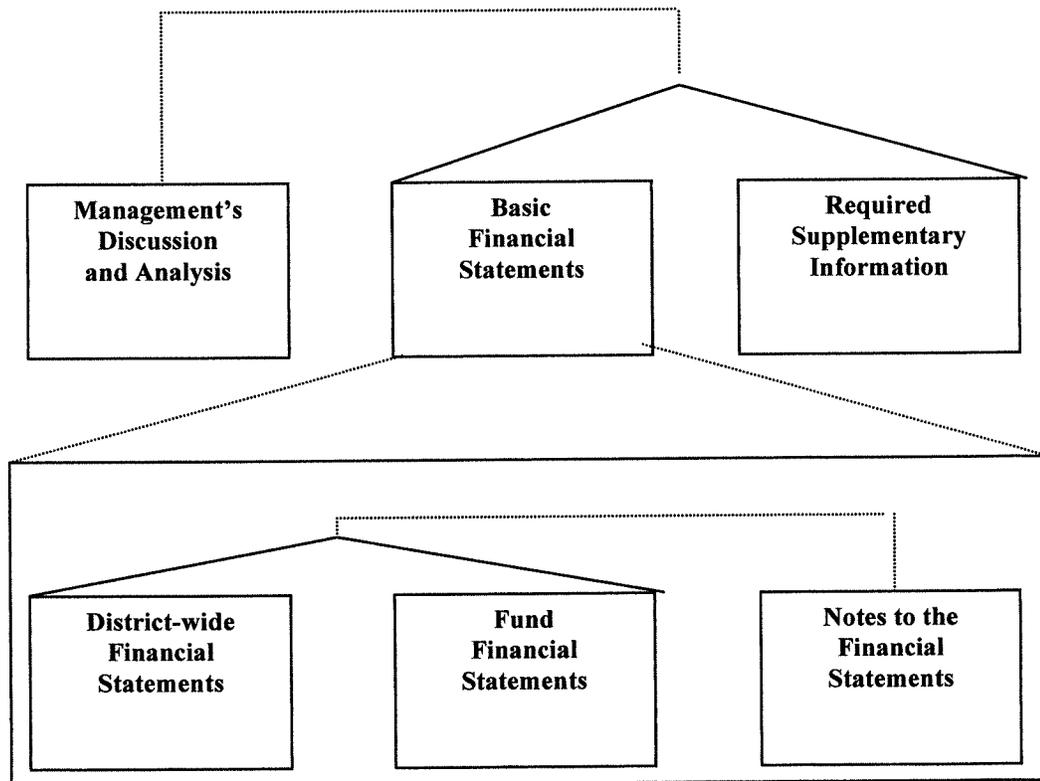


Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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/outflow 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 was \$2,692,981 at June 30, 2015. 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,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>	<u>Increase(Decrease)</u>	
			<u>\$</u>	<u>%</u>
Current and other Assets	\$1,894,683	\$1,738,381	\$156,302	8.99%
Capital Assets	6,891,292	7,122,704	(231,412)	(3.25)%
Total Assets	\$8,785,975	\$8,861,085	\$(75,110)	(0.85)%
Deferred Outflows of Resources	<u>356,113</u>	<u>60,111</u>	<u>296,002</u>	<u>4.92%</u>
Total Deferred Outflows	356,113	60,111	296,002	4.92%

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014*</u>	<u>Increase(Decrease)</u>	
			<u>\$</u>	<u>%</u>
Noncurrent Liabilities	\$6,652,219	\$6,766,129	\$992,307	17.53%
Other Liabilities	<u>879,413</u>	<u>\$780,720</u>	<u>\$158,804</u>	<u>22.04%</u>
Total Liabilities	<u>\$7,528,632</u>	<u>\$7,546,849</u>	<u>\$1,151,111</u>	<u>18.04%</u>
Deferred Inflows of Resources	<u>81,358</u>		<u>81,358</u>	<u>100.00%</u>
Total Deferred Inflows	<u>81,358</u>		<u>81,358</u>	<u>100.00%</u>
<u>Net Position</u>				
Invested in capital assets, net of debt	1,231,380	1,099,564	131,816	11.99%
Restricted	831,107	781,107	50,000	6.40%
Unrestricted	<u>(530,389)</u>	<u>(506,323)</u>	<u>(1,036,712)</u>	<u>(2.05)%</u>
Total Net Position	<u>\$1,532,098</u>	<u>\$1,374,348</u>	<u>\$157,750</u>	<u>11.00%</u>

* - Reflects restatement to implement GASB Statement No. 68.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)

**Figure A-4
Changes in Net Position
Year Ended June 30, 2015**

	<u>FY 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Revenues:				
Program Revenue				
State Grants & Entitlements	\$791,677	\$402,978	\$42,478	10.54%
General Revenue				
Local Tax Levy	495,923	488,750	7,173	1.47%
Federal & State Aid	4,706,597	5,038,342	14,476	0.29%
Miscellaneous Revenues (Incl. Special Items & Transfers)	<u>9,217</u>	<u>35,853</u>	<u>(26,636)</u>	<u>(74.29)%</u>
Total Revenues	<u>\$6,003,414</u>	<u>\$5,965,923</u>	<u>\$37,491</u>	<u>0.63%</u>
Functions/Program Expenses:				
Instruction				
Regular Programs	1,985,820	2,005,803	(19,983)	(1.00)%
Special Education	634,013	520,207	113,806	21.88%
Support Services				
Student and Instruction	33,679	116,813	(83,134)	(71.17)%
School Support Svcs.	1,146,707	996,224	(150,483)	(15.11)%
General Administration And Business Svcs.	1,545,322	1,408,717	136,605	9.70%
Unallocated Benefits	<u>500,122</u>	<u>402,978</u>	<u>97,144</u>	<u>24.11%</u>
Total Expenses	<u>\$5,845,663</u>	<u>\$5,450,742</u>	<u>\$394,921</u>	<u>7.25%</u>
Increase (decrease) in net position	<u>\$157,751</u>	<u>\$515,181</u>		

Governmental Activities (cont'd):

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$5,845,663 (Expenses less operating grants and contributions). These costs were financed by \$495,923 in local property school taxes, \$5,052,818 in federal and state aid and \$9,217 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 2015</u>	<u>FY 2014</u>	Increase (Decrease)	
			<u>\$</u>	<u>%</u>
Regular Instruction	\$1,985,820	\$2,005,803	\$(19,983)	(1.00)%
Special Education	634,013	520,207	113,806	21.88%
Student & Instruction	33,679	116,813	(83,134)	(71.17)%
School Support Svcs.	1,146,707	996,224	150,483	15.11%
General Administration	1,545,322	1,408,717	136,605	9.70%
Unallocated Benefits	<u>500,122</u>	<u>402,978</u>	<u>97,144</u>	<u>24.41%</u>
Total	<u>\$5,845,663</u>	<u>\$5,450,742</u>	<u>\$394,921</u>	<u>7.25%</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, 2015, the school reported \$7,702,699 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 2015</u>	<u>FY 2014</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Land	\$564,271	\$564,271	0.00	0.00%
Building	6,489,122	6,489,122	0.00	0.00%
Furniture and Equipment	<u>674,182</u>	<u>649,306</u>	<u>24,876</u>	<u>4.00%</u>
Total	<u>\$7,727,575</u>	<u>\$7,702,699</u>	<u>\$24,876</u>	<u>4.00%</u>

The increase in capital assets during the year 2014-2015 was for the purchase of new equipment.

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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,791,484	\$ 17,258	\$ 1,808,742
Receivables, net	44,984	22,717	67,701
Receivables from other funds	58,215		58,215
Capital assets, net (Note 3)	<u>6,891,292</u>		<u>6,891,292</u>
 Total Assets	 <u>8,785,975</u>	 <u>39,974</u>	 <u>8,825,950</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Change in Pension Assumptions	42,929		42,929
Change in Pension Proportion	242,735		242,735
Pension Payment Subsequent to Measurement Date	<u>70,449</u>		<u>70,449</u>
 Total Deferred Outflows of Resources	 <u>356,113</u>		 <u>356,113</u>
<u>LIABILITIES</u>			
Accounts payable	126,541		126,541
Accrued Salaries	64,550		64,550
Noncurrent liabilities (Note 4):			
Due within one year	372,882		372,882
Due beyond one year	5,287,030		5,287,030
Net Pension Liability	1,365,189		
Accrued Interest	569		569
Due other Governments	53,802		53,802
Other Liabilities	258,069		258,069
Liabilities to Other Funds		<u>1,338</u>	<u>1,338</u>
 Total Liabilities	 <u>7,528,632</u>	 <u>1,338</u>	 <u>6,164,781</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference in Pension Earnings	<u>81,358</u>		<u>81,358</u>
 Total Deferred Inflows of Resources	 <u>81,358</u>		 <u>81,358</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,231,380		1,231,380
Restricted for:			-
Other purposes	831,107		831,107
Unrestricted(Deficit)	<u>(530,389)</u>	<u>38,637</u>	<u>(491,752)</u>
 Total Net Position	 <u>1,532,098</u>	 <u>38,637</u>	 <u>1,570,735</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities		
Governmental activities:							
Instruction:							
Regular	\$1,985,820	\$	\$	(\$1,985,820)	\$		(\$1,985,820)
Special education	634,013		267,246	(366,767)	-		(366,767)
Support services:							
Student & instruction related services	33,679			(33,679)	-		(33,679)
School Support Services	1,146,707		78,975	(1,067,732)	-		(1,067,732)
General and business administrative services	1,545,322			(1,545,322)	-		(1,545,322)
Unallocated benefits	500,122		445,456	(54,666)	-		(54,666)
Total governmental activities	5,845,663		791,677	(5,053,986)	-		(5,053,986)
Business-type activities:							
Food Service	204,362	9,653	184,269		(10,440)		(10,440)
Total business-type activities	204,362	9,653	184,269		(10,440)		(10,440)
Total primary government	\$6,050,025	\$9,653	\$975,946	(\$5,053,986)	(\$10,440)		(\$5,064,426)
General revenues:							
Taxes							
Property taxes, levied for general purpose				\$495,923			\$495,923
Federal and State aid not restricted				4,694,097	-		4,694,097
Federal and State aid restricted				12,500	-		12,500
Investment Earnings				5,183	60		5,243
Miscellaneous Income				4,034			4,034
Total general revenues, special items, extraordinary items and				5,211,737	60		5,211,797
Change in Net Position				157,751	(10,380)		147,371
Net Position—beginning				2,480,564	49,016		2,529,580
Prior Period Adjustment - GASB 68 Implementation				(1,106,217)			(1,106,217)
Net Position—ending				\$1,532,098	\$38,637		\$1,570,734

