

VILLAGE CHARTER SCHOOL

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

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2017***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017**

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INTRODUCTORY SECTION



October 20, 2017
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, 2017 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 requirements contained in the Uniform Administrative Requirements, cost principles and audit requirements for Federal Awards (Uniform Grant Guidance) and the State Treasury Circular Letter 15-08 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 2016 – 2017 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 2016-2017 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: For eighteen years Village Charter School has continued to maximize the unique talents and address the specific learning needs of our scholars. We believe that through positive relationships, consistent inspiration, as well as, focused tiered instruction we are doing the awesome job of building the whole child. We at the Village, not only endeavor to build great students, but also great humans.

We continue with the following initiatives for 2016-2017:

1. Data:
 - a. LinkIt: Use of the Linkit assessment and remediation program. This program, which has been successfully implemented in 500 schools across the nation, allows us to administer continuous assessments of the learning needs of our students. Students will complete benchmark assessments three times a year in addition to school created unit tests. The program is correlated with the Partnership for Assessment of Readiness for Career and College (PARCC). It therefore enables us to focus our teaching and tutoring in those areas where students are weak.
 - b. Student Data Folders: In addition the teachers here at the Village Charter School have been tasked to keep data folders and have relevant data talks with their students where they discuss assessments, standards, and student progress. Students will ultimately set short and long term goals for themselves and track their own data.
2. Tutoring:
 - a. The VCS Excellence Program is a comprehensive program that targets students who have been identified as “Approaching” on the PARCC. They will be provided with at least one to two hours of tutoring per week. Tutoring will be conducted by classroom teachers.
 - b. Boys and Girls Club Tutoring targets students in grades four to eight under the 21st Century Grant. Tutoring will be conducted by classroom teachers.
3. Professional Learning Communities (PLC): All of the teachers were tasked to read and implement the strategies as outlined in the following books: K-2 “Teaching with the Brain in Mind”; ELA Teachers “The Book Whisperer”; Math Teachers “Making Number Talks Matter”; Specialist Teachers “Classroom Management for Art, Music, and PE Teachers”; Science/SS Teachers “Teaching Reading in the Content Areas”. Our PLC model uses the jigsaw method where teachers are in “Expert Groups” where they have to read an entire book. These groups contain teachers from all grade group levels. Once they have met with their “Expert Groups”, they then meet with their “Home Groups” to discuss what information they have gained within their “Expert Groups.”

4. We have also created a *VCS Scholars Program* to provide supplemental educational, cultural and social opportunities for our most successful students.
 - a. SSAT Prep Tutoring classes are held every Tuesday for language arts and math. Every student who enters the program is tested and evaluated to determine his or her most appropriate level. Courses at each level are conducted to challenge the upper range of a student's capacity whenever possible. The SSAT program includes, but is not limited to four full SSAT practice tests, vocabulary quizzes, and private boarding school tours.
 - b. National Junior Honor Society is open to students in grades five to eight who have demonstrated leadership qualities and academic excellence. NJHS serves to honor those students who have demonstrated excellence in the areas of scholarship, service, leadership, character, and citizenship. These characteristics have been associated with membership in the organization since its beginning in 1929.
5. Outreach Programs:
 - a. *Junior Achievement Program Day* in November will focus on maximizing student academic proficiency and exposing them to career and life opportunities. Junior Achievement is the world's largest organization dedicated to educating students in grades K-12 about entrepreneurship, work readiness and financial literacy through experiential, hands-on programs.
 - b. *Project LEAD* is an effective law-related education program established by the Los Angeles District Attorney's Office in 1993. The 20 week curriculum teaches fifth grade students about the criminal justice system and the importance of making good decisions. Volunteers from within the United States Attorney's Office District of New Jersey and partner agencies are instructors for the program and serve as role models in the classroom.
6. We are sending our seventh and eighth graders to the Princeton Blairstown Center in Princeton, NJ for the third year. For over 100 years, the Princeton-Blairstown Center has provided adventure-based, experiential education to vulnerable youth. What began in 1908 as a summer camp run by Princeton University students and faculty has evolved into a wide variety of year-round programs serving over 6,000 young people from the Mid-Atlantic states.
7. Technology:
 - a. Chromebooks have been distributed to grades two through eight, which gives us a one to one ratio in grades 2-8 with chromebooks. Tablets have been distributed to the kindergarten and first grade.

We are pleased to report that we are continuing these initiatives and implementing changes that will increase our student's academic and standardized testing success.

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, 2017.

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.

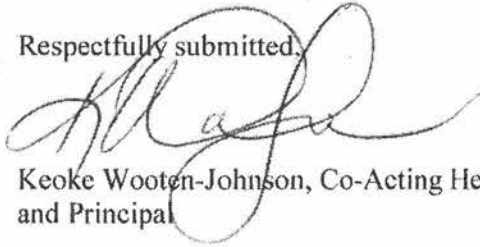
8. RISK MANAGEMENT: The School carries various forms of insurance, including but not limited to general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

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

requirements contained in the Uniform Administrative Requirements, cost principles and audit requirements for Federal Awards (Uniform Grant Guidance) and the State Treasury Circular Letter 15-08. 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.

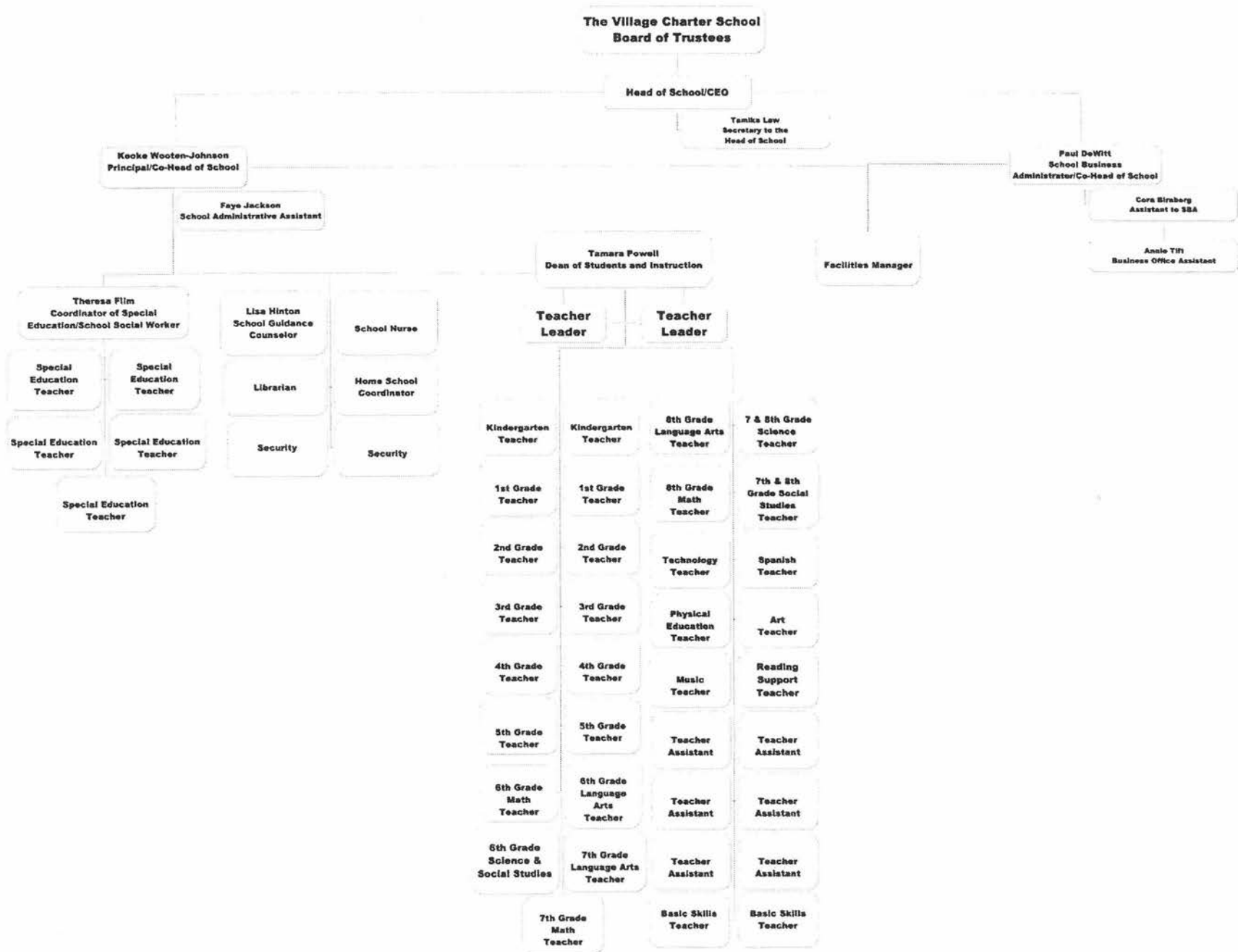
Respectfully submitted,



Keoke Wooten-Johnson, Co-Acting Head of School
and Principal



Paul DeWitt, Co-Acting Head of School
and School Business Administrator



VILLAGE CHARTER SCHOOL
 ROSTER OF OFFICIALS
JUNE 30, 2017

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Caroline Clarke	2019
Kimberly Thompson	2019
Sheila Garvin-Glover	2018
Peggy Herrmann	2017
Dynell Kellyman	2019
Stephen L. Kitts, Chair of the Board	2017
M. Elaine Murphy, Secretary	2017
Kristina Schulte	2018
Michael Spicer, Esq.	2018
Cindy Sussmann, MD	2017

<u>Other Officials</u>	<u>Title</u>
Keoke Wooten-Johnson	Co-Acting Head of School and Principal
Paul DeWitt	Co-Acting Head of School and 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

Pepper Hamilton LLC
Suite 400
301 Carnegie Center
Princeton, NJ 08543

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Investors Bank
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Iselin, NJ 08830

FINANCIAL SECTION

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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(732) 393-1000
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ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

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

INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 schedules of expenditures of federal awards and state financial assistance as required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance) and New Jersey OMB's Circular 15-08, 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 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, 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 20, 2017 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.

