

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

***AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND
PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017***

HODULIK & MORRISON, P.A.
*CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
HIGHLAND PARK, N.J.*

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

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REGISTERED MUNICIPAL ACCOUNTANTS OF N

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

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States of, the basic financial statements of the Board of Trustees of the Village Charter School in the County of Mercer for the year ended June 30, 2017, and have issued our report thereon dated October 20, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Village Charter School's Board of Trustees, management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Hodulik & Morrison, P.A.

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

Robert S. Morrison

Robert S. Morrison
Certified Public Accountant
Public School Accountant #871

Highland Park, New Jersey
October 20, 2017

ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/ Business Administrator for Business Services and Treasurer of School Moneys, the activities of the Board of Trustees, and the records of the various funds and accounts under the auspices of the Board of Trustees.

The audit did not and could not determine the character of services rendered for which payment had been made nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the approval of such claims. Revenues and receipts were established and verified as to sources and amount only insofar as the records permitted.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in amounts as detailed on Exhibit J-20 of the School's CAFR. The details of the various additional insurance coverages carried by the Charter School are also presented on this Exhibit. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Board of Trustees.

Officials

The following position was covered by Surety Bonds:

Paul DeWitt, School Business Administrator/ Board Secretary	\$165,000.00
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The amount of the surety of the School Business Administrator/Board Secretary was more than sufficient to meet the minimum requirement as promulgated by the Department of Education.

Tuition Charges

A review of the financial statements indicated that no tuition was charged for any student attending the Charter School.

Examination of Claims

Claims were examined for the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The Charter School maintained the Net Payroll and Agency Account method for the depositing and payment of its payrolls. The net payrolls from all sources are deposited in the payroll account and all payroll deductions, together with the School's share, are deposited to the agency account.

All payrolls were approved by the Head of School and were certified by the President of the Board and the Board Secretary/School Business Administrator. Tests were made of these records with no exceptions noted.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium withholding due to the general fund.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONT'D.)

Employee Position Control Account

An inquiry and subsequent review of the Position Control Register found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted, and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Our review indicated that outstanding issued purchase orders were properly classified at June 30, 2017 based upon generally accepted accounting principles.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:20-2A.2(m). Our testing included random sampling procedures as well as a full review of items determined to be individually significant. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-2.4. We noted no errors in the test population relating to the proper classification of expenditures.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. Exhibit "H-2" sets forth the activity of this fund for the period under review. Total revenues from all sources amounted to \$5,834 and expenditures of \$1,718. Funds available at June 30, 2017 to pay future claims amounted to \$31,994.

Investment of Idle Funds

During the year ended June 30, 2017, the School had all of the idle funds in its governmental fund types invested in interest bearing accounts. The existing practices allow the Board to maximize investment income without exposing Board funds to market related risks to investment principal.

Board Secretary's Records

The minutes maintained by the Board Secretary were in good condition.

The financial records maintained by the Board Secretary were found to be a complete and accurate reporting of the transactional record for the period. Information provided to the Board of Trustees and Management in the form of monthly financial reports was found to be timely and reliable.

During the current period, communications and cooperation between the Board Secretary and Business Office remained strong. Cash reconciliations were prepared accurately and timely, and cash balances reported by the Board Secretary were in agreement with the financial records of the Business Office.

Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the Improving America's Schools Act of 1994

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and II of the Elementary and Secondary Education Act, as amended.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONT'D.)

Other Special Federal and/or State Projects

The School's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

The examination of the Federal and State funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Fund Section of the CAFR. This section of the CAFR documents the revenues and expenditures pertaining to the aforementioned special projects on a grant accounting budgetary basis and reports the financial position of the fund on a GAAP basis at June 30, 2017.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the District to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations require that all travel must be preapproved by the Board and Superintendent and that a brief reporting detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for school employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the charter school to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the charter school for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60-day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states"

"a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$17,500.00 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore.

SCHOOL PURCHASING PROGRAMS (CONT'D.)

"b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia area as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1, of the year in which it is reported."

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:39-3 are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. is currently \$17,500.

The Charter School Board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of the examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

School Food Service Fund

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts and eligibility applications were reviewed on a test check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification policy procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test basis.

School Food Service Fund (Cont'd.)

Appropriate records were maintained to substantiate the non-profit status of the Food Service Fund. Net cash resources did not exceed three-months average expenses.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 15, 2015 and the last day of school for on-roll, special education, bi-lingual and low-income students. We also performed a review of the School's procedures related to its completion. The information on the enrollment reports were compared to the School's workpapers with no exception noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

VILLAGE CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING FOR THE FISCAL
YEAR ENDED JUNE 30, 2017

RECOMMENDATIONS

Administration Practices und Procedures

There are none.

Financial Planning, Accounting and Reporting

There are none.

School Purchasing Programs

There are none.

Food Services Fund

There are none.

Student Body Activities

There are none.

Application for State School Aid

There are none.

Transportation

There are none.

Facilities and Capital Assets

There are none.