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, 2015

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	\$ 1,688,007	\$ 103,477	\$ 1,791,484
Accounts Receivable:			
Interfunds	164,324		164,324
Due from other governments	7,787	35,217	43,004
Other Accounts Receivable	<u>1,980</u>		<u>1,980</u>
Total Assets	<u>1,862,098</u>	<u>138,694</u>	<u>2,000,792</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	28,907	27,185	56,092
Accrued Salaries	59,150	5,400	64,550
Due to Other Governments	53,802		53,802
Interfund Payable		106,109	106,109
Other Liabilities	<u>258,069</u>		<u>258,069</u>
Total Liabilities	<u>399,928</u>	<u>138,694</u>	<u>538,622</u>
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	831,107		831,107
Unassigned Fund Balance	<u>631,063</u>		<u>631,063</u>
Total Fund Balances	<u>1,462,170</u>		<u>1,462,170</u>
Total Liabilities and Fund Balances	<u>\$ 1,862,098</u>	<u>\$ 138,694</u>	<u>\$ 2,000,792</u>

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

VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

Exhibit B-1
Page 2 of 2

Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	\$ 1,462,170
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,727,575, and the accumulated depreciation of \$836,283.	6,891,292
Long term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,659,912)
Short-term liabilities, including accrued interest on long-term debt, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(569)
The Net Pension Liability, and associated Deferred Inflows and Outflows of Resources of the School relating to its participation in the PERS system are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. Carrying amounts are as follows:	
Deferred Outflows of Resources:	
Change in Pension Assumptions	42,929
Pension Payment Subsequent to Measurement Date	70,449
Accounts Payable for Pension Expense	(70,449)
Change in Pension Proportion	242,735
Net Pension Liability	(1,365,189)
Deferred Inflows of Resources:	
Difference in Pension Earnings	(81,358)
Net assets of governmental activities.	\$ 1,532,098

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

VILLAGE CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
 GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local tax levy	\$ 495,923	\$	\$ 495,923
Interest	5,183		5,183
Miscellaneous	4,034		4,034
Local sources		12,500	12,500
State sources	5,155,297		5,155,297
Federal sources		346,221	346,221
Total revenues	5,660,437	358,721	6,019,158
EXPENDITURES			
Current:			
Regular instruction	1,945,835		1,945,835
Special education instruction	366,767	267,246	634,013
Support services and undistributed costs:			
General Administration Services	1,329,019		1,329,019
Student & Instruction Related Services	33,679		33,679
School Support Services	1,055,266	91,475	1,146,741
Unallocated Benefits	461,200		461,200
Capital Outlay	388,104		388,104
Total expenditures	5,579,870	358,721	5,938,591
Excess (Deficiency) of revenues over expenditures	80,567		80,567
Net change in fund balances	80,567		80,567
Fund balance—July 1	1,381,603		1,381,603
Fund balance—June 30	\$ 1,462,170	\$	\$ 1,462,170

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, 2015

Total net change in fund balances - governmental funds (from B-2)	\$	80,567
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	24,876
	Depreciation expense	<u>(256,288)</u>
		(231,412)
Repayment of bond and lease obligation (long-term debt) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
		363,228
Pension expenditures in the governmental funds are recognized when paid or payable from expendable available financial resources. In the statement of activities, pension costs are recognized on a full accrual basis utilizing actuarial valuations. The amount by which actuarially calculated pension expense exceeds the expenditure reported in the funds is a deduction.		
		(54,666)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is an addition in the reconciliation.		
		<u>34</u>
	\$	<u><u>157,751</u></u>

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, 2015

		<u>Business-type Activities Enterprise Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	17,258
Receivables from other governments		<u>22,717</u>
Total current assets		<u>39,974</u>
Total assets	\$	<u>39,974</u>
LIABILITIES		
Current liabilities:		
Interfunds payable		<u>1,338</u>
Total current liabilities		<u>1,338</u>
Total liabilities		<u>1,338</u>
NET POSITION		
Unrestricted (Deficit)		<u>38,637</u>
Total net position		<u>38,637</u>
Total Net Position	\$	<u>39,974</u>

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

VILLAGE CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities
	Enterprise Fund
Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 9,653
Total operating revenues	9,653
Operating expenses:	
Salaries	5,150
Supplies and Materials	3,546
Cost of sales	195,666
Total Operating Expenses	204,362
Operating income (loss)	(194,708)
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	-
Federal sources:	2,533
National school lunch program	129,144
National school breakfast program	32,873
Adult and Child Care Food Program	19,719
Interest and investment revenue	60
Total nonoperating revenues (expenses)	184,329
Income (loss) before contributions & transfers	(10,380)
Change in net position	(10,380)
Total net position—beginning	49,016
Total net position—ending	\$ 38,637

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, 2015

		<u>Business-type Activities - Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	10,026
Payments to suppliers		(203,024)
Net cash provided by (used for) operating activities		<u>(192,997)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal and State Sources		<u>179,067</u>
Net cash provided by (used for) non-capital financing activities		<u>179,067</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends		<u>60</u>
Net cash provided by (used for) investing activities		<u>60</u>
Net increase (decrease) in cash and cash equivalents		<u>(13,870)</u>
Balances—beginning of year		<u>31,128</u>
Balances—end of year	\$	<u><u>17,258</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(194,709)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities		
(Increase) decrease in accounts receivable		373
Increase(decrease) in interfunds payable		<u>1,338</u>
Total adjustments		<u>1,711</u>
Net cash provided by (used for) operating activities	\$	<u><u>(192,997)</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, 2015

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS:		
Cash and cash equivalents	\$12,102	\$195,938
Interfund Receivable	<u>12,165</u>	<u> </u>
Total Assets	<u>\$24,267</u>	<u>\$195,938</u>
LIABILITIES:		
Interfund Payable	\$1,642	\$67,400
Claims Payable	1,718	<u> </u>
Payroll Deductions and Withholdings	<u> </u>	<u>124,761</u>
Total Liabilities	<u>3,360</u>	<u>192,161</u>
NET POSITION:		
Due to Student Groups	<u> </u>	3,777
Held in trust for unemployment claims and other purposes	<u>20,907</u>	<u> </u>
Total Net Position	<u>\$20,907</u>	<u>\$3,777</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, 2015

		<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions:		
Employees Share	\$	6,436
Boards Contribution		<u>23,932</u>
Total Contributions		<u>30,368</u>
Interest		<u>11</u>
Net investment earnings		<u>11</u>
Total additions		<u>30,379</u>
DEDUCTIONS		
Unemployment claims		<u>25,650</u>
Total deductions		<u>25,650</u>
Change in net position		4,729
Net position—beginning of the year		<u>16,178</u>
Net position—end of the year	\$	<u><u>20,907</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, 2015**

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, 2015 of 355 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.

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	\$5,660,437	\$358,721
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>	
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>\$5,660,437</u>	<u>\$358,721</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$5,579,870	\$358,721
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>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$5,579,870</u>	<u>\$358,721</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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employees Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. 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. The School is reporting three items in this category; Pension related items including the Change in Pension Assumptions; Change in Pension Proportion and the amounts of pension payments made by the School subsequent to the pension measurement date. Deferred Outflows for Changes in Pension Assumptions future outflows of resources resulting from changes in actuarial assumptions used in the valuation of the pension liability. Deferred outflows for Subsequent pension payments reflects payments made by the School to the pension system subsequent to the date of the most recent actuarial valuation, which was June 30, 2014. Change in pension proportion represents the unfavorable impact of the incline in the School's proportionate share of system wide net pension liability.