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



Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
October 20, 2017

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

VILLAGE CHARTER SCHOOL
Trenton, New Jersey
Mercer County

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
(Unaudited)
June 30, 2017

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, 2016. 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

Governmental Funds:

- Overall revenue – Governmental fund was \$6,115,717 (Exhibit B-2).
- Overall expenditures – Governmental Funds was \$5,737,591 (Exhibit B-2).

District-Wide:

Accompanying Figures A-3 - Statement of Net Position and A-4 - Statement of Change In Net Position report the district-wide balances and activity.

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

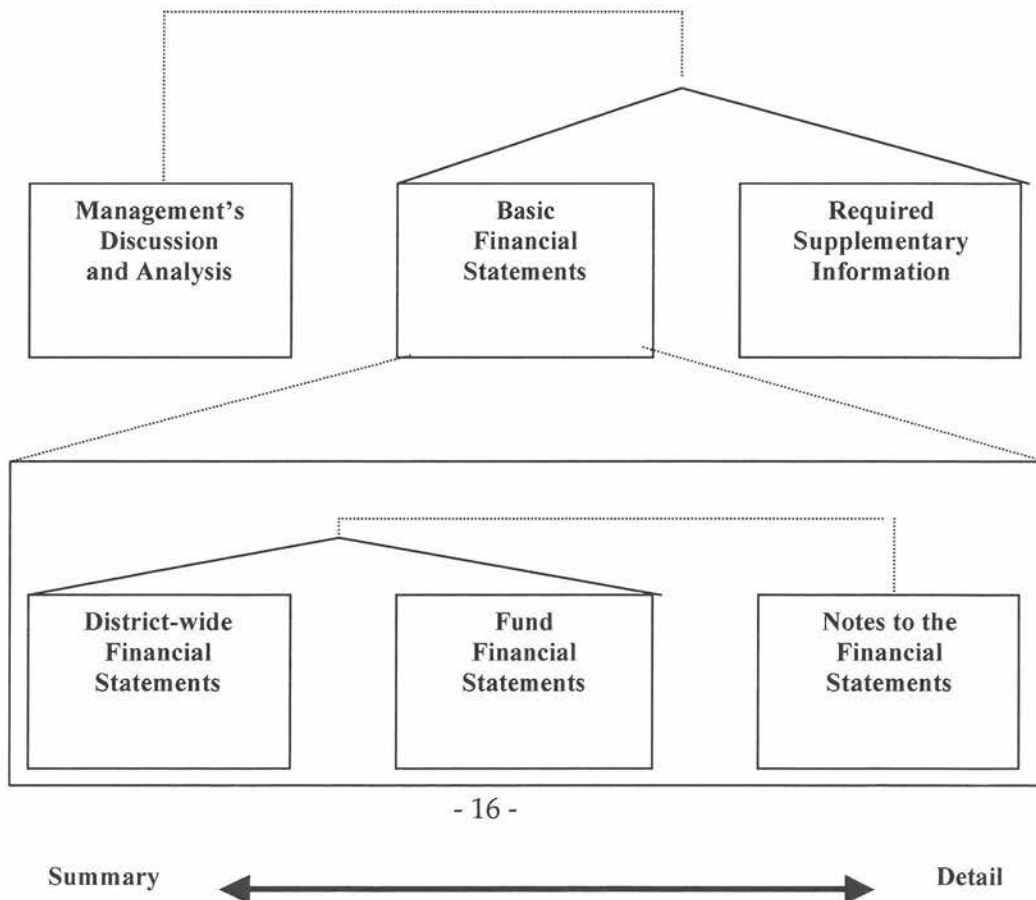


Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents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

Figure A-1 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 \$1,714,347 at June 30, 2017. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the 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>2017</u>	Governmental Activities <u>2016</u>	Amount Difference	% Increase (Decrease)
Assets				
Current and other assets	2,237,242	1,986,523	250,719	12.62%
Capital assets	6,376,395	6,633,715	(257,320)	-3.88%
Total assets	8,613,637	8,620,238	(6,601)	-0.08%
Deferred Outflows of Resources	1,355,281	582,926	772,355	132.50%
Liabilities				
Current and other liabilities	8,256,642	7,646,408	610,234	7.98%
Total Liabilities	8,256,642	7,646,408	610,234	7.98%
Deferred Outflows of Resources		29,575	(29,575)	-100.00%
Net Position:				
Net assets invested in				
capital Assets net of debt	1,473,077	1,346,685	126,392	9.39%
Restricted	902,535	899,867	2,668	0.30%
Unrestricted	(661,265)	(719,372)	58,107	-8.08%
Total net position	1,714,347	1,527,181	187,166	12.26%

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

Figure A - 4
Change in Net Position

	<u>2017</u>	<u>2016</u>	<u>Amount Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Revenues:				
Program revenue				
State grants & entitlements	\$582,771	\$541,776	\$40,995	7.57%
General revenue				
Local tax levy	474,293	491,623	-17,330	-3.53%
Federal and state aid	5,039,960	4,915,559	124,401	2.53%
Miscellaneous revenues (Incl. special items & transfers)	18,692	29,318	-10,626	-36.24%
Total general revenues	<u>5,532,945</u>	<u>5,436,500</u>	<u>96,445</u>	<u>1.77%</u>
Total revenues	<u>\$6,115,716</u>	<u>\$5,978,276</u>	<u>\$137,440</u>	<u>2.30%</u>
Function/program expense:				
Instruction				
Regular programs	1,914,129	2,146,332	-232,203	-10.82%
Special programs	807,435	593,178	214,257	36.12%
Support services				
Student services		32,849	-32,849	-100.00%
Instructional staff support				
General administration and business services	1,583,117	1,279,448	303,669	23.73%
School administration	989,635	1,264,389	-274,754	-21.73%
Unallocated benefits	634,235	666,998	-32,763	-4.91%
Total expenses	<u>\$5,928,551</u>	<u>\$5,983,194</u>	<u>(\$54,643)</u>	<u>-0.91%</u>
Increase (Decrease) net assets	<u><u>\$187,166</u></u>	<u><u>(\$4,918)</u></u>	<u><u>\$192,084</u></u>	<u><u>-3905.73%</u></u>

Governmental Activities (Cont'd):

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$5,928,551. These costs were financed by \$474,293 in local property school taxes, \$5,039,960. in federal and state aid and \$18,692 in miscellaneous revenues including interest, general entitlements, special items and transfers.

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, 2017, the school reported \$7,727,575 invested in a broad range of capital assets, including furniture and equipment. Figure A-5 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-5
Governmental Activity Capital Assets at Year-End

	<u>FY 2017</u>	<u>FY 2016</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>674,1825</u>	<u>0.00</u>	<u>0.00%</u>
Total	<u>\$7,727,575</u>	<u>\$7,727,575</u>	<u>\$0.00</u>	<u>0.00%</u>
Less:				
Accum. Deprec.	<u>1,351,180</u>	<u>1,093,860</u>	<u>257,320</u>	<u>23.50%</u>
NET ASSETSS	<u>6,376,395</u>	<u>\$6,633,715</u>		

Debt

At June 30, 2017, the school reported Long-Term debt in the total amount of \$4,903,318, with maturities thru the 2028-29 school year.

The debt (mortgage obligations) was incurred for the acquisition of school facilities in CY 2013.

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, 2017**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,930,774	\$ 11,031	\$ 1,941,805
Receivables, net	9,522	2,585	12,107
Receivables from Other Governments	185,234	15,662	200,896
Receivables from Other Funds	84,643		84,643
Inventories		4,591	4,591
Other Assets	27,069		27,069
Capital assets, net (Note 3)	6,376,395		6,376,395
Total Assets	8,613,637	33,869	8,647,506
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Payment Subsequent to Measurement Date	81,076		81,076
Change in Pension Assumptions	596,185		596,185
Change in Pension Proportion	514,752		514,752
Difference in Investment Earnings	109,744		109,744
Difference in Expected and Actual Experience	53,524		53,524
Total Deferred Outflows of Resources	1,355,281		1,355,281
<u>LIABILITIES</u>			
Accounts payable	163,454		163,454
Deferred Revenues		1,771	1,771
Noncurrent liabilities (Note 4):			
Due within one year	394,437		394,437
Due beyond one year	4,508,881		4,508,881
Net Pension Liability	2,878,082		2,878,082
Accrued Interest	5,777		5,777
Due other Governments	48,043		48,043
Other Liabilities	255,897		255,897
Total Liabilities	8,254,571	1,771	8,256,342
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,473,077		1,473,077
Restricted for:			
Other purposes	902,535		902,535
Unrestricted(Deficit)	(661,265)	32,098	(629,167)
Total Net Position	\$ 1,714,347	\$ 32,098	\$ 1,746,445

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, 2017**

Functions/Programs	Expenses	Program Revenues	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
		Charges for Services		Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 1,914,129	\$	\$	(1,914,129)	\$	(1,914,129)
Special education	807,435			(807,435)		(807,435)
Support services:						
Student & instruction related services						
School support services	989,635			(989,635)		(989,635)
General and business administrative services	1,583,117			(1,583,117)		(1,583,117)
Unallocated benefits	634,235		(582,771)	(51,464)		(51,464)
Total governmental activities	<u>5,928,551</u>		<u>(582,771)</u>	<u>(5,345,780)</u>		<u>(5,345,780)</u>
Business-type activities:						
Food Service	234,385	21,889	210,618		(1,878)	(1,878)
Total business-type activities	<u>234,385</u>	<u>21,889</u>	<u>210,618</u>		<u>(1,878)</u>	<u>(1,878)</u>
Total primary government	<u>6,162,936</u>	<u>21,889</u>	<u>(372,153)</u>	<u>(5,345,780)</u>	<u>(1,878)</u>	<u>(5,347,658)</u>
General revenues:						
Taxes						
Property taxes, levied for general purposes				474,293		474,293
Local Aid				14,578		14,578
Federal and State aid not restricted				4,495,179		4,495,179
Federal and State aid restricted				544,781		544,781
Investment Earnings				3,282	45	3,327
Miscellaneous Income				832		832
Total general revenues, special items, extraordinary items and tran				<u>5,532,945</u>	<u>45</u>	<u>5,532,990</u>
Change in Net Position				187,166	(1,832)	185,332
Net Position—beginning				1,527,181	33,930	1,561,111
Net Position—ending				<u><u>\$ 1,714,347</u></u>	<u><u>\$ 32,098</u></u>	<u><u>\$ 1,746,445</u></u>