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

M. Deferred Outflows/Inflows of Resources (Cont'd):

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 the 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. The School is reporting one pension related items in this category, the Difference in Pension Earnings. This represents the School's proportionate share of plan earnings in excess of assumed amounts.

N. 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.

O. Net Position Flow Assumption (School-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.

P. 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.

Q. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Q. Fund Balance Policies (Cont'd):**

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.

R. School-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.

S. 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.

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

T. Reconciliation of School-Wide and Fund Financial Statements

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

Total Governmental Fund Balance (B-1)	\$1,462,170
Adjustments to School-Wide Net Position:	
Capital Assets (See Note 3)	6,891,292
Long Term Liabilities (See Note 4)	(5,659,912)
Net Pension Liability	(1,365,189)
Other Items not Recognized in Fund Financial Statements	
Deferred Inflows of Financial Resources	(81,358)
Deferred Outflows of Financial Resources	356,113
Accrued Current Period Pension Liability	(70,449)
Accrued Interest	<u>(569)</u>
Net Position of Governmental Activities	<u>\$1,532,098</u>

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

Total Net Change Governmental Fund Balance (B-2)	\$80,567
Adjustments to School-Wide Net Position:	
Depreciation on Capital Assets (See Note 3)	(256,288)
Capital Outlays	24,876
Net Increase in Pension Expense	(54,666)
Repayment of Long Term Liabilities (See Note 4)	363,228
Accrued Interest	<u>34</u>
Net Position of Governmental Activities	<u>\$157,751</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>1,917,841</u>
Total Deposits	<u>\$2,167,841</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, 2015, \$0.00 of the Board’s bank balance of \$2,167,841 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, 2015 was \$2,016,782 and the bank balance was \$2,167,841.

As of June 30, 2015, the Charter School held no investments.

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

As of June 30, 2015, 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	\$	7,727,575
Less: accumulated depreciation		<u>(836,283)</u>
Government Activities Capital Assets, Net	\$	<u><u>6,891,292</u></u>

Capital assets by classification and activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities:			
Land	\$ 564,271	\$	\$ 564,271
Building	6,489,122		6,489,122
Machinery, Equipment, Furniture & Vehicles	<u>649,306</u>	<u>24,876</u>	<u>674,182</u>
Totals at Historical Cost	<u>7,702,699</u>	<u>24,876</u>	<u>7,727,575</u>
Less Accumulated Depreciation For:			
Building	(108,153)	(216,303)	(324,456)
Equipment, Furniture, and Vehicles	<u>(471,842)</u>	<u>(39,985)</u>	<u>(511,827)</u>
Total Accumulated Depreciation	<u>(579,995)</u>	<u>(256,288)</u>	<u>(836,283)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>7,122,704</u>	<u>(231,412)</u>	<u>6,891,292</u>
Government Activities Capital Assets, Net	<u>\$ 7,122,704</u>	<u>\$ (231,412)</u>	<u>\$ 6,891,292</u>

* Depreciation expense was charged to governmental functions as follows:

Direct Expense of Various Functions	\$	216,303
Instruction		<u>39,985</u>
Total depreciation expense	\$	<u><u>256,288</u></u>

NOTE 4: LONG-TERM LIABILITIES

VILLAGE CHARTER SCHOOL
 LONG TERM DEBT DISCLOSURE
DISCLOSURE OF INFORMATION ABOUT LONG TERM LIABILITIES

Long-term debt liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Mortgage Payable	\$ 5,787,140.00		\$ 327,228	\$ 5,459,912	\$ 336,882
Loan Payable	<u>236,000.00</u>		<u>36,000</u>	<u>200,000</u>	<u>36,000</u>
Net Pension Liability (PERS)		<u>1,365,189.00</u>		<u>1,365,189.00</u>	
Total Liabilities	\$ <u>6,023,140</u>	\$ <u>1,365,189</u>	\$ <u>363,228</u>	\$ <u>7,025,101</u>	\$ <u>372,882</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (CONT'D):

On October 2, 2013 the Village Charter School entered into a mortgage agreement with the New Jersey Economic Development Authority for the purchase of their school facility. The mortgage was in the amount of \$6,000,000 at an interest rate of 3% with monthly payments of \$41,561.

The principal and interest on the mortgage are due as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$336,882	\$161,847	\$498,729
2017	347,712	151,017	498,729
2018	358,437	140,292	498,729
2019	369,493	129,236	498,729
2020	380,571	118,158	498,729
2021	392,628	106,101	498,729
2022	404,739	93,990	498,729
2023	417,222	81,507	498,729
2024	429,909	68,820	498,729
2025	443,352	55,377	498,729
2026	457,026	41,703	498,729
2027	471,123	27,606	498,729
2028	485,626	13,102	498,729
2029	<u>165,190</u>	<u>1,051</u>	<u>12,680</u>
	<u>\$5,459,910</u>	<u>\$1,189,807</u>	<u>\$6,649,717</u>

On October 2, 2013 the Village Charter School also entered into a loan agreement with the Mercer Street Friends for the purchase of their school facility. The loan was in the amount of \$260,000 at a 0% interest rate with monthly payments of \$3,000.

The principal on the loan is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2016	36,000
2017	36,000
2018	36,000
2019	36,000
2020	36,000
2021	<u>20,000</u>
	<u>\$200,000</u>

NOTE 5. PENSION PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan’s designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Teachers Pension and Annuity Fund (TPAF), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. 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, New Jersey, 08625.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, School or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction’s pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2014:

Inactive plan members or beneficiaries currently receiving benefits	160,716
Inactive plan members entitled to but not yet receiving benefits	730
Active plan members	<u>266,526</u>
Total	<u>427,972</u>

Contributing Employers – 1,707.

Significant Legislation – For State of New Jersey contributions to PERS, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7th of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (cont'd):

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended June 30, 2015 the School's total payroll for all employees was \$3,437,506. Total PERS covered payroll was \$635,767. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The School Board's contributions to the Plan for the years ended June 30, 2014 and 2015 were \$43,612 and \$60,111, respectively. School Board Contributions are due and payable in the fiscal period subsequent to plan year for which the contributions requirements were calculated.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

A service retirement benefit of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

NOTES TO FINANCIAL STATEMENTS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (cont'd):

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the School Board reported a liability of \$1,365,189 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the net pension liability was based on a projection of the Boards long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Boards proportion was 0.0072916123%, which was an increase of 0.00150353% from its proportion measure as of June 30, 2013.

For the year ended June 30, 2015, the Board recognized pension expenses of \$114,777. At June 30, 2015 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes in assumptions	\$42,929	\$
Net difference between projected and actual earnings on Plan investments		81,358
Changes in proportion and differences between Board contributions and proportionate share of contributions	242,735	
Board contributions subsequent to the measurement date	<u>70,449</u>	
Total	\$356,113	\$81,358

The \$70,449 of deferred outflows of resources resulting from the Boards contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	(\$28,086)
2017	(28,086)
2018	(28,086)
2019	(28,086)
2020	(28,086)
Thereafter	(63,875)

Actuarial Assumptions- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.01%
Salary Increases (2012-2021)	2.15-4.40% Based on age
Thereafter	3.15-5.40% Based on age
Investment rate of return	7.90%

NOTES TO FINANCIAL STATEMENTS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (cont'd):

Mortality rates were based on the RP-2000 Combined Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	
Cash	0.08%
Core Bonds	2.49%
Intermediate-Term Bonds	2.26%
Mortgages	2.17%
High Yield Bonds	4.82%
Inflation-Indexed Bonds	3.51%
Broad US Equities	8.22%
Developed Foreign Equities	8.12%
Emerging Market Equities	9.91%
Private Equity	13.02%
Hedge Funds/Absolute Return	4.92%
Real Estate (Property)	5.80%
Commodities	5.35%

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 5.39%

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PERS	\$47,326,289,075	\$38,849,838,953	\$31,735,758,503

Plan Fiduciary Net Position – The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2014 was \$28,999,581,773. Information regarding the portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group was not available.

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND

The Teachers Pension and Annuity Fund is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the TPAF Plan are as follows:

Plan Membership and Contributing Employers- Substantially all teachers or members of the professional staff of Local Education Agencies that are certified by the State Board of Examiners, and Employees of the Department of Education who have titles that are unclassified, professional and certified are enrolled in the TPAF. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2014:

Inactive plan members or beneficiaries currently receiving benefits	94,822
Inactive plan members entitled to but not yet receiving benefits	276
Active plan members	<u>152,812</u>
 Total	 <u>247,910</u>

In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability. The current number of ERIP Contributing Employers is 26.

Significant Legislation – For State of New Jersey contributions to TPAF, Chapter 1, P.L. 2010, effective May 21, 2010, required the State to resume making actuarially recommended contributions to the pension plan on a phased-in basis over a seven year period beginning in the fiscal year ended June 30, 2012. For State fiscal year 2014, the State was required to make a minimum contribution representing 3/7th of the actuarially determined contribution amount based on the July 1, 2012 actuarial valuation.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of TPAF.

For the year ended June 30, 2015 the Board's total payroll for all employees was \$3,437,506. Total TPAF covered payroll was \$1,967,119. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.78% in State fiscal year 2014. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount is based on an actuarially determined rate. The annual employer contributions including funding for basic retirement allowances and noncontributory death benefits.