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

FUND FINANCIAL STATEMENTS

SECTION – B

GOVERNMENTAL FUNDS

**VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

**Exhibit B-1
Page 1 of 2**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,902,217	\$ 28,557	\$ 1,930,774
Accounts Receivable:			
Interfunds Receivable	224,595		224,595
Due from other governments	78,296	106,938	185,234
Other accounts receivable	352	9,170	9,522
Prepaid Expenses	20,109	6,960	27,069
Total Assets	2,225,569	151,625	2,377,194
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	70,705	11,673	82,378
Interfunds Payable		139,952	139,952
Due to other governments	48,043		48,043
Other Liabilities	255,897		255,897
Total Liabilities	374,645	151,625	526,270
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	881,107		881,107
Committed Fund Balance:			
Year-End Encumbrances	21,428		21,428
Assigned Fund Balance:			
Designated for Subsequent Years Expenditures	234,497		234,497
Designated for Health Benefit Reserve	250,000		250,000
Unassigned Fund Balance	463,891		463,891
Total Fund Balances	1,850,924		1,850,924
Total Liabilities and Fund Balances	\$ 2,225,569	\$ 151,625	\$ 2,377,194

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

VILLAGE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Exhibit B-1
Page 2 of 2

Amounts reported for governmental activities in the statement of net position (A-1) are different because:	\$	1,850,924
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 \$1,351,180.		6,376,395
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.		(4,903,318)
The liability for pension expense that is not payable from currently available resources is not recorded in fund financial statements.		(81,076)
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.		(5,777)
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		1,355,281
Net Pension Liability		(2,878,082)
Deferred Inflows of Resources		<u>-</u>
Net assets of governmental activities.	\$	<u><u>1,714,347</u></u>

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, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local tax levy	\$ 474,293	\$	\$ 474,293
Interest	3,282		3,282
Miscellaneous	832		832
Local sources		14,578	14,578
State sources	5,009,090		5,009,090
Federal sources	68,860	544,782	613,642
	<u>5,556,357</u>	<u>559,360</u>	<u>6,115,717</u>
Total revenues			
EXPENDITURES			
Current:			
Regular instruction	1,708,273		1,708,273
Special education instruction	344,306	463,129	807,435
Support services and undistributed costs:			
General Administration Services	1,169,114	96,231	1,265,345
School Support Services	1,369,956		1,369,956
Unallocated Benefits	582,771		582,771
Capital Outlay	3,811		3,811
Total expenditures	<u>5,178,231</u>	<u>559,360</u>	<u>5,737,591</u>
Excess (Deficiency) of revenues over expenditures	<u>378,126</u>	<u> </u>	<u>378,126</u>
Net change in fund balances	378,126		378,126
Fund balance—July 1	1,472,798		1,472,798
Fund balance—June 30	<u>\$ 1,850,924</u>	<u>\$</u>	<u>\$ 1,850,924</u>

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

**VILLAGE CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total net change in fund balances - governmental funds (from B-2)	\$	378,126
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>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.</p>		
	Capital Outlays	
	Depreciation expense <u>(257,320)</u>	(257,320)
<p>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.</p>		
		383,712
<p>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.</p>		
		(317,772)
<p>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.</p>		
		<u>420</u>
Net Change in Net Position	\$	<u>187,166</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, 2017**

	<u>Business-type Activities Enterprise Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,031
Receivables from other governments	15,662
Other Receivables	2,585
Inventories	<u>4,591</u>
Total current assets	<u>33,869</u>
Total assets	<u>\$ 33,869</u>
LIABILITIES	
Current liabilities:	
Deferred revenue	<u>1,771</u>
Total current liabilities	<u>1,771</u>
Total liabilities	<u>1,771</u>
NET POSITION	
Unrestricted (Deficit)	<u>32,098</u>
Total net position	<u>32,098</u>
Total Net Position	<u>32,098</u>
Total Liabilities and Net Position	<u>\$ 33,869</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, 2017

	Business-Type Activities <u>Enterprise Fund</u>
Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ <u>21,889</u>
Total operating revenues	<u>21,889</u>
Operating expenses:	
Salaries	20,000
Supplies and Materials	4,066
Cost of sales	<u>210,319</u>
Total Operating Expenses	<u>234,385</u>
Operating income (loss)	<u>(212,496)</u>
Nonoperating revenues (expenses):	
State sources:	
State school lunch program	2,741
Federal sources:	
National school lunch program	146,867
National school breakfast program	37,107
National school snack program	8,902
USDA Program	15,002
Interest and investment revenue	<u>45</u>
Total nonoperating revenues (expenses)	<u>210,664</u>
Income (loss) before contributions & transfers	<u>(1,832)</u>
Change in net position	(1,832)
Total net position—beginning	<u>33,930</u>
Total net position—ending	\$ <u><u>32,098</u></u>

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

**VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

		Business-type Activities - Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$	21,889
Payments for Salaries		(20,000)
Payments to suppliers		(213,176)
		(211,287)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal and State Sources		210,618
Net cash provided by (used for) non-capital financing activities		210,618
		-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends		45
Net cash provided by (used for) investing activities		45
		(624)
Balances—beginning of year		11,655
Balances—end of year	\$	11,031
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	(212,496)
Adjustments to reconcile operating income (loss) to net cash provided by (used for)(used for) operating activities		
(Increase) decrease in accounts receivable		2,745
(Increase) decrease in inventories		2
Increase(decrease) in deferred revenue		(1,538)
Total adjustments		1,209
Net cash provided by (used for) operating activities	\$	(211,287)

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, 2017**

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
ASSETS:		
Cash and cash equivalents	\$ 12,127	\$ 215,827
Other Receivable		11,776
Interfund Receivable	<u>23,239</u>	<u> </u>
Total Assets	<u>35,366</u>	<u>227,603</u>
 LIABILITIES:		
Interfund Payable	1,654	106,228
Claims Payable	1,718	
Payroll Deductions and Withholdings	<u> </u>	<u>118,102</u>
Total Liabilities	<u>3,372</u>	<u>224,330</u>
 NET POSITION:		
Due to Student Groups		3,273
Held in trust for unemployment claims and other purposes	<u>31,994</u>	<u> </u>
Total Net Position	<u>31,994</u>	<u>3,273</u>
Total Liabilities and Net Position	\$ <u>35,366</u>	\$ <u>227,603</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, 2017

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Employees Share	\$ <u>5,822</u>
Total Contributions	<u>5,822</u>
Interest	<u>12</u>
Net investment earnings	<u>12</u>
Total additions	<u>5,834</u>
DEDUCTIONS	
Unemployment claims	<u>1,718</u>
Total deductions	<u>1,718</u>
Change in net position	4,116
Net position—beginning of the year	<u>27,878</u>
Net position—end of the year	\$ <u><u>31,994</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, 2017**

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, 2016 of 359 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 for 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.

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	\$5,556,357	\$559,360
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>\$5,556,357</u>	<u>\$559,360</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$5,178,231	\$559,360
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>\$5,178,231</u>	<u>\$559,360</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. Tuition Revenue

Tuition revenues for the fiscal year 2016-2017 were based on contractual per pupil rates established by and between the sending and receiving districts. These rates are not subject to change except through amendatory contracts

I. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditures in the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items in both the government-wide and fund financial statements.

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

J. 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.

K. 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 of initial, individual cost 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 purposes. 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.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund statement of net position. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	5-20 Years

L. 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.

M. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**N. 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, 2016. Change in pension proportion represents the unfavorable impact of the incline in the School's proportionate share of system wide net pension liability.

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.

O. 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.

P. 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.

Q. 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.

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

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

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

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

S. 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.

T. 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 (NSLP) would be 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)**U. 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)	\$1,850,924
Adjustments to School-Wide Net Position:	
Capital Assets (See Note 3)	6,376,395
Long Term Liabilities (See Note 4)	(4,903,318)
Net Pension Liability	(2,878,082)
Other Items not Recognized in Fund Financial Statements	
Deferred Inflows of Financial Resources	(29,575)
Deferred Outflows of Financial Resources	1,355,281
Accrued Interest	<u>(5,777)</u>
Net Position of Governmental Activities	<u>\$1,714,347</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)	\$378,126
Adjustments to School-Wide Net Position:	
Depreciation on Capital Assets (See Note 3)	(257,320)
Net Increase in Pension Expense	(317,772)
Repayment of Long Term Liabilities (See Note 4)	383,712
Accrued Interest	<u>420</u>
Change in Net Position of Governmental Activities	<u>187,166</u>

V. 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>2,161,166</u>
Total Deposits	<u>\$2,411,166</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, 2017, \$0.00 of the Board’s bank balance of \$2,411,166 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, 2017 was \$2,169,758 and the bank balance was \$2,411,166.