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (cont'd):

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested 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.

The following represents the membership tiers for TPAF:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age of his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The State of New Jersey is solely responsible for funding the normal pension obligations of the TPAF, including 100% of the obligations of LEAs within the State. Accordingly, the School does not report TPAF pension liabilities or deferred inflows and outflows of financial resources in its financial statements. Payments made by the State to the TPAF “on-behalf” of the LEAs are reported to the LEAs and reported as TPAF pension expenditures/expenses as made.

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

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/15	\$282,112	100%	\$0
6/30/14	245,781	100%	0
6/30/13	146,183	100%	0

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (cont'd):

At June 30, 2014, the TPAF reported a net pension liability of \$53,813,067,539. The proportionate share of the net pension liability attributable to the School was \$11,481,669, or 0.021%. State non-employer contributions allocated to the School were \$91,255 and \$142,079 for 2014 and 2013.

Actuarial Assumptions- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Table for Males or Females, as appropriate with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	
Cash	0.05%
Core Bonds	1.38%
Intermediate-Term Bonds	2.60%
Mortgages	2.84%
High Yield Bonds	4.15%
Inflation-Indexed Bonds	1.30%
Broad US Equities	5.88%
Developed Foreign Equities	6.05%
Emerging Market Equities	8.90%
Private Equity	9.15%
Hedge Funds/Absolute Return	3.85%
Real Estate (Property)	4.43%
Commodities	3.60%

Discount Rate – The discount rate used to measure the pension liabilities of TPAF was 4.68%

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (cont'd):

Sensitivity of Net Pension Liability – the following presents the net pension liability of TPAF calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
TPAF	\$64,722,984,539	\$53,813,067,539	\$44,738,870,539

Plan Fiduciary Net Position – The plan fiduciary net position for TPAF at June 30, 2014 was \$27,282,252,461.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2014, the membership in the DCRP, based on the information within the Division’s database, was 28,270.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended June 30, 2015 the Board’s total payroll for all employees was \$3,437,506. Total DCRP covered payroll was \$266,638. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan. Board and employee contributions to the DCRP for the year ended June 30, 2015 were \$955 and \$1,806, respectively.

NOTE 6. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P. L. 2007, c.103 amended the law to eliminate the funding of post retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014 there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. 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.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

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>
6/30/15	\$173,083	100%	\$0
6/30/14	152,669	100%	0
6/30/13	165,296	100%	0

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

NOTE 7. COMPENSATED ABSENCES

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

NOTE 8. DEFERRED COMPENSATION

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

NOTE 9. RISK MANAGEMENT

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

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, 2014 is as follows:

	New Jersey School Boards Association <u>Insurance Group</u>
Total Assets	\$293,795,686
Net Position	66,169,762
Total Revenue	120,623,875
Total Expenses	119,843,435
Change in Net Assets	780,440
Net Assets Distribution to Members	-0-

The School provides health benefits through Horizon Blue Cross/Blue Shield.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE

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

Due to legal restrictions imposed by the State of New Jersey on the accumulated balance in the Charter School Unemployment Compensation Insurance Fund, the Charter School has elected to treat this fund as an expendable trust fund for the purpose of financial reporting. Information relating to this fund for the year ended June 30, 2015:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2014-2015	\$6,436	\$60	\$25,650	\$20,907
2013-2014	5,729	1	5,673	16,178
2012-2013	5,933	2	34,626	11,990

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2015:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 164,324	\$
Special Revenue Fund		106,109
Enterprise Fund		1,338
Unemployment Trust	12,165	1,642
Agency Fund		67,400
	<u>\$ 176,489</u>	<u>\$ 176,489</u>

NOTE 12. OTHER LIABILITIES

With the purchase of the school property the mortgage contained a covenants that required the Village Charter School to maintain an escrow account in the amount of \$250,000 for the demolition and/or remediation expense required on the property and miscellaneous liabilities of \$8,069.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER RESERVES

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

The activity for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning balance, July 1, 2014	\$781,107
Increased by:	
By Board Resolution	<u>50,000</u>
Ending Balance June 30, 2015	<u>\$831,107</u>

NOTE 14. FUND BALANCE APPROPRIATED

General Fund (B-1) - Of the \$1,462,170 of General Fund balance (budgetary basis) at June 30, 2015 \$831,107 has been restricted in the Maintenance Reserve Account and \$631,063 has been unassigned.

NOTE 15. DEFICIT FUND BALANCES

The Charter School did not have any deficit fund balances at June 30, 2015 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. RESTATEMENT OF GOVERNMENTAL ACTIVITIES NET POSITION

The School implemented the provisions of GASB Statement No. 68 effective July 1, 2014. The adoption of this standard required recognition in the Governmental Activities Net Position and Activities of the School's proportionate share of the net pension liability of the Public Employees Retirement System (PERS), and an associated deferred outflow of financial resources for payments made subsequent to the June 30, 2013 measurement date. Prior to the implementation of GASB Statement No. 68, no amounts were required to be reported in the School's financial statements for its share of the PERS net pension liability or for the specific deferred inflows and deferred outflows of financial resources attributable to the School resulting from Plan operations. PERS pension expenditures/expenses were reported in the year paid, which lags the period in which PERS employer contributions are recorded by one fiscal year. The new standard improves the information provided in government financial reports about pension-related costs, obligations and the resources available to satisfy those obligations. A prior period adjustment to effect a restatement of the June 30, 2014 Governmental Activities Net Position was required as follows:

Governmental Activities Net Position as Reported 6-30-14		\$2,480,564.00
June 30, 2013 Proportionate Share of PERS		
Net Pension Liability	(\$1,106,217)	
Accrued Pension Accounts Payable	(60,111)	
Less: Deferred Outflow of Resources for		
Payment Subsequent to Measurement Date	<u>60,111</u>	
Net Decrease in Governmental Activities Net Position		<u>(1,106,217)</u>
Governmental Activities Net Position 6-30-14 Restated		<u>\$1,374,347</u>

NOTE 17. PENDING 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 18. SUBSEQUENT EVENTS

As at the date of the audit report, no events have occurred that would have a material effect on the financial statements.

**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, 2015

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	\$ 488,273	\$ 14,496	\$ 502,769	\$ 495,923	\$ 6,846
Interest on Investments	500	2,000	2,500	5,183	(2,683)
Miscellaneous	30,000	(30,000)		4,034	(4,034)
Total - Local Sources	518,773	(13,504)	505,269	505,140	129
State Sources:					
Special Education Aid - Charter School Aid	170,133	(21,835)	148,298	143,997	(4,301)
Security Aid	137,483	3,704	141,187	139,569	(1,618)
Charter School Aid - State Share	4,391,732	13,516	4,405,248	4,364,211	(41,037)
Non Public Aid	33,200	13,120	46,320	46,320	
On-Behalf TPAF Pension					-
Contrib. - Not Budgeted				109,029	109,029
On-Behalf TPAF Post					-
Retirement Medical				173,083	173,083
On-Behalf TPAF Soc. Sec.					-
Contrib. - Not Budgeted				179,088	179,088
Total - State Sources	4,732,548	8,505	4,741,053	5,155,297	414,244
Total Revenues	5,251,321	(4,999)	5,246,322	5,660,437	414,373

VILLAGE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
EXPENDITURES:					
Current Expense:					
Instruction:					
Salaries of Teachers - Specialists	\$ 531,815	\$ 30,090	\$ 561,905	\$ 561,905	-
Salaries of Teachers - Kindergarten	119,292	(26,456)	92,836	92,836	-
Salaries of Teachers - Grade 1-5	545,260	(35,973)	509,287	509,287	-
Salaries of Teachers - Grade 6-8	399,277	(41,120)	358,157	358,157	-
Salaries of Teachers Substitutes	25,000	17,486	42,486	41,569	917
Other Salaries for Instruction	42,000	25,903	67,903	67,903	-
Purchased Professional/Technical Services	53,400	1,298	54,698	36,908	17,790
Other Purchased Services - NIT and Other	71,932	-	71,932	71,316	617
General Supplies - Instruction	78,333	34,257	112,590	87,512	25,078
General Supplies - Workbooks	30,000	(6,976)	23,024	9,622	13,402
General Supplies - Technology Supplies	156,256	(19,986)	136,270	65,220	71,050
Textbooks	69,000	(18,500)	50,500	29,411	21,089
Miscellaneous	23,819	1,668	25,487	14,190	11,297
Total Regular Programs - Instruction	2,145,384	(38,310)	2,107,074	1,945,835	161,239
Special Education:					
Special Ed Salaries	203,162	(13,521)	189,641	187,891	1,750
Special Education Aide Salaries	33,033	62,167	95,200	95,010	190
Supplies	-	1,200	1,200	837	363
Textbooks	-	13,500	13,500	13,304	196
Purch/Prof. Develop. SPED	40,000	(5,142)	34,858	27,607	7,251
Other Purchased Services - Tutoring	2,000	5,193	7,193	7,193	-
Purch/Prof. Technical Services	40,000	-	40,000	34,927	5,073
Total Special Education	318,195	63,396	381,591	366,767	14,824
After School Program					
Teachers - Salaries	-	-	-	-	-
Other Instruction - Salaries	-	-	-	-	-
Support - Salaries	-	45,000	45,000	33,750	11,250
Support Benefits	-	6,750	6,750	-	6,750
General Supplies	-	48,250	48,250	(71)	48,321
Total Saturday Program	-	100,000	100,000	33,679	66,321
Administrative:					
Salaries - Administration	140,050	117	140,167	140,167	-
Salaries of Secretarial and Clerical Assistants	52,398	1,800	54,198	54,198	-
Audit Fees	17,250	-	17,250	17,250	-
Purchased Prof./Tech. Services Admin.	16,050	(3,916)	12,134	12,134	-
Other Purch. Services - Admin. Conf.	7,000	(3,197)	3,803	3,803	-
Other Purch. Services - Teachers Conference	8,500	(5,951)	2,549	2,549	-
Other Purchased Services NJSBA	12,710	(3,020)	9,690	9,690	-
Communication/Telephone	32,873	36,556	69,429	69,429	-
Communications Ads and Postage	5,900	855	6,755	6,755	-
General Supplies Admin.	3,000	46	3,046	3,046	-
Misc. Exp. Admin. Dues and Board Expense	1,150	1,396	2,546	2,546	-
Mortgage Payments - Interest	-	171,502	171,502	171,501	1
Salaries - Principal	118,072	5,000	123,072	123,072	-
Salaries of Secretarial/Clerical	47,873	41,510	89,383	89,383	-
Supplies - Principal	5,186	(359)	4,827	4,827	-
Salaries - Business Office	134,794	5,000	139,794	139,794	-
Salaries Admin. Business Office	75,057	11,421	86,478	86,478	-
Supplies - Business Office	2,000	(165)	1,835	1,835	-
Admin. Technology	4,005	(917)	3,088	3,088	-
Insurance - Workers Compensation	47,932	(20,248)	27,684	27,684	-
FICA Expense	87,230	(11,739)	75,491	75,491	-
Unemployment Insurance	57,638	(24,784)	32,854	32,854	-
Health Benefits Cost	325,000	85,479	410,479	341,480	68,999
Tuition Reimbursement	7,757	10,000	17,757	17,757	-
Pension Expense (PERS)	83,215	(19,506)	63,709	63,709	-
Total Administrative Expense	1,292,640	276,879	1,569,520	1,500,520	69,000

VILLAGE CHARTER SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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	\$ 26,800	\$ -	\$ 26,800	\$ 25,950	\$ 850
Nurse Salary	63,795	1,800	65,595	65,595	-
Purch. Prof. Services CAP Worksheet	3,000	1,000	4,000	3,296	704
Supplies - Nurse	2,000	2,518	4,518	4,518	-
Salaries - Guidance Counselors	116,925	16,470	133,395	133,395	-
Guidance Office Supplies	2,000	8,445	10,445	1,577	8,868
Purch. Prof./Tech. Services Physician	7,000	-	7,000	7,000	-
Misc. Expense -Support Sports	5,000	-	5,000	2,946	2,054
Oper/Maint. Support Staff Salaries	273,433	(32,682)	240,751	232,784	7,967
Other Purchased Services	270,191	35,519	305,710	258,048	47,662
Rental of Land and Buildings	600,503	(543,174)	57,329	7,204	50,125
Insurance for Property, Liability and Fidelity	44,347	-	44,347	41,166	3,181
Lease Purchase	28,000	-	28,000	21,570	6,430
Transportation - Other than To/From School	4,105	(992)	3,113	1,354	1,759
Energy Costs (Heat and Electricity)	124,700	(47,338)	77,362	77,362	-
Total Support Services	1,571,799	(558,434)	1,013,365	883,765	129,600
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-		109,029	(109,029)
On-Behalf TPAF Post Retirement Medical				173,083	(173,083)
On-Behalf TPAF Soc. Sec. Contrib. - Not Budgeted				179,088	(179,088)
Total On-Behalf Contributions				461,200	(461,200)
Capital Outlay					
Non-Instructional Equipment	19,940	4,936	24,876	24,876	-
Mortgage Payments - Principal		363,228	363,228	363,228	(0)
Total Capital Outlay	19,940	368,164	388,104	388,104	(0)
Total Expenditures - Current Expense	5,347,958	211,695	5,559,653	5,579,870	(20,217)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,637)	(216,694)	(313,331)	80,567	434,590
Balances Carried Forward	(96,637)	(216,694)	(313,331)	80,567	434,590
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(96,637)	(216,694)	(313,331)	80,567	434,590
Fund Balances, July 1	1,381,603		1,381,603	1,381,603	
Fund Balances, June 30	\$ 1,284,966	\$ (216,694)	\$ 1,068,272	\$ 1,462,170	\$ 434,590
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 831,107	
Committed Fund Balance:					
Year-end Encumbrances				71,634	
Unassigned Fund Balance				559,428	
Fund Balance per Governmental Funds (GAAP)				\$ 1,462,170	

Village Charter School
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ 12,500		\$ 12,500	\$ 12,500	
Total - Local Sources	12,500		12,500	12,500	
Federal Sources:					
Title I Part A	241,113		241,113	241,113	
Title II, Part A	23,126		23,126	23,126	
IDEA Part B	81,982		81,982	81,982	
Total - Federal Sources	346,221		346,221	346,221	
Total Revenues	358,721		358,721	358,721	
EXPENDITURES:					
Instruction					
Salaries of Teachers	137,901		137,901	137,901	
Other Salaries for Instruction	104,150		104,150	104,150	
Purchased Prof. Educational Services					
General Supplies	25,195		25,195	25,195	
Total instruction	267,246		267,246	267,246	
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries					
Personal Services - Employee Benefits	44,649		44,649	44,649	
Purchased Profess. Educ. Services	34,326		34,326	34,326	
Supplies & Materials	12,500		12,500	12,500	
Total support services	91,475		91,475	91,475	
Capital Outlay					
Noninstructional Equipment					
Total Capital Outlay					
Total Expenditures	358,721		358,721	358,721	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$		\$	\$	

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

VILLAGE CHARTER SCHOOL
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGET-TO-GAAP
 RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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)	\$ 5,660,437	(C-2)	\$ 358,721
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)				
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)	<u>5,660,437</u>	(B-2)	<u>358,721</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	5,579,870	(C-2)	358,721
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.				

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	<u>\$ 5,579,870</u>	(B-2)	<u>\$ 358,721</u>

**SCHEDULES RELATED TO ACCOUNTING AND
REPORTING FOR PENSIONS (GASB 68)**

SECTION – L

**(Section numbering as per N.J. Department of Education
2014-2015 Audit Program)**

VILLAGE CHARTER SCHOOL
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.00578808	0.007291612
District's Proportionate Share of the Net Pension Liability	\$1,106,217	\$1,365,189
District's Covered-Employee Payroll	\$597,780	\$635,767
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	185.05%	214.73%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%

* Amounts presented for each fiscal year were determined as of June 30.

VILLAGE CHARTER SCHOOL
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>
Contractually Required Contribution	\$ 60,111	\$ 43,612
Contribution in Relation to Contractually Required Contribution	<u>\$ (60,111)</u>	<u>\$ (43,612)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 550,467	\$ 365,872
Contributions as a percentage of Covered Employee Payroll	10.92%	11.92%

* Amounts presented for each fiscal year were determined as of June 30.

VILLAGE CHARTER SCHOOL
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
TEACHERS PENSION AND ANNUITY FUND (Non-State Employer Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.000219371	0.000214824
District's Proportionate Share of the Net Pension Liability	\$11,086,851	\$11,481,669
District's Covered-Employee Payroll	\$2,027,709	\$1,967,119
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	546.77%	583.68%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.76%	33.64%

* Amounts presented for each fiscal year were determined as of June 30.