As of June 30, 2017, 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, 2017, the Charter School had no funds on deposit with the New Jersey Cash Management fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

**VILLAGE CHARTER SCHOOL
CAPITAL ASSETS NOTE DISCLOSURE**

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>(1,351,180)</u>
Government Activities Capital Assets, Net	\$	<u>6,376,395</u>

Capital assets by classification and activity for the year ended June 30, 2016 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>674,182</u>	<u> </u>	<u>674,182</u>
Totals at Historical Cost	<u>7,727,575</u>	<u> </u>	<u>7,727,575</u>
Less Accumulated Depreciation For:			
Building	(540,760)	(216,305)	(757,065)
Equipment, Furniture, and Vehicles	<u>(553,100)</u>	<u>(41,015)</u>	<u>(594,115)</u>
Total Accumulated Depreciation	<u>(1,093,860)</u>	<u>(257,320)</u>	<u>(1,351,180)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>6,633,715</u>	<u>(257,320)</u>	<u>6,376,395</u>
Government Activities Capital Assets, Net	\$ <u>6,633,715</u>	\$ <u>(257,320)</u>	\$ <u>6,376,395</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$	205,856
Direct Expense of Various Functions		<u>51,464</u>
Total depreciation expense	\$	<u>257,320</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, 2017 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	\$ 5,123,030	\$	\$ 347,712	\$ 4,775,318	\$ 358,437
Loan Payable	<u>164,000</u>	<u> </u>	<u>36,000</u>	<u>128,000</u>	<u>36,000</u>
	5,287,030	0	383,712	4,903,318	394,437
Net Pension Liability (PERS)	<u>1,839,456</u>	<u>1,038,626</u>	<u> </u>	<u>1,038,626</u>	<u> </u>
Total Liabilities	<u>\$ 7,126,486</u>	<u>\$ 1,038,626</u>	<u>\$ 383,712</u>	<u>\$ 5,941,944</u>	<u>\$ 394,437</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 June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	526,775	13,515	540,290
2029	<u>124,042</u>	<u>638</u>	<u>124,680</u>
	<u>\$4,775,318</u>	<u>\$876,943</u>	<u>\$5,652,261</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 June 30,</u>	<u>Principal</u>
2018	\$36,000
2019	36,000
2020	36,000
2021	<u>20,000</u>
	<u>\$128,000</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, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
 Total	 <u>433,296</u>

Contributing Employers – 1,713.

NOTE 5. PENSION PLANS (CONT'D)

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

Significant Legislation - 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, 2017 the School's total payroll for all employees was \$2,809,212. Total PERS covered payroll was \$505,506. 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 7.06% in State fiscal year 2016 and increased to 7.20% for State Fiscal Year 2017, commencing July 1, 2016. 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 cash basis contributions to the Plan for the years ended June 30, 2017 and 2016 were \$86,330 and \$70,449, respectively. School Board Contributions are due and payable in the fiscal period subsequent to the 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

NOTE 5. PENSION PLANS (CONT'D)

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

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 with 25 or more years of service credit 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 age at which a member can receive full early retirement benefits in accordance with his/her respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. 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 – At June 30, 2017, the School Board reported a liability of \$2,878,082 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to 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. The June 30, 2016 actuarial valuation indicated that the Board's proportion was 0.0097176258%, which was an increase from its proportion measure valued as of June 30, 2015 at .00819429%.

For the year ended June 30, 2017, the Board recognized pension expenses of \$317,772. At June 30, 2017, 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	\$596,185	\$
Net difference between projected and actual earnings on Plan investments	109,744	
Changes in proportion and differences between Board contributions and proportionate share of contributions	514,752	
Board Contribution Sub. Measurement Date	81,076	
Difference in Expected vs Actual	<u>53,524</u>	
Total	<u>\$1,355,281</u>	

NOTE 5. PENSION PLANS (CONT'D)

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

The \$81,076 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending <u>June 30,</u>	
2017	\$300,804
2018	300,804
2019	321,143
2020	263,127
2021	88,325

Actuarial Assumptions- The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.08%
Salary Increases (2012-2021)	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on the future PERS financial statements.

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, 2016 are summarized in the following table:

NOTE 5. PENSION PLANS (CONT'D)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate – The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate – the following presents the net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective 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 (2.98%)</u>	<u>At current discount rate (3.98%)</u>	<u>At 1% increase (4.98%)</u>
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>
District’s proportionate share of the net pension liability	<u>\$3,526,753</u>	<u>\$2,878,082</u>	<u>\$2,342,547</u>

NOTE 5. PENSION PLANS (CONT'D)

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

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</u>

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, 2016:

Inactive plan members or beneficiaries currently receiving benefits	101,263
Inactive plan members entitled to but not yet receiving benefits	210
Active plan members	<u>155,882</u>
Total	<u>257,355</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 24.

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

Covered Payroll - For the year ended June 30, 2017 the Board's total payroll for all employees was \$2,809,212. Total TPAF covered payroll was \$2,091,348. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

NOTE 5. PENSION PLANS (CONT'D)**B. TEACHERS PENSION AND ANNUITY FUND (TPAF) (Cont'd)**

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 7.06% in State fiscal year 2016. 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 amount which includes the employer portion of normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory insurance is based on actual claims paid and a “pay-as-you-go” basis.

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.

NOTE 5. PENSION PLANS (CONT'D)

A. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

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 Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/17	\$226,951	Unknown	\$0
6/30/16	165,382	Unknown	0
6/30/15	109,029	Unknown	0

At June 30, 2016, the TPAF reported a net pension liability of \$78,666,367,052 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey’s the net pension liability for the Non-State Employer Member Group that is attributable to the District was \$16,249,572, or 0.0206563138%. State non-employer contributions allocated to the District were \$164,507 and \$108,382 for 2016 and 2015.

Actuarial Assumptions - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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	7.65%

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. Pre-retirement mortality improvements for active members are projected using Scale AA from base year 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

NOTE 5. PENSION PLANS (CONT'D)**A. TEACHERS PENSION AND ANNUITY FUND (Cont'd)**

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equities Market	26.00%	5.14%
Foreign-Developed Equities	13.25%	5.91%
Emerging Market Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds – Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount Rate – The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 5. PENSION PLANS (CONT'D):

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

Sensitivity of Net Pension Liability to Changes in the Discount Rate the following presents the net pension liability of TPAF as of June 30, 2016 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:

	At 1% <u>Decrease (2.22%)</u>	At current <u>discount rate (3.22%)</u>	At 1% <u>Increase (4.22%)</u>
TPAF	\$94,378,176,033	\$79,028,907,033	\$66,494,248,033

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

Total pension liability	\$ 101,746,770,000
Plan fiduciary net position	<u>22,717,862,967</u>
Net pension liability	<u>\$ 79,028,907,033</u>
Plan fiduciary net position as a percentage of the total pension liability	22.33%

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, 2016, the membership in the DCRP, based on the information within the Division’s database, was 46,557.

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.

NOTE 5. PENSION PLANS (CONT'D):**C: DEFINED CONTRIBUTION RETIREMENT PLAN (Cont'd):**

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, 2017, the Board's total payroll for all employees was \$2,809,212. Total DCRP covered payroll was \$16,632. 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, 2017 were \$1,413.71.

NOTE 6. POST-RETIREMENT BENEFITS

P.L. 1987, C. 384 and P.L. 1990, c.6 required Teacher's 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, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 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 \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members for Fiscal Year 2016.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information for SEHBP. That report may be accessed via the Treasury website, at <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

NOTE 6. POST-RETIREMENT BENEFITS (Cont'd)

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

Contribution Requirements

Three-Year Trend Information for TPAF Retiree Health Benefits(Paid on-behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Post-Retirement</u> <u>Medical Contributions</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$189,102	100%	\$0
6/30/16	196,926	100%	0
6/30/15	173,083	100%	0

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 disasters.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE (Cont'd)

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, 2017:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$5,822	\$12	\$1,718	\$31,994
2015-2016	6,686	12	37,673	27,878
2014-2015	6,436	60	25,650	20,907

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 224,595	\$
Special Revenue Fund		139,952
Unemployment Trust	23,239	1,654
Agency Fund		106,228
	<u>\$ 247,834</u>	<u>\$ 247,834.</u>

NOTE 12. OTHER LIABILITIES

With the purchase of the school property the mortgage contained a covenant 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.

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, 2016 to June 30, 2017 fiscal year is as follows:

Beginning balance, July 1, 2016	\$831,107
Ending Balance June 30, 2017	<u>\$881,107</u>

NOTE 14. INVENTORY

Inventory in the Food Service Fund at June 30, 2017 consisted of the following:

Food	\$	1,424.19
	\$	<u>1,424.19</u>

NOTE 15. FUND BALANCE APPROPRIATED

General Fund (B-1) - Of the \$1,850,924 of General Fund balance (budgetary basis) at June 30, 2017 \$881,107 has been restricted in the Maintenance Reserve Account and \$21,428 is Committed-Reserve for Encumbrance and \$234,497 is assigned for the School Year 2018 Budget, \$250,000 is Designated for Health Care Reserve and \$463,891 is reported as unassigned.

NOTE 16. DEFICIT FUND BALANCES

The Charter School did not have any deficit fund balances at June 30, 2016 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 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, 2017**

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 480,526	\$ -	\$ 480,526	\$ 474,293	\$ (6,233)
Interest on Investments	5,000	-	5,000	3,282	(1,718)
Miscellaneous	-	-	-	832	832
Total - Local Sources	485,526	-	485,526	478,407	(7,119)
State Sources:					
Special Education Aid	113,801	-	113,801	111,700	(2,101)
Security Aid	121,967	-	121,967	120,176	(1,791)
Equalization Aid	3,879,309	-	3,879,309	3,837,797	(41,512)
State Aid Adjustment	295,021	-	295,021	346,658	51,637
Non-Public	9,988	-	9,988	9,988	-
On-Behalf TPAF Pension Contrib.	-	-	-	226,951	226,951
On-Behalf TPAF Post Retirement Medical	-	-	-	189,102	189,102
On-Behalf TPAF Long-Term Disability Insurance	-	-	-	1,725	1,725
On-Behalf TPAF Soc. Sec. Contrib.	-	-	-	164,993	164,993
Total - State Sources	4,420,086	-	4,420,086	5,009,090	589,004
Federal Sources:					
Erate Program	66,928	-	66,928	66,928	(0)
Semi-Program	-	-	-	1,932	1,932
Total - Federal Sources	66,928	-	66,928	68,860	1,932
Total Revenues	4,972,540	-	4,972,540	5,556,357	583,817
EXPENDITURES:					
Current Expense:					
Instruction:					
Salaries of Teachers - Specialists	\$ 562,378	\$ (102,964)	\$ 459,414	\$ 401,241	\$ 58,173
Salaries of Teachers - Kindergarten	90,160	3,024	93,184	93,184	0
Salaries of Teachers - Grade 1-5	481,140	7,537	488,677	437,500	51,177
Salaries of Teachers - Grade 6-8	445,047	55,703	500,750	402,207	98,543
Salaries of Teachers Substitutes	43,900	36,700	80,600	80,600	-
Other Salaries for Instruction	43,000	-	43,000	41,875	1,125
Purchased Professional/Technical Services	32,500	-	32,500	21,430	11,070
Other Purchased Services - NIT and Other	74,000	3,016	77,016	77,016	-
General Supplies - Instruction	20,578	40,684	61,262	58,944	2,318
General Supplies - Workbooks	36,485	(13,749)	22,735	19,667	3,069
General Supplies - Technology Supplies	90,495	(3,016)	87,479	53,206	34,273
Textbooks	15,560	(7,560)	8,000	440	7,560
Miscellaneous	30,160	-	30,160	20,964	9,196
Total Regular Programs - Instruction	1,965,403	19,374	1,984,777	1,708,273	276,504
Special Education:					
Special Ed Salaries	195,351	742	196,093	191,623	4,470
Special Education Aide Salaries	96,796	(742)	96,054	95,697	357
Textbooks	19,577	(19,374)	203	-	203
Purch/Prof. Develop. - Speech	40,000	-	40,000	34,196	5,804
Other Purchased Services - Tutoring	2,000	-	2,000	-	2,000
Purch/Prof. Technical Services-CST	40,000	-	40,000	22,790	17,210
Total Special Education	393,724	(19,374)	374,350	344,306	30,044
After School Program:					
Teachers - Salaries	12,000	-	12,000	-	12,000
Support Benefits	5,050	-	5,050	-	5,050
Tutoring Expense	54,000	(32,168)	21,832	-	21,832
Total After School Program Program	71,050	(32,168)	38,882	-	38,882
Administrative:					

**VILLAGE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ORIGINAL	BUDGET	FINAL	ACTUAL	VARIANCE
	BUDGET	TRANSFERS	BUDGET		POSITIVE (NEGATIVE) FINAL TO ACTUAL
Salaries - Administration	150,000	(8,686)	141,314	132,104	9,210
Salaries of Secretarial and Clerical Assistants	51,398	1,778	53,176	50,534	2,642
Legal Fees		13,107	13,107	13,107	
Audit Fees	17,250	-	17,250	17,250	-
Purchased Prof./Tech. Services - Admin.	19,200	3,869	23,069	23,069	-
Other Purch. Services - Admin. Conf.	1,200	230	1,430	1,430	-
Other Purchased Services NJSBA	11,990	-	11,990	8,706	3,284
Communication/Telephone	35,600	-	35,600	31,005	4,595
Communications Ads and Postage	10,600	1,956	12,556	12,556	-
General Supplies Admin.	2,000	3,584	5,584	5,584	-
Misc. Exp. Admin. Dues and Board Expense	1,000	1,000	2,000	1,954	46
Salaries - Principal	120,072	3,091	123,163	123,163	0
Salaries of Secretarial/Clerical	84,183	2,934	87,117	87,117	-
Supplies - Principal	4,000	2,000	6,000	5,848	152
Salaries - Business Office	136,794	3,701	140,495	140,495	-
Salaries Admin. Business Office	81,000	5,199	86,199	86,199	(0)
Supplies - Business Office	2,000	332	2,332	2,279	53
Admin. Technology	2,500	(1,500)	1,000		1,000
Insurance - Workers Compensation	36,506	3,494	40,000	30,702	9,298
FICA Expense	82,944	(3,994)	78,950	67,316	11,634
Unemployment Insurance	40,000	10,969	50,969	48,272	2,697
Health Benefits Cost	325,000	(55,054)	269,946	166,948	102,998
Pension Expense (PERS)	87,637	25,838	113,475	113,475	-
Total Administrative Expense	1,302,874	13,849	1,316,723	1,169,114	147,609
Support Services:					
Club and Coaching Stipends	\$ 33,300	\$ 1,740	\$ 35,040	\$ 35,040	\$ -
Nurse Salary	62,795	5,506	68,301	68,301	-
Purch. Prof. Services CAP Worksheet	4,000	-	4,000	3,460	540
Supplies - Nurse	2,000	5,106	7,106	7,025	81
Salaries - Guidance Counselors	127,795	10,771	138,566	138,566	-
Guidance Office Supplies	2,000	-	2,000	764	1,236
General Supplies - Support		-			-
Purch. Prof./Tech. Services Support	7,000	-	7,000	7,000	-
Misc. Expense -Support Sports	5,000	208	5,208	5,208	-
Oper/Maint. Support Staff Salaries	71,658	2,035	73,693	71,413	2,280
Lunch Program - Salaries	38,414	1,268	39,682	19,682	20,000
Security Staff - Salaries	82,424	489	82,913	77,077	5,836
Other Purchased Services	236,200	2,886	239,086	233,109	5,977
Rental of Land and Buildings	550,503	(5,106)	545,397	545,022	375
Insurance for Property, Liability and Fidelity	44,347	-	44,347	42,646	1,701
Lease Purchase	28,000	(2,886)	25,114	14,961	10,153
Transportation - Other than To/From School	4,155	-	4,155	1,500	2,655
Energy Costs (Heat and Electricity)	119,700	(3,698)	116,002	99,181	16,821
Total Support Services	1,419,291	18,319	1,437,610	1,369,956	67,654
On-Behalf Contributions:					
On-Behalf TPAF Pension					
Contrib. - Not Budgeted		-		226,951	(226,951)
On-Behalf TPAF Post					
Retirement Medical				189,102	(189,102)
On-Behalf TPAF Long-Term					
Disability Insurance				1,725	(1,725)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted		-		164,993	(164,993)
Total On-Behalf Contributions				582,771	(582,771)
Capital Outlay					
Facilities Acquisition & Construction	14,560		14,560	3,811	10,750
Total Capital Outlay	14,560	-	14,560	3,811	10,750
Total Expenditures - General Fund	5,166,902	0	5,166,902	5,178,230	(11,328)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(194,362)		(194,362)	378,126	595,144

VILLAGE CHARTER SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(194,362)		(194,362)	378,126	595,144
Fund Balances, July 1	<u>1,472,798</u>		<u>1,472,798</u>	<u>1,472,798</u>	
Fund Balances, June 30	<u>\$ 1,278,436</u>	<u>\$ -</u>	<u>\$ 1,278,436</u>	<u>\$ 1,850,924</u>	<u>\$ 595,144</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 881,107	
Committed Fund Balance:					
Year-end Encumbrances				21,428	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				234,497	
Designated for Health Benefit Reserve				250,000	
Unassigned Fund Balance				<u>463,891</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,850,924</u>	

**Village Charter School
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Revenue from Local Sources	\$ 21,500	\$	\$ 21,500	\$ 14,578	\$ -6,922
Total - Local Sources	<u>21,500</u>	<u></u>	<u>21,500</u>	<u>14,578</u>	<u>-6,922</u>
Federal Sources:					
Title I Part A	223,057		223,057	214,060	-8,997
Title II, Part A	23,126		23,126	23,126	
IDEA Part B	82,527		82,527	82,527	
Other Federal Programs	191,910	33,160	225,070	225,070	0
Total - Federal Sources	<u>520,620</u>	<u>33,160</u>	<u>553,780</u>	<u>544,782</u>	<u>-8,997</u>
Total Revenues	<u>542,120</u>	<u>33,160</u>	<u>575,280</u>	<u>559,360</u>	<u>-15,919</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	266,435	33,160	299,595	295,368	4,227
Salaries of Aides	97,006	-4,500	92,506	88,283	4,223
General Supplies	30,797		30,797	30,575	222
Total instruction	<u>394,238</u>	<u>28,660</u>	<u>422,898</u>	<u>414,226</u>	<u>8,672</u>
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries					
Personal Services - Employee Benefits	92,103	4,500	96,603	96,231	372
Purchased Profess. Technical Services	12,000		12,000	9,172	2,828
Purchased Profess. Educ. Services					
Purchased Profess. Professional Services	30,126	8,000	38,126	37,232	894
Other Purchased Services	13,653	-8,000	5,653	2,500	3,153
Supplies & Materials					
Total support services	<u>147,882</u>	<u>4,500</u>	<u>152,382</u>	<u>145,135</u>	<u>7,247</u>
Capital Outlay					
Noninstructional Equipment					
Total Capital Outlay	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Total Expenditures	<u>542,120</u>	<u>33,160</u>	<u>575,280</u>	<u>559,360</u>	<u>15,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION – PART II**

**VILLAGE CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP
RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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)	\$ 5,556,357	(C-2)	\$ 559,360
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>5,556,357</u>	(B-2)	<u>559,360</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	5,178,231	(C-2)	559,360
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)	(B-2)	<u>5,178,231</u>	(B-2)	<u>559,360</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART III

**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>	<u>2015</u>	<u>2016</u>
District's Proportion of the Net Pension Liability	0.00578808	0.00729161	0.0081943	0.00971763
District's Proportionate Share of the Net Pension Liability	\$1,106,217	\$1,365,189	\$1,839,456	\$2,878,082
District's Covered-Employee Payroll	\$597,780	\$635,767	\$572,204	\$505,506
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	185.05%	214.73%	321.47%	569.35%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%

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

* Information for prior periods was not available.

**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>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 43,612	\$ 60,111	\$ 70,449	\$ 87,637
Contribution in Relation to Contractually Required Contribution	<u>\$ (43,612)</u>	<u>\$ (60,111)</u>	<u>\$ (70,449)</u>	<u>\$ (87,637)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 597,780	\$ 635,767	\$ 572,204	\$ 505,506
Contributions as a percentage of Covered Employee Payroll	7.30%	9.45%	12.31%	17.34%

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

* Information for prior periods was not available.

**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>	<u>2015</u>	<u>2016</u>
District's Proportion of the Net Pension Liability	0.02193713	0.02148245	0.0201668	0.0020656
District's Proportionate Share of the Net Pension Liability	\$11,086,851	\$11,481,669	\$12,746,267	\$16,249,572
District's Covered-Employee Payroll	\$2,027,709	\$1,967,119	\$1,961,428	\$2,091,348
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	546.77%	583.68%	649.85%	776.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.76%	33.64%	28.71%	2.33%

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

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION – PART III**

VILLAGE CHARTER SCHOOL
COUNTY OF MERCER, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
JUNE 30, 2017

NOTE 1. CHANGES IN ASSUMPTIONS

The following information is as abstracted from the State of New Jersey, Division of Pension and Benefits, Financial Statements and Supplementary Schedules report as of June 30, 2016, dated March 14, 2017. This information pertains to the RSI schedules of changes in net pension liability contained in that report.