VILLAGE CHARTER SCHOOL
MERCER COUNTY, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
JUNE 30, 2015

NOTE 1. CHANGES IN ASSUMPTIONS

Net pension liabilities for the years ended June 30, 2013 and 2014 were based on RP-2000 mortality tables utilizing actuarial experience studies covering the following periods:

TPAF: July 1, 2009 to June 30, 2012

PERS: July 1, 2008 to June 30, 2011

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, 2015

Exhibit - E-1

	N.C.L.B TITLE I Part A	IDEA BASIC REGULAR 14/15	TITLE II PART A 14/15	RUTGERS SSI GRANT	NJSBA SAFETY GRANT	TOTAL TOTALS 2014-2015
<u>REVENUES</u>						
Local Sources	\$	\$	\$	\$	\$	\$
Federal Sources	241,113	81,982	23,126	7,500	5,000	12,500
Total Revenues	<u>241,113</u>	<u>81,982</u>	<u>23,126</u>	<u>7,500</u>	<u>5,000</u>	<u>346,221</u>
<u>EXPENDITURES</u>						
Instruction:						
Salaries of Teachers	76,371	61,530				137,901
Other Salaries for Instruc.	104,150					104,150
General Supplies	25,113	82				25,195
Total Instruction	<u>205,634</u>	<u>61,612</u>				<u>267,246</u>
Support Services:						
Other Salaries						
Personal Services - Empl. Benefits	24,279	20,370				44,649
Purch. Prof. - Educ. Services	11,200		23,126			34,326
Supplies and Materials				7,500	5,000	12,500
Total Support Services	<u>35,479</u>	<u>20,370</u>	<u>23,126</u>	<u>7,500</u>	<u>5,000</u>	<u>91,475</u>
Total Expenditures	<u>\$ 241,113</u>	<u>\$ 81,982</u>	<u>\$ 23,126</u>	<u>\$ 7,500</u>	<u>\$ 5,000</u>	<u>\$ 358,721</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, 2015

Assets	
Cash and Cash Equivalents	\$ 17,258
Accounts Receivable:	
State	250
Federal	15,958
Other	<u>6,509</u>
Total Current Assets	<u>39,974</u>
Total Assets	<u>\$ 39,974</u>
Liabilities	
Current Liabilities:	
Interfund Payable	<u>\$ 1,338</u>
Total Current Liabilities	<u>1,338</u>
Total Liabilities	<u>1,338</u>
Net Position	
Unrestricted (Deficit)	<u>38,637</u>
Total Net Position	<u>\$ 39,974</u>

VILLAGE CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenues:	
Charges for Daily Services:	
Daily Sales - Reimbursable Programs:	
School Lunch/Breakfast Program	\$ <u>9,653</u>
Total - Operating Revenue	<u>9,653</u>
Operating Expenses:	
Salaries	5,150
Supplies and Materials	3,546
Cost of Sales	<u>195,666</u>
Total Operating Expenses	<u>204,362</u>
Operating Income (Loss)	<u>(194,708)</u>
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	2,533
Federal Sources:	
National School Lunch Program	129,144
National School Breakfast Program	32,873
Adult and Child Care Food	19,719
Interest Income	<u>60</u>
Total Non-Operating Revenues	<u>184,329</u>
Net Income (Loss) Before Operating Transfers	<u>(10,379)</u>
Change in Net Position	(10,379)
Total Net Position Beginning	<u>49,016</u>
Total Net Position Ending	<u>\$ <u>38,637</u></u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 10,026
Cash Payments to Suppliers for Goods and Services	<u>(203,024)</u>
Net Cash Provided by Operating Activities	<u>(192,997)</u>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from State and Federal Sources	<u>179,067</u>
Net Cash Provided by Non-Capital Financing Activities	<u>179,067</u>
Net Cash Provided by Non-Capital Financing	<u>179,067</u>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>60</u>
Net Cash Provided by Investing Activities	<u>60</u>
Net Increase in Cash and Cash Equivalents	(13,871)
Cash and Cash Equivalents at Beginning of Year	<u>31,128</u>
Cash and Cash Equivalents at End of Year	<u>\$ 17,258</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income/(Loss)	\$ (194,708)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:	
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	373
Increase (Decrease) in Interfunds Payable	<u>1,338</u>
Net Cash Provided by Operating Activities	<u>\$ (192,997)</u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

VILLAGE CHARTER SCHOOL
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
FOR YEAR ENDED JUNE 30, 2015

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY STUDENT ACTIVITY</u>	<u>PAYROLL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 12,102	\$ 3,777	\$ 192,161
Interfunds Receivable	<u>12,165</u>		
Total Assets	<u>\$ 24,268</u>	<u>\$ 3,777</u>	<u>\$ 192,161</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$	\$	\$
Claims Payable	1,718		
Payroll Deductions and Withholdings			124,761
Interfund Payable	<u>1,642</u>		<u>67,400</u>
Total Liabilities	<u>3,360</u>		<u>192,161</u>
Net Position:			
Due to Student Groups		3,777	
Held in trust for unemployment claims and other purposes	<u>20,907</u>		
Total Net Position	<u>20,907</u>	<u>3,777</u>	
Total Net Position	<u>\$ 24,267</u>	<u>\$ 3,777</u>	<u>\$ 192,161</u>

VILLAGE CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

		<u>TRUST FUND</u>	<u>UNEMPLOYMENT COMPENSATION</u>
ADDITIONS			
Contributions:			
Board Contribution	\$	23,932	
Employees Share		<u>6,436</u>	
Total Contributions		<u>30,369</u>	
Investment Earnings:			
Interest		<u>11</u>	
Total investment earnings		<u>11</u>	
Total Additions		<u>30,380</u>	
DEDUCTIONS			
Unemployment Claims		<u>25,650</u>	
Total Deductions		<u>25,650</u>	
Change in Net Position		<u>4,730</u>	
Net Position - beginning of the year		<u>16,178</u>	
Net Position - end of the year	\$	<u><u>20,907</u></u>	

VILLAGE CHARTER SCHOOL
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2014</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2015</u>
Charter Village School	\$ <u>3,250</u>	\$ <u>18,830</u>	\$ <u>18,303</u>	\$ <u>3,777</u>
Total	\$ <u><u>3,250</u></u>	\$ <u><u>18,830</u></u>	\$ <u><u>18,303</u></u>	\$ <u><u>3,777</u></u>

VILLAGE CHARTER SCHOOL
 PAYROLL AGENCY FUND
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> JUNE 30, 2014	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> JUNE 30, 2015
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ <u>128,428</u>	\$ <u>3,616,211</u>	\$ <u>3,552,478</u>	\$ <u>192,161</u>
Total Assets	\$ <u><u>128,428</u></u>	\$ <u><u>3,616,211</u></u>	\$ <u><u>3,552,478</u></u>	\$ <u><u>192,161</u></u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 50,235	\$ 3,616,211	\$ 3,529,520	\$ 136,926
Interfunds Payable	<u>78,193</u>	<u> </u>	<u>22,958</u>	<u>55,235</u>
Total Liabilities	\$ <u><u>128,428</u></u>	\$ <u><u>3,616,211</u></u>	\$ <u><u>3,552,478</u></u>	\$ <u><u>192,161</u></u>

LONG-TERM DEBT

SECTION - I

VILLAGE CHARTER SCHOOL
LONG-TERM DEBT
SCHEDULE OF MORTGAGE OBLIGATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2014	DECREASES	BALANCE JUNE 30, 2015
			DATE	AMOUNT				
Acquisition of School Facility	10/2/13	\$ 6,000,000.00	2013-14	\$ 212,860	3.00%			
			2014-15	327,228	3.00%			
			2015-16	336,882	3.00%			
			2016-17	347,712	3.00%			
			2017-18	358,437	3.00%			
			2018-19	369,493	3.00%			
			2019-20	380,571	3.00%			
			2020-21	392,628	3.00%			
			2021-22	404,739	3.00%			
			2022-23	417,222	3.00%			
			2023-24	429,909	3.00%			
			2024-25	443,352	3.00%			
			2025-26	457,026	3.00%			
			2026-27	471,123	3.00%			
			2027-28	526,775	3.00%			
2028-29	124,042	3.00%	\$ 5,787,140	\$ 327,228	\$ 5,459,912			
Acquisition of School Facility	10/2/13	260,000.00	2013-14	24,000				
			2014-15	36,000				
			2015-16	36,000				
			2016-17	36,000				
			2017-18	36,000				
			2018-19	36,000				
			2019-20	36,000				
			2020-21	20,000				
						<u>236,000</u>	<u>36,000</u>	<u>200,000</u>
Totals						<u>\$ 5,787,140</u>	<u>\$ 363,228</u>	<u>\$ 5,659,912</u>

*Payments are made on a monthly basis.

The loan for \$260,000 was interest free.

STATISTICAL SECTION

SECTION - J

Financial Trends

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

Exhibit J-1

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$ 508,741	\$ 447,162	\$ 385,583	\$ 324,004	\$ 262,425	\$ 101,358	\$ 107,401	\$ 201,969	\$ 1,099,564	\$ 1,231,380
Restricted						500,000	500,000	500,000	781,107	831,107
Unrestricted	314,973	222,015	245,045	1,089,831	1,080,259	840,653	964,228	1,263,414	599,894	(530,389)
Total governmental activities net assets/position	<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>	<u>\$ 2,480,565</u>	<u>\$ 1,532,098</u>
Business-type activities										
Unrestricted	\$890	\$890	\$10,693	\$40,494	\$40,727	\$48,540	\$59,268	\$45,042	\$49,016	\$38,637
Total business-type activities net assets/position	<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>	<u>\$ 49,016</u>	<u>\$ 38,637</u>
District-wide										
Invested in capital assets, net of related debt	\$ 508,741	\$ 447,162	\$ 447,162	\$ 385,583	\$ 324,004	\$ 262,425	\$ 107,401	\$ 107,401	\$ 1,099,564	\$ 1,231,380
Restricted							500,000	500,000	781,107	831,107
Unrestricted	315,863	222,905	222,905	245,045	1,130,325	1,120,986	889,193	1,308,456	648,910	(491,752)
Total district net assets/position	<u>\$ 824,604</u>	<u>\$ 670,067</u>	<u>\$ 670,067</u>	<u>\$ 630,628</u>	<u>\$ 1,454,329</u>	<u>\$ 1,383,411</u>	<u>\$ 1,496,594</u>	<u>\$ 1,960,899</u>	<u>\$ 2,529,581</u>	<u>\$ 1,570,735</u>

Source: CAFR Schedule A-1

Note: Reflects Implementation of GASB 68 for 2014 and subsequent years.