PERS

Changes in benefit terms - None

Changes in assumptions - For 2016, the discount rate changed to 3.98%, the long-term expected rate of return changed to 7.65%, demographic assumptions were revised in accordance with the results of the July 1, 2011 – June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. For 2015, the discount rate changed to 4.90%. In addition, the social security wage base was set at \$118,500 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000 for 2015, increasing 3.00% per annum, compounded annually, For 2014, the discount rate was 5.39%.

TPAF

Changes in benefit terms - None

Changes in assumptions - For 2016, the discount rate changed to 3.22% and the long-term expected rate of return changed to 7.65%. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study. For 2015, the discount rate changed to 4.13%. For 2014, the discount rate was at 4.68%.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES

SECTION – D

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, 2017

	<u>N.C.L.B TITLE I Part A</u>	<u>TITLE II PART A 16/17</u>	<u>IDEA BASIC REGULAR 16/17</u>	<u>RUTGERS SSI GRANT</u>	<u>NJSBA SAFETY GRANT</u>	<u>PRINCETON BLAIRSTOWN CAMP</u>	<u>12 HR. EXPERIENCE</u>	<u>MINDFULNEES TUTORING PROGRAM</u>	<u>TOTAL TOTALS 2016-2017</u>
<u>REVENUES</u>									
Local Sources	\$	\$	\$	\$	2,500	\$ 9,172	\$	2,906	\$ 14,578
Federal Sources	214,060	23,126	82,527	225,070					544,782
Total Revenues	214,060	23,126	82,527	225,070	2,500	9,172		2,906	559,360
<u>EXPENDITURES</u>									
Instruction:									
Salaries of Teachers	65,325		60,931	169,112					295,368
Other Salaries for Instruc.	88,283								88,283
General Supplies	24,847		5,728						30,575
Total Instruction	178,455		66,659	169,112					414,225
Support Services:									
Other Salaries									
Personal Services - Empl. Benefits	24,405		15,868	55,958					96,231
Purch. Prof. - Tech. Services						9,172			9,172
Purch. Prof. - Educ. Services									
Purchased Professional Services	11,200	23,126						2,906	37,232
Other Purch. Services (400-500 series)									
Supplies and Materials					2,500				2,500
Total Support Services	35,605	23,126	15,868	55,958	2,500	9,172		2,906	145,135
Total Expenditures	\$ 214,060	\$ 23,126	\$ 82,527	\$ 225,070	\$ 2,500	\$ 9,172		\$ 2,906	\$ 559,360

CAPITAL PROJECTS FUND

SECTION – F

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

VILLAGE CHARTER SCHOOL
STATEMENT OF NET POSITION
ENTERPRISE FUND
AS OF JUNE 30, 2017

Assets	
Cash and Cash Equivalents	\$ 11,031
Accounts Receivable:	
State	220
Federal	15,442
Other	2,585
Inventories	<u>4,591</u>
 Total Current Assets	 <u>33,869</u>
 Total Assets	 \$ <u><u>33,869</u></u>
Liabilities	
Current Liabilities:	
Deferred Revenue	\$ <u>1,771</u>
 Total Current Liabilities	 <u>1,771</u>
 Total Liabilities	 <u>1,771</u>
Net Position	
Unrestricted (Deficit)	<u>32,098</u>
 Total Net Position	 \$ <u><u>32,098</u></u>
 Total Net Position and Liabilities	 \$ <u><u>33,869</u></u>

**VILLAGE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Operating Revenues:	
Charges for Daily Services:	
Daily Sales - Reimbursable Programs:	
School Lunch/Breakfast Program	\$ <u>21,889</u>
Total - Operating Revenue	<u>21,889</u>
 Operating Expenses:	
Salaries	20,000
Supplies and Materials	4,066
Cost of Sales	<u>210,319</u>
Total Operating Expenses	<u>234,385</u>
Operating Income (Loss)	<u>(212,496)</u>
 Nonoperating Revenues:	
State Sources:	
State School Lunch Program	2,741
Federal Sources:	
National School Lunch Program	146,867
National School Breakfast Program	37,107
National School Snack Program	8,902
USDA	15,002
Interest Income	<u>45</u>
Total Non-Operating Revenues	<u>210,663</u>
 Net Income (Loss) Before Operating Transfers	<u>(1,832)</u>
 Change in Net Position	(1,832)
 Total Net Position Beginning	<u>33,930</u>
 Total Net Position Ending	<u>\$ <u>32,098</u></u>

**VILLAGE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 21,889
Cash Payments for Salaries	(20,000)
Cash Payments to Suppliers for Goods and Services	<u>(213,176)</u>
Net Cash Provided by Operating Activities	<u>(211,287)</u>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from State and Federal Sources	<u>210,618</u>
Net Cash Provided by Non-Capital Financing Activities	<u>210,618</u>
Net Cash Provided by Non-Capital Financing	<u>210,618</u>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>45</u>
Net Cash Provided by Investing Activities	<u>45</u>
Net Increase in Cash and Cash Equivalents	(625)
Cash and Cash Equivalents at Beginning of Year	<u>11,655</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>11,031</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income/(Loss)	\$ (212,496)
Adjustments to Reconcile Operating Income to Net cash Provided by Operating Income:	
Changes in Assets and Liabilities	
(Increase) Decrease in Inventories	2
(Increase) Decrease in Accounts Receivable	2,745
Increase (Decrease) in Deferred Revenue	<u>(1,538)</u>
Net Cash Provided by Operating Activities	\$ <u><u>(211,287)</u></u>

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

VILLAGE CHARTER SCHOOL
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
FOR YEAR ENDED JUNE 30, 2017

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY STUDENT ACTIVITY</u>	<u>PAYROLL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 12,127	\$ 3,273	\$ 212,554
Other Receivables			11,776
Interfunds Receivable	<u>23,239</u>	<u> </u>	<u> </u>
Total Assets	\$ <u>35,366</u>	\$ <u>3,273</u>	\$ <u>224,330</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 1,718	\$	
Claims Payable			
Payroll Deductions and Withholdings			118,102
Interfund Payable	<u>1,654</u>	<u> </u>	<u>106,228</u>
Total Liabilities	<u>3,372</u>	<u> </u>	<u>224,330</u>
Net Position:			
Due to Student Groups		3,273	
Held in trust for unemployment claims and other purposes	<u>31,994</u>	<u> </u>	<u> </u>
Total Net Position	<u>31,994</u>	<u>3,273</u>	<u> </u>
Total Net Position	\$ <u>35,366</u>	\$ <u>3,273</u>	\$ <u>224,330</u>

**VILLAGE CHARTER SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

		<u>TRUST FUND</u>
		<u>UNEMPLOYMENT COMPENSATION</u>
ADDITIONS		
Contributions:		
Board Contribution	\$	
Employees Share		<u>5,822</u>
Total Contributions		<u>5,822</u>
Investment Earnings:		
Interest		<u>12</u>
Total investment earnings		<u>12</u>
Total Additions		<u>5,834</u>
DEDUCTIONS		
Unemployment Claims		<u>1,718</u>
Total Deductions		<u>1,718</u>
Change in Net Position		<u>4,116</u>
Net Position - beginning of the year		<u>27,878</u>
Net Position - end of the year	\$	<u><u>31,994</u></u>

**VILLAGE CHARTER SCHOOL
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 STUDENT ACTIVITY AGENCY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BALANCE JUNE 30, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
Charter Village School	\$ <u>5,275</u>	\$ <u>16,865</u>	\$ <u>18,867</u>	\$ <u>3,273</u>
Total	\$ <u><u>5,275</u></u>	\$ <u><u>16,865</u></u>	\$ <u><u>18,867</u></u>	\$ <u><u>3,273</u></u>

**VILLAGE CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BALANCE JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2017</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 151,956	\$ 212,554	\$ 151,956	\$ 212,554
Other Accounts Receivable	<u> </u>	<u>11,776</u>	<u> </u>	<u>11,776</u>
Total Assets	\$ <u>151,956</u>	\$ <u>224,330</u>	\$ <u>151,956</u>	\$ <u>224,330</u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 51,653	\$ 118,102	\$ 51,653	\$ 118,102
Interfunds Payable	<u>100,303</u>	<u>106,228</u>	<u>100,303</u>	<u>106,228</u>
Total Liabilities	\$ <u>151,956</u>	\$ <u>224,330</u>	\$ <u>151,956</u>	\$ <u>224,330</u>

LONG-TERM DEBT

SECTION - I

**VILLAGE CHARTER SCHOOL
LONG-TERM DEBT
SCHEDULE OF MORTGAGE OBLIGATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2016</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2017</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Acquisition of School Facility	10/2/13	\$ 6,000,000.00	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%	\$ 5,123,030	\$ 347,712	\$ 4,775,318
Acquisition of School Facility	10/2/13	\$ 260,000.00	2017-18	36,000				
			2018-19	36,000				
			2019-20	36,000				
			2020-21	20,000		164,000	36,000	128,000
						<u>\$ 5,287,030</u>	<u>\$ 383,712</u>	<u>\$ 4,903,318</u>

Totals

*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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 385,583	\$324,004	\$262,425	\$101,358	\$107,401	\$201,969	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077
Restricted				500,000	500,000	500,000	781,107	831,107	899,867	902,535
Unrestricted	245,045	1,089,831	1,080,259	840,653	964,228	1,263,414	599,894	(530,389)	(719,372)	(661,265)
Total governmental activities net assets/position	<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>	<u>\$ 1,527,181</u>	<u>\$ 1,714,347</u>
Business-type activities										
Unrestricted	\$10,693	\$40,494	\$40,727	\$48,540	\$59,268	\$45,042	\$49,016	\$38,637	\$33,930	\$32,098
Total business-type activities net assets/position	<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>	<u>\$ 33,930</u>	<u>\$ 32,098</u>
District-wide										
Invested in capital assets, net of related debt	\$ 447,162	\$ 385,583	\$324,004	\$262,425	\$107,401	\$107,401	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077
Restricted					500,000	500,000	781,107	831,107	899,867	902,535
Unrestricted	222,905	245,045	1,130,325	1,120,986	889,193	1,308,456	648,910	(491,752)	(685,442)	(629,167)
Total district net assets/position	<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>	<u>\$ 1,561,111</u>	<u>\$ 1,746,445</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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$2,058,324	\$2,160,409	\$3,202,118	\$2,057,922	\$2,325,118	\$1,832,497	\$2,005,803	\$1,985,820	\$2,146,332	\$1,914,129
Special education		104,349	142,537	384,236	319,688	507,326	520,207	634,013	593,178	807,435
Support Services:										
Student & Instruction Related Services				82,816	144,404	166,363	116,813	33,679	32,849	
General administrative services	863,277	668,077	882,896	1,183,598	1,451,353	1,211,038	1,408,717	1,545,322	1,264,389	1,583,117
School administrative services	1,298,215	1,383,941	1,407,249	1,388,814	1,217,898	1,416,690	996,224	1,146,707	1,279,448	989,635
Unallocated Benefits	64,963			323,262	348,414	470,713	402,978	500,122	666,998	634,235
Capital Outlay	68,855									
Unallocated depreciation	61,579	33,446								
Total governmental activities expenses	4,415,213	4,350,222	5,634,800	5,420,648	5,806,875	5,604,627	5,450,742	5,845,663	5,983,194	5,928,551
Business-type activities:										
Food service	130,508	155,672	172,435	165,973	162,609	187,704	174,539	204,362	246,118	234,385
Total business-type activities expense	130,508	155,672	172,435	165,973	162,609	187,704	174,539	204,362	246,118	234,385
Total district expenses	\$ 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	6,229,312	6,162,936

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Operating grants and contributions	412,610	596,280	940,040	272,163	348,414	470,713	768,588	791,677	541,776	582,771
Total governmental activities program revenues	412,610	596,280	940,040	272,163	348,414	470,713	768,588	791,677	541,776	582,771
Business-type activities:										
Charges for services										
Food service	140,311	13,548	12,404	19,892	15,038	27,212	9,932	9,653	27,045	21,889
Operating grants and contributions		171,928	160,264	156,628	158,276	146,230	168,574	184,269	214,279	210,618
Total business type activities program revenues	140,311	185,476	172,668	176,520	173,314	173,442	178,506	193,922	241,324	232,507
Total district program revenues	\$ 552,921	\$ 781,756	\$ 1,112,708	\$ 448,683	\$ 521,728	\$ 644,155	\$ 947,094	\$ 985,599	\$ 783,100	\$ 815,278
Net (Expense)/Revenue										
Governmental activities	\$ (4,002,603)	\$ (3,753,942)	\$ (4,694,760)	\$ (5,148,485)	\$ (5,458,461)	\$ (5,133,914)	\$ (4,682,154)	\$ (5,053,986)	\$ (5,441,418)	\$ (5,345,780)
Business-type activities	9,803	29,804	233	10,547	10,705	(14,262)	3,967	(10,440)	(4,794)	(1,878)
Total district-wide net expense	\$ (3,992,800)	\$ (3,724,138)	\$ (4,694,527)	\$ (5,137,938)	\$ (5,447,756)	\$ (5,148,176)	\$ (4,678,187)	\$ (5,064,426)	\$ (5,446,212)	\$ (5,347,658)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Local Property Taxes - Charter School Aid	\$ 505,066	\$ 457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293
Unrestricted Federal and State Aid	2,406,302	4,068,699	4,181,568	4,383,501	4,704,175	4,538,335	4,659,447	4,694,097	4,378,779	4,495,179
State and Federal Aid	962,865			518,151	396,996	513,974	13,285	12,500	536,780	544,781
Miscellaneous income	89,821	10,462	353	119,064	17,188	1,915	35,853	9,217	29,318	18,692
Total governmental activities	4,030,555	4,537,149	4,623,609	5,463,252	5,588,077	5,527,671	5,197,335	5,211,737	5,436,500	5,532,945
Business-type activities:										
Investment earnings				40	24	36	7	60	88	45
Total business-type activities	-	-	-	40	24	36	7	60	88	45
Total district-wide	\$ 4,030,555	\$ 4,537,149	\$ 4,623,609	\$ 5,463,292	\$ 5,588,101	\$ 5,527,707	\$ 5,197,342	\$ 5,211,797	\$ 5,436,588	\$ 5,532,990
Change in Net Position										
Governmental activities	\$ 27,952	\$ 783,207	\$ (71,151)	\$ 314,767	\$ 129,616	\$ 393,757	\$ 515,181	\$ 157,751	\$ (4,918)	\$ 187,165
Business-type activities	9,803	29,804	233	10,587	10,729	(14,226)	3,973	(10,380)	(4,706)	(1,833)
Total district	\$ 37,755	\$ 813,011	\$ (70,918)	\$ 325,354	\$ 140,345	\$ 379,531	\$ 519,154	\$ 147,371	\$ (9,624)	\$ 185,332

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Restricted	\$	\$	\$	\$ 500,000	\$ 500,000	\$500,000	\$781,107	\$831,107	\$881,107	\$881,107
Committed									18,760	21,428
Assigned									226,635	484,497
Unrestricted	245,045	1,089,831	1,080,259	840,653	964,228	1,263,414	600,496	630,494	346,295	463,891
Total general fund	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601	\$ 1,472,798	\$ 1,850,924
Total all governmental funds	\$ 245,045	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601	\$ 1,472,798	\$ 1,850,924

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

Exhibit J-4

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 505,066	\$457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293
Miscellaneous	18,291	10,462	23,358	119,064	17,188	1,915	35,853	9,217	11,635	4,114
Local sources				6,854	41,280	137,744	13,285	12,500	17,683	14,578
State sources	3,500,857	4,337,465	4,433,524	4,655,664	5,052,588	5,009,048	5,062,425	5,155,297	4,920,555	5,009,090
Federal sources	370,741	327,514	665,079	511,297	355,716	376,230	365,610	346,221	536,780	613,642
Total revenue	4,394,955	5,133,429	5,563,649	5,735,415	5,936,490	5,998,384	5,965,923	6,019,158	5,978,276	6,115,717
Expenditures										
Instruction										
Regular Instruction	1,645,714	1,735,273	2,638,968	2,041,167	2,310,315	1,807,541	1,968,001	1,945,835	1,897,370	1,708,273
Special education instruction		104,349	142,537	384,236	319,688	507,326	520,207	634,013	593,178	807,435
Support Services:										
General Administration Services	863,277	457,912	626,769	1,183,598	1,217,897	1,203,769	1,178,932	1,329,019	1,279,448	1,265,345
School Administrative Services	1,298,215	1,383,941	1,407,249	1,388,814	1,451,353	1,416,690	1,326,608	1,146,741	1,580,128	1,369,956
Student & Instruction Related Services				82,816	144,404	166,363	116,813	33,679	32,849	
Unallocated employee benefits	64,963	573,722	757,698	323,262	348,414	470,713	402,978	461,200	541,776	582,771
Unallocated Expenditures		33,446								
Capital outlay	68,855				20,846	126,793	834,195	388,104	42,900	3,811
Special Revenue	412,610									
Total expenditures	4,353,634	4,288,643	5,573,221	5,403,893	5,812,917	5,699,195	6,347,734	5,938,591	5,967,649	5,737,591
Excess (Deficiency) of revenues over (under) expenditures	41,321	844,786	(9,572)	331,522	123,573	299,189	(381,811)	80,567	10,627	378,126
Net change in fund balances	\$ 41,321	\$ 844,786	\$ (9,572)	\$ 331,522	\$ 123,573	\$ 299,189	\$ (381,811)	\$ 80,567	\$ 10,627	\$ 378,126
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

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest</u>	<u>Donations</u> <u>and Other</u>	<u>Total</u>
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
2016	2,531	9,104	11,635
2017	3,282	832	4,114

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	28.0	30.0	30.0	32.0	31.0	29.0	28.0	28	28	28
Special education	2.0	3.0	3.0	3.5	4.5	5.0	5.0	5	5	5
Other instruction	7.0	7.0	7.0	4.0	4.0	4.0	4.0	4	4	4
Support Services:										
Student & instruction related services			4.0	3.0	3.0	3.0	3.0	3	3	3
General administrative services	1.0	3.0	4.0	4.0	4.5	4.0	4.0	4	4	4
School administrative services	3.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1	1
Plant operations and maintenance	1.0	2.0	2.0	1.0	1.0	1.0	1.0	1	1	1
Central Services	2.0	4.0	2.0	2.0	2.0	2.0	2.0	2	2	2
Other Support Services	3.0	3.0	1.0	1.5	1.5	2.0	2.0	2	2	2
Food Service	3.0		3.0	3.0	3.0	3.0	3.0	3	3	3
Total	<u>50.0</u>	<u>53.0</u>	<u>57.0</u>	<u>55.0</u>	<u>55.5</u>	<u>54.0</u>	<u>53.0</u>	<u>53.0</u>	<u>53.0</u>	<u>53.0</u>

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					
2008	358	3,964,054	11,073	#DIV/0!	30	18		352.0	339.0	#DIV/0!	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%
2016	356	5,470,094	15,365	-2.24%	33	10		358.6	337	-3.86%	93.98%
2017	356	5,178,231	14,546	-5.34%	33	10		356.7	336.6	-0.53%	94.37%

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, 2017
UNAUDITED**

<u>Company</u>	<u>Coverage</u>	<u>Deductible</u>
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	2,990,000	
Surety Bonds	165,000	
Student Accident	5,000,000	
W/cat	1,000,000	
EDP	800,000	