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,725,528	\$ 1,735,663	\$2,058,324	\$2,160,409	\$3,202,118	\$2,057,922	\$2,325,118	\$1,832,497	\$2,005,803	\$1,985,820
Special education				104,349	142,537	384,236	319,688	507,326	520,207	634,013
Support Services:										
Student & Instruction Related Services						82,816	144,404	166,363	116,813	33,679
General administrative services	659,659	1,114,365	863,277	668,077	882,896	1,183,598	1,451,353	1,211,038	1,408,717	1,545,322
School administrative services	1,668,450	1,292,228	1,298,215	1,383,941	1,407,249	1,388,814	1,217,898	1,416,690	996,224	1,146,707
Unallocated Benefits	103,962	143,802	64,963			323,262	348,414	470,713	402,978	500,122
Capital Outlay	66,501		68,855							
Unallocated depreciation	71,697	61,579	61,579	33,446						
Total governmental activities expenses	4,295,797	4,347,637	4,415,213	4,350,222	5,634,800	5,420,648	5,806,875	5,604,627	5,450,742	5,845,663
Business-type activities:										
Food service	177,142	154,687	130,508	155,672	172,435	165,973	162,609	187,704	174,539	204,362
Total business-type activities expense	177,142	154,687	130,508	155,672	172,435	165,973	162,609	187,704	174,539	204,362
Total district expenses	\$ 4,472,939	\$ 4,502,324	\$ 4,545,721	\$ 4,505,894.00	\$ 5,807,235.00	\$ 5,586,621.00	5,969,484	5,792,331	5,625,281	6,050,025

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental activities:										
Operating grants and contributions	409,108	393,830	412,610	596,280	940,040	272,163	348,414	470,713	768,588	791,677
Total governmental activities program revenues	409,108	393,830	412,610	596,280	940,040	272,163	348,414	470,713	768,588	791,677
Business-type activities:										
Charges for services										
Food service	177,142	154,687	140,311	13,548	12,404	19,892	15,038	27,212	9,932	9,653
Operating grants and contributions				171,928	160,264	156,628	158,276	146,230	168,574	184,269
Total business type activities program revenues	177,142	154,687	140,311	185,476	172,668	176,520	173,314	173,442	178,506	193,922
Total district program revenues	\$ 586,250	\$ 548,517	\$ 552,921	\$ 781,756	\$ 1,112,708	\$ 448,683	\$ 521,728	\$ 644,155	\$ 947,094	\$ 985,599
Net (Expense)/Revenue										
Governmental activities	\$ (3,886,689)	\$ (3,953,807)	\$ (4,002,603)	\$ (3,753,942)	\$ (4,694,760)	\$ (5,148,485)	\$ (5,458,461)	\$ (5,133,914)	\$ (4,682,154)	\$ (5,053,986)
Business-type activities	-	-	9,803	29,804	233	10,547	10,705	(14,262)	3,967	(10,440)
Total district-wide net expense	\$ (3,886,689)	\$ (3,953,807)	\$ (3,992,800)	\$ (3,724,138)	\$ (4,694,527)	\$ (5,137,938)	\$ (5,447,756)	\$ (5,148,176)	\$ (4,678,187)	\$ (5,064,426)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Local Property Taxes - Charter School Aid	\$ 615,574	\$ 522,148	\$ 505,066	\$ 457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923
Unrestricted Federal and State Aid	2,149,369	2,298,132	2,406,302	4,068,699	4,181,568	4,383,501	4,704,175	4,538,335	4,659,447	4,694,097
State and Federal Aid	831,141	873,772	962,865			518,151	396,996	513,974	13,285	12,500
Miscellaneous income	81,112	105,218	89,821	10,462	353	119,064	17,188	1,915	35,853	9,217
Total governmental activities	4,379,266	3,799,270	4,030,555	4,537,149	4,623,609	5,463,252	5,588,077	5,527,707	5,197,335	5,211,797
Business-type activities:										
Investment earnings	-	-	-	-	-	40	24	36	7	60
Total business-type activities	-	-	-	-	-	40	24	36	7	60
Total district-wide	\$ 4,379,266	\$ 3,799,270	\$ 4,030,555	\$ 4,537,149	\$ 4,623,609	\$ 5,463,292	\$ 5,588,101	\$ 5,527,707	\$ 5,197,342	\$ 5,211,797
Change in Net Position										
Governmental activities	\$ 492,577	\$ (154,537)	\$ 27,952	\$ 783,207	\$ (71,151)	\$ 314,767	\$ 129,616	\$ 393,757	\$ 515,181	\$ 157,751
Business-type activities	-	-	9,803	29,804	233	10,587	10,729	(14,226)	3,973	(10,380)
Total district	\$ 492,577	\$ (154,537)	\$ 37,755	\$ 813,011	\$ (70,918)	\$ 325,354	\$ 140,345	\$ 379,531	\$ 519,154	\$ 147,371

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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Restricted	\$	\$	\$	\$	\$	\$ 500,000	\$ 500,000	\$500,000	\$781,107	\$831,107
Unrestricted	314,973	222,015	245,045	1,089,831	1,080,259	840,653	964,228	1,263,414	600,496	630,494
Total general fund	\$ 314,973	\$ 222,015	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601
Total all governmental funds	\$ 314,973	\$ 222,015	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601

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

Exhibit J-4

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax levy	\$ 696,686	\$ 522,148	\$ 505,066	\$457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923
Miscellaneous	8,895	6,973	18,291	10,462	23,358	119,064	17,188	1,915	35,853	9,217
Local sources						6,854	41,280	137,744	13,285	12,500
State sources	2,980,510	3,290,424	3,500,857	4,337,465	4,433,524	4,655,664	5,052,588	5,009,048	5,062,425	5,155,297
Federal sources	409,108	380,528	370,741	327,514	665,079	511,297	355,716	376,230	365,610	346,221
Total revenue	4,095,199	4,200,073	4,394,955	5,133,429	5,563,649	5,735,415	5,936,490	5,998,384	5,965,923	6,019,158
Expenditures										
Instruction										
Regular Instruction	1,316,420	1,349,531	1,645,714	1,735,273	2,638,968	2,041,167	2,310,315	1,807,541	1,968,001	1,945,835
Special education instruction				104,349	142,537	384,236	319,688	507,326	520,207	634,013
Support Services:										
General Administration Services	659,659	1,106,667	863,277	457,912	626,769	1,183,598	1,217,897	1,203,769	1,178,932	1,329,019
School Administrative Services	1,668,450	1,292,228	1,298,215	1,383,941	1,407,249	1,388,814	1,451,353	1,416,690	1,326,608	1,146,741
Student & Instruction Related Services						82,816	144,404	166,363	116,813	33,679
Unallocated employee benefits	103,962	143,802	64,963	573,722	757,698	323,262	348,414	470,713	402,978	461,200
Unallocated Expenditures				33,446						
Capital outlay	66,501		68,855				20,846	126,793	834,195	388,104
Special Revenue	409,108	393,830	412,610							
Total expenditures	4,224,100	4,286,058	4,353,634	4,288,643	5,573,221	5,403,893	5,812,917	5,699,195	6,347,734	5,938,591
Excess (Deficiency) of revenues over (under) expenditures	(128,901)	(85,985)	41,321	844,786	(9,572)	331,522	123,573	299,189	(381,811)	80,567
Net change in fund balances	\$ (128,901)	\$ (85,985)	\$ 41,321	\$ 844,786	\$ (9,572)	\$ 331,522	\$ 123,573	\$ 299,189	\$ (381,811)	\$ 80,567
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
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
2014	717	35,136	35,853
2015	5,183	4,034	9,217

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 Nine Fiscal Years
Unaudited

J-16

<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>	<u>2014</u>	<u>2015</u>
Instruction									
Regular	31.0	28.0	30.0	30.0	32.0	31.0	29.0	28.0	28
Special education	1.0	2.0	3.0	3.0	3.5	4.5	5.0	5.0	5
Other instruction		7.0	7.0	7.0	4.0	4.0	4.0	4.0	4
Support Services:									
Student & instruction related services				4.0	3.0	3.0	3.0	3.0	3
General administrative services	1.0	1.0	3.0	4.0	4.0	4.5	4.0	4.0	4
School administrative services	2.0	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1
Plant operations and maintenance	1.0	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1
Central Services	1.0	2.0	4.0	2.0	2.0	2.0	2.0	2.0	2
Other Support Services	3.0	3.0	3.0	1.0	1.5	1.5	2.0	2.0	2
Food Service	4.0	3.0		3.0	3.0	3.0	3.0	3.0	3
Total	44.0	50.0	53.0	57.0	55.0	55.5	54.0	53.0	53.0

Source: Charter School Personnel Records

Village Charter School
 Operating Statistics
 Last Ten 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					
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%
2014	359	5,513,539	15,358	-1.59%	34	10		359.3	336.05	1.01%	93.53%
2015	355	5,579,870	15,718	2.34%	33	10		373.0	337.09	3.81%	90.37%