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

Exhibit J- 21

	1	2	3	Source
	Audit	Audit	Audit	
Cash	1,808,742	1,235,014	1,941,805	Audit: Exhibit A-1
Current Assets	1,934,658	1,891,247	2,271,111	Audit: Exhibit A-1
Total Assets	9,182,063	9,107,888	10,002,787	Audit: Exhibit A-1
Current Liabilities	877,751	774,427	869,379	Audit: Exhibit A-1
Total Liabilities	7,611,328	7,546,776	8,256,342	Audit: Exhibit A-1
Net Assets	1,570,735	1,561,112	1,746,445	Audit: Exhibit A-1
Total Revenue	5,211,797	5,436,588	5,532,990	Audit: Exhibit A-2
Total Expenses	5,064,426	5,446,212	5,347,658	Audit: Exhibit A-2
Change in Net Assets	147,371	-9,624	185,332	Audit: Exhibit A-2
Depreciation Expense	256,288	257,577	257,320	Financial Statements/Audit Workpapers
Interest Expense	170,932	161,439	150,596	Financial Statements/Audit Workpapers
Principal Payments	363,228	336,882	347,712	Financial Statements/Audit Workpapers
Interest Payments	171,501	161,847	151,017	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	373	359	356	DOE Enrollment Reports
March 30th Budgeted Enrollment	359	359	359	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	1	2	3	Source:
1a. Current Ratio	2.20	2.44	2.61	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	130.36	82.77	132.54	Cash/(Total Expenses/365)
1c. Enrollment Variance	104%	100%	99%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit

**Village Charter School
Sustainability Indicators
Fiscal Ratios**

Exhibit J- 22

	1	2	3	Source
	Audit	Audit	Audit	
Cash	1,808,742	1,235,014	1,941,805	Audit: Exhibit A-1
Current Assets	1,934,658	1,891,247	2,271,111	Audit: Exhibit A-1
Total Assets	9,182,063	9,107,888	10,002,787	Audit: Exhibit A-1
Current Liabilities	877,751	774,427	869,379	Audit: Exhibit A-1
Total Liabilities	7,611,328	7,546,776	8,256,342	Audit: Exhibit A-1
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Interest Payments	171,501	161,847	151,017	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	373	359	356	DOE Enrollment Reports
March 30th Budgeted Enrollment	359	359	359	Charter School Budget

Sustainability Indicators	2015	2016	2017	3 YR CUM	
2a. Total Margin	3%	0%	3%		2%
2b. Debt to Asset	0.83	0.83	0.83		Change in Net Assets/Total Revenue
2c. ** Cash Flow	182,357	-573,728	706,791	315,420	Total Liabilities/Total Assets
2d. Debt Service Coverage Ratio	1.07	0.82	1.19		Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

SINGLE AUDIT SECTION

SECTION – K

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**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 Trustee
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, 2017, 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 20, 2017.

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 20, 2017.

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.
Certified Public Accountants
Public School Accountants



Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
October 20, 2017

HODULIK & MORRISON, P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULES OF EXPENDITURES OF FEDERAL AND
STATE FINANCIAL ASSISTANCE REQUIRED BY THE
UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

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 OMB 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, 2017. The Village Charter Schools' major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB's Circular 15-08 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 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 state programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The management of the Village Charter School is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. 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 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 the Uniform Guidance and New Jersey OMB 15-08, 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 New Jersey OMB 15-08. Accordingly, this report is not suitable for any other purpose.



HODULIK & MORRISON, P.A.

Certified Public Accountants

Registered Municipal Accountants



Robert S. Morrison

Public School Accountant

PSA # 871

Highland Park, New Jersey

October 20, 2017

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NO.	Grant or State Project Number	GRANT PERIOD FROM TO	PROGRAM OR AWARD AMOUNT	BALANCE AT JUNE 30, 2016	CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	BALANCE AT JUNE 30, 2017			
									ACCOUNTS RECEIVABLE	DEFERRED REVENUE	DUE TO GRANTOR	
Enterprise Fund:												
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Child Nutrition Cluster:												
Food Distribution Program	10.555	171NJ304N1099	N/A	7/1/16 6/30/17	13,465	\$ 2,961	\$ 13,465	\$ (15,002)	\$	\$	\$ 1,424	\$
National School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16 6/30/17	37,107		33,951	(37,107)		(3,156)		
National School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/15 6/30/16		(3,229)	3,229					
National School Lunch Program	10.555	171NJ304N1099	N/A	7/1/16 6/30/17	155,769		143,483	(155,769)		(12,286)		
National School Lunch Program	10.555	171NJ304N1099	N/A	7/1/15 6/30/16		(14,517)	14,517					
Total Child Nutrition Cluster						(14,785)	208,645	(207,878)		(15,442)	1,424	
Total Enterprise Fund						(14,785)	208,645	(207,878)		(15,442)	1,424	
General Fund:												
U.S. Department of Education												
Passed-through State Department of Education:												
Medical Assistance Program (SEMI)												
	93.778	1705NJSMAP	N/A	7/1/16 6/30/17	1,932		1,932	(1,932)				
Total General Fund							1,932	(1,932)				
Special Revenue Fund:												
U.S. Department of Education												
Passed-through State Department of Education:												
No Child Left Behind Consolidated Grant:												
Title I Cluster:												
Title I, Part A	84.010A	S010A160030	NCLB-8140-17	7/1/16 6/30/17	214,060		198,129	(214,060)		(15,931)		
Title I, Part A	84.010A	S010A160030	NCLB-8140-16	9/1/15 6/30/16		(23,614)	23,614					
Total Title I						(23,614)	221,743	(214,060)		(15,931)		
Title II, Part A	84.367A	S367A160029	NCLB-8140-17	7/1/16 6/30/17	23,126		23,126	(23,126)				
Total Title II Part A							23,126	(23,126)				
Special Education Cluster:												
I.D.E.A. Part B	84.027	H027A160100	NCLB-8140-17	7/1/16 6/30/17	82,526		76,483	(82,526)		(6,043)		
I.D.E.A. Part B, Basic	84.027	H027A160100	NCLB-8140-16	9/1/15 6/30/16		(7,221)	7,221					
Total Special Education Cluster						(7,221)	83,704	(82,526)		(6,043)		
Passed-through Rutgers University, State of New Jersey:												
Teacher Incentive Fund Program												
	84.374A	S374A120060-14	N/A	7/1/16 6/30/17	225,069	(40,443)	180,548	(225,069)		(84,964)		
						(40,443)	180,548	(225,069)		(84,964)		
Total Special Revenue Fund						(71,278)	509,121	(544,781)		(106,938)		
Total Federal Financial Assistance						\$ (86,063)	\$ 719,698	\$ (754,591)		\$ (122,380)	\$ 1,424	\$

VILLAGE CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2016			CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS/ REPAY. PR. YRS. BALANCES	BALANCE AT JUNE 30, 2017			MEMO	
				DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)	DUE TO GRANTOR					(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE/ INTERFUND PAYABLE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
State Department of Education:														
General Fund:														
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 3,837,797	\$	\$	\$ 3,818,286	\$ (3,837,797)	\$	\$ (19,511)	\$	\$	\$	\$	(3,837,797)
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16		(428,472)		428,472								
Adjustment Aid	17-495-034-5120-071	7/1/16-6/30/17	346,658			305,009	(346,658)		(41,649)					(346,658)
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	111,700			111,700	(111,700)							(111,700)
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16		(12,255)		12,255								
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	120,176			120,176	(120,176)							(120,176)
Security Aid	16-495-034-5120-084	7/1/15-6/30/16		(13,163)		13,163								
Non-Public Aid	16-495-034-5120-078	7/1/16-6/30/17	9,988				(9,988)		(9,988)					(9,988)
On Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	226,951			226,951	(226,951)							(226,951)
On Behalf TPAF Post Retirement Medical	17-495-034-5094-001	7/1/16-6/30/17	189,102			189,102	(189,102)							(189,102)
On Behalf Long-Term Disability Insurance	17-495-034-5094-004	7/1/16-6/30/17	1,725			1,725	(1,725)							(1,725)
Reimb. T.P.A.F. Social Security Contrib.	17-495-034-5094-003	7/1/16-6/30/17	164,993			157,845	(164,993)		(7,148)					(164,993)
Total General Fund				(453,890)		5,384,684	(5,009,090)		(78,296)					(5,009,090)
State Department of Agriculture:														
Enterprise Fund:														
National School Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17	2,741			2,521	(2,741)							(2,741)
National School Lunch Prog. (State Share)	16-100-010-3350-023	7/1/15-6/30/16		(255)		255			(220)					
Total Enterprise Fund				(255)		2,776	(2,741)		(220)					(2,741)
Total State Financial Assistance				\$ (454,145)		\$ 5,387,460	\$ (5,011,831)		\$ (78,516)					(5,011,831)

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		\$ 5,011,831
Less:		
T.P.A.F. Pension Contributions		(226,951)
T.P.A.F. - Post Retirement Medical		(189,102)
T.P.A.F. - Long-Term Disability Insurance		(1,725)
		\$ <u>4,595,778</u>

**VILLAGE CHARTER SCHOOL
NOTES TO THE SCHEDULE OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2017**

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 federal awards and state 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 these schedules are presented in accordance with the requirements of OMB Uniform Guidance and NJ OMB 15-08. 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, 2017**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$68,860	\$5,009,090	\$5,077,950
Food Service Fund		<u>2,741</u>	<u>2,741</u>
Total Awards & Financial Assistance	<u>\$68,860</u>	<u>\$5,011,831</u>	<u>\$5,080,691</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related 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, TPAF Post-Retirement Medical, TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. 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, 2017.

VILLAGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

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

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X 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 2 CFR-200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number(s)	FAIN Numbers	Name of Federal Program or Cluster
10.555	171NJ304N1099	Child Nutrition Cluster: National School Lunch Program
10.553	171NJ304N1099	National School Breakfast Program
84.374A	N/A	Teacher Incentive Fund Program

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

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

VILLAGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

K-6

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

State Awards

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

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

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

Internal Control over major programs:

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

2) Significant Deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 _____ Yes X No

Identification of major programs:

GMIS Number(s)	Name of State Program
17-495-034-5120-078	State Aid Cluster:
17-495-034-5120-071	Equalization Aid
17-495-034-5120-089	Adjustment Aid
17-495-034-5120-084	Special Education Aid
	Security Aid

VILLAGE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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Section II - Financial Statement Findings

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

Significant Deficiency(ies)/Material Weaknesses

None Noted.

Noncompliance

None Noted.

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

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by OMB Uniform Guidance and New Jersey OMB's circular 15-08.

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, 2017**

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

N/A