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, 2015
UNAUDITED

Company	Coverage	Deductible
School Package Policy		
Commercial Property	\$10,343,600	\$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	2,948,000	
Surety Bonds	165,000	
Student Accident	5,000,000	
W/cat	1,000,000	
EDP	100,000	

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

Exhibit J- 21

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	1,683,566	1,626,385	1,791,484	Audit: Exhibit A-1
Current Assets	452,894	7,283,716	7,350,604	Audit: Exhibit A-1
Total Assets	2,136,460	8,910,101	9,142,088	Audit: Exhibit A-1
Current Liabilities	171,077	6,380,521	7,609,990	Audit: Exhibit A-1
Total Liabilities	171,077	6,380,521	7,609,990	Audit: Exhibit A-1
Net Assets	1,965,383	2,529,580	1,532,098	Audit: Exhibit A-1
Total Revenue	6,012,964	5,562,945	6,003,414	Audit: Exhibit A-2
Total Expenses	5,619,207	5,054,370	5,845,663	Audit: Exhibit A-2
Change in Net Assets	393,757	508,575	157,751	Audit: Exhibit A-2
Depreciation Expense	24,956	145,955	256,288	Financial Statements/Audit Workpapers
Interest Expense	0	120,229	170,932	Financial Statements/Audit Workpapers
Principal Payments	0	236,860	363,228	Financial Statements/Audit Workpapers
Interest Payments	0	119,626	171,501	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	355	359	373	DOE Enrollment Reports
March 30th Budgeted Enrollment	353	360	359	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2013	2014	2015	Source:
1a. Current Ratio	2.65	1.14	0.97	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	109.36	117.45	111.86	Cash/(Total Expenses/365)
1c. Enrollment Variance	101%	100%	104%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit

**Village Charter School
Sustainability Indicators
Fiscal Ratios**

Exhibit J- 22

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	1,683,566	1,626,385	1,791,484	Audit: Exhibit A-1
Current Assets	452,894	7,283,716	7,350,604	Audit: Exhibit A-1
Total Assets	2,136,460	8,910,101	9,142,088	Audit: Exhibit A-1
Current Liabilities	171,077	6,380,521	7,609,990	Audit: Exhibit A-1
Total Liabilities	171,077	6,380,521	7,609,990	Audit: Exhibit A-1
Net Assets	1,965,383	2,529,580	1,532,098	Audit: Exhibit A-1
Total Revenue	6,012,964	5,562,945	6,003,414	Audit: Exhibit A-2
Total Expenses	5,619,207	5,054,370	5,845,663	Audit: Exhibit A-2
Change in Net Assets	393,757	508,575	157,751	Audit: Exhibit A-2
Depreciation Expense	24,956	145,955	256,288	Financial Statements/Audit Workpapers
Interest Expense	0	120,229	170,932	Financial Statements/Audit Workpapers
Principal Payments	0	236,860	363,228	Financial Statements/Audit Workpapers
Interest Payments	0	119,626	171,501	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	355	359	373	DOE Enrollment Reports
March 30th Budgeted Enrollment	353	360	359	Charter School Budget

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RATIOS ANALYSIS...					
Sustainability Indicators	2,013.00	2013	2014	3 YR CUM	
2a. Total Margin	7%	9%	3%	6%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.08	0.72	0.83		Total Liabilities/Total Assets
2c. ** Cash Flow	273,793	-57,181	165,099	381,711	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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K-1

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

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

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

INDEPENDENT AUDITOR'S REPORT

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, 2015, 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 October 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village Charters 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 October 26, 2015.

Purpose of Report

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
October 26, 2015

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

INDEPENDENT AUDITOR'S REPORT

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, 2015. 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 it 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, 2015.

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 compliance and internal control over compliance for each major federal and state program 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
October 26, 2015

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2014	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUST-MENTS	BALANCE AT JUNE 30, 2015		
			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	7/1/14	6/30/15	32,873		\$ 29,659	\$ (32,873)		\$ (3,214)	\$	\$
National School Breakfast Program	10.553	N/A	7/1/13	6/30/14	35,182	(4,166)	4,166			-		
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	129,144		116,399	(129,144)		(12,745)		
National School Lunch Program	10.555	N/A	7/1/13	6/30/14	130,060	(13,090)	13,090			-		
Total Child Nutrition Cluster						(17,256)	163,314	(162,017)	-	(15,959)		
Child and Adult Care Food Program	10.558	N/A	7/1/14	6/30/15	19,719		13,210	(19,719)		(6,509)		
Total U.S. Department of Agriculture						(17,256)	176,524	(181,736)	-	(22,468)	-	-
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-8140-14	9/1/13	8/31/14	264,014	(9,641)	9,641			-		
Title I, Part A	84.010	NCLB-8140-13	9/1/14	6/30/15	241,113		217,003	(241,113)		(24,110)		
Total Title I Cluster						-	226,644	(241,113)	-	(24,110)		
Title II, Part A	84.367	NCLB-8140-13	9/1/14	6/30/15	23,126		23,000	(23,126)		(126)		
Title II, Part A	84.367	NCLB-8140-14	9/1/13	8/31/14	22,226	(4,250)	4,250			-		
Total Title II Part A						(4,250)	27,250	(23,126)	-	(126)		
Special Education Cluster:												
I.D.E.A. Part B	84.027	IDEA-8140-14	9/1/13	8/31/14	85,815	(19,556)	19,556			-		
I.D.E.A. Part B, Basic	84.027	IDEA-8140-13	9/1/14	6/30/15	81,982		71,001	(81,982)		(10,981)		
Total Special Education Cluster						(19,556)	90,557	(81,982)	-	(10,981)		
Total U.S. Department of Education						(23,806)	344,451	(346,221)	-	(35,217)		
Total Federal Financial Assistance						\$ (41,062)	\$ 520,975	\$ (527,957)	\$ -	\$ (57,685)	\$ -	\$ -

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2014			BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAY. PR. YRS. BALANCES	BALANCE AT JUNE 30, 2015			MEMO		
				DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR	CASH RECEIVED			(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
State Department of Education:														
General Fund:														
Charter School Aid - Local	14-495-034-5120-071	7/1/13-6/30/14	\$ 484,750	\$ (16,404)	\$	\$ 16,404	\$	\$	\$ -	\$	\$	\$	\$	
Charter School Aid - Local	15-495-034-5120-071	7/1/14-6/30/15	495,923			498,995					3,072			(495,923)
Charter School Aid - Local	14-495-034-5120-071	7/1/13-6/30/14	4,341,670		7,039	4,414,941		(7,039)						(4,364,211)
Charter School Aid - State	15-495-034-5120-071	7/1/14-6/30/15	4,364,211			(4,364,211)					50,730			(143,997)
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	143,997			143,997								-
Other Categorical Aid:														
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	139,569			139,659								(139,659)
Non Public Aid	15-495-034-5120-084	7/1/14-6/30/15	46,320			46,320								(46,320)
* On Behalf TPAF Pension Contributions	15-495-034-5094-006	7/1/14-6/30/15	109,029			109,029								(109,029)
* On Behalf Post Retirement Contributions	15-495-034-5094-001	7/1/14-6/30/15	173,083			173,083								(173,083)
Reimb. T.P.A.F. Social Security Contrib.	14-495-034-5095-002	7/1/13-6/30/14	157,197	(7,767)		7,767								-
Reimb. T.P.A.F. Social Security Contrib.	15-495-034-5094-003	7/1/14-6/30/15	179,088			171,301	(179,088)		(7,787)					(179,088)
Total General Fund				(24,171)	7,039	5,721,496	(5,651,310)	(7,039)	(7,787)		53,802			(5,651,310)
State Department of Agriculture:														
Enterprise Fund:														
National School Lunch Prog. (State Share)	15-100-010-3350-023	7/1/14-6/30/15	2,582			2,283	(2,533)			(250)				(2,533)
National School Lunch Prog. (State Share)	14-100-010-3350-023	7/1/13-6/30/14	2,583	(260)		260								-
Total Enterprise Fund				(260)		2,543	(2,533)			(250)				(2,533)
Total State Financial Assistance			\$	(24,431)	\$ 7,039	\$ 5,724,039	\$ (5,653,843)	\$ (7,039)	\$ (8,037)	\$	\$ 53,802			(5,653,843)

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

Reconciliation:		
Budgetary Expenditures		\$ 5,653,843
Less:		
T.P.A.F. - Post Retirement Medical		(173,083)
T.P.A.F. Pension Contributions - NCGI		(109,029)
		\$ 5,371,731

VILLAGE CHARTER SCHOOL
 NOTES TO THE SCHEDULES OF AWARDS
 AND FINANCIAL ASSISTANCE
JUNE 30, 2015

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 \$0 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, 2015

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$0	\$5,155,297	\$5,155,297
Special Revenue Fund	346,221	0	346,221
Food Service Fund	<u>181,736</u>	<u>2,533</u>	<u>184,269</u>
Total Awards & Financial Assistance	<u>\$527,957</u>	<u>\$5,157,830</u>	<u>\$5,685,787</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, 2015. 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, 2015.

VILLAGE CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

K-6

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 None Reported

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 None Reported

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:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

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, 2015

K-6

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, 2015

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

N/A