Status of Prior Years' Auditing Findings/Recommendations

There are none.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Best Regards,



Robert S. Morrison

SCHEDULE OF MEAL COUNT ACTIVITY

VILLAGE CHARTER SCHOOL
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDER CLAIM - FEDERAL
 ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER)/ UNDER- CLAIM</u>
National School Lunch: (Higher Rate)	Paid	5,838	5,838	5,838	-0-	0.320	\$ -0-
	Reduced	7,642	7,642	7,642	-0-	2.780	-0-
	Free	37,946	37,946	37,946	-0-	3.180	-0-
Total		<u>51,426</u>	<u>51,426</u>	<u>51,426</u>	<u>-0-</u>		<u>\$ -0-</u>
National School Lunch:	After School Snacks	<u>10,351</u>	<u>10,351</u>	<u>10,351</u>	<u>-0-</u>	0.860	<u>\$ -0-</u>
School Breakfast: (Severe Need Rates)	Paid	1,223	1,223	1,223	-0-	0.290	\$ -0-
	Reduced	2,457	2,457	2,457	-0-	1.740	-0-
	Free	15,920	15,920	15,920	-0-	2.040	-0-
Total		<u>19,600</u>	<u>19,600</u>	<u>19,600</u>	<u>-0-</u>		<u>\$ -0-</u>

SCHEDULE OF MEAL COUNT ACTIVITY

VILLAGE CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDER CLAIM - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER)/ UNDER- CLAIM</u>
State Reimbursement National School Lunch: (Regular Rate)							
	Paid	5,838	5,838	5,838	-0-	0.040	\$ -0-
	Reduced	7,642	7,642	7,642	-0-	0.055	-0-
	Free	<u>37,946</u>	<u>37,946</u>	<u>37,946</u>	<u>-0-</u>	0.055	<u>-0-</u>
Total		<u><u>51,426</u></u>	<u><u>51,426</u></u>	<u><u>51,426</u></u>	<u><u>-0-</u></u>		<u><u>\$ -0-</u></u>

NET CASH RESOURCE SCHEDULE
FYE 6/30/17

Net Cash Resources:

CAFR	Current Assets:	
B-4	Cash & Cash Equivalents	11,031
B-4	Due from Other Govts	15,662
B-4	A/R	2,585
	Current Liabilities:	
B-4	Less A/P	0
B-4	Less Accruals	0
B-4	Less Due to other funds	0
B-4	Less Deferred Revenue	<u>(1,771)</u>
	Net Cash Resources	<u><u>27,507</u></u> A
Net Adj. total Operating Expenses:		
B-5	Total Operating Expenses	234,385
B-5	Less: Depreciation	<u> </u>
	Adj. Total Operating Expenses	<u><u>234,385</u></u> B
	<u>Average Monthly Operating Expense</u>	<u><u>23,439</u></u> C
	<u>Three Times monthly Average</u>	<u><u>70,316</u></u> D
	Total in A	27,507
	Less Total in D	<u>70,316</u>
	Net	<u><u>(42,809)</u></u>

A is greater than D, cash exceeds 3 x average monthly operating expenses.
D is greater than A, cash does not exceed 3 x average monthly operating expenses.

* Inventories are not included in total current assets.

SOURCE - USDA resource management comprehensive review form.

**VILLAGE CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 14, 2016**

Grades	Submission to DOE reported On Roll	Sample																	
		Reported on		50% Verification required 10/14/16		Verified signed registration forms		Verified # days enrolled		Special Ed/ Bilingual		Verified documentation		Verified # days Service Provided		Low Income	Verified documentation		Errors
		workpapers	Errors				Errors		Errors				Errors	Errors				Errors	
Kindergarten	40	40	0	20	20	0	20	0	0	0	0	0	0	0	30	30	0		
One	40	40	0	20	20	0	20	0	2	2	0	2	0	33	33	0			
Two	40	40	0	20	20	0	20	0	2	2	0	2	0	34	34	0			
Three	40	40	0	20	20	0	20	0	2	2	0	2	0	35	35	0			
Four	40	40	0	20	20	0	20	0	5	5	0	5	0	36	36	0			
Five	40	40	0	20	20	0	20	0	6	6	0	6	0	36	36	0			
Six	40	40	0	20	20	0	20	0	4	4	0	4	0	35	35	0			
Seven	40	40	0	20	20	0	20	0	4	4	0	4	0	32	32	0			
Eight	40	40	0	20	20	0	20	0	8	8	0	8	0	31	31	0			
Total	360	360	0	180	180	0	180	0	33	33	0	33	0	302	302	0			
Percentage			0%			0%		0%			0%		0%			0%			

1. Determine sample for each count:

Total population is 500 students(Excel Spreadsheet)

Sample size for each count is 500 times 50%=250 students ensuring that all student records are audited by the second count sample.

Example: Sample size for each count: count 1 = 250, count 2 = 250. Total sample = 500.

Distribute the sample among the grades in the same proportion as the whole population.

Use random selection without replacement to choose sample.

Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)

The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.

Pursuant to N.J.A.C. 6A:23A-15.3: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.

2. Of the sample selected, the students identified as Special Ed &/or Bilingual.

2a. Verify classification to the students IEP.

2b. Verify the number of days that services were provided.

2c. Verify that student is not enrolled in a private school for the disabled.

3. Of the sample selected, identify the students classified as low income.

3a. Verify free lunch application/household income survey &/or documentation from the charter/district.

4. Verify whether student is enrolled in a county vocational program. ADE is adjusted in the Final Enrollment count

**VILLAGE CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY- JUNE 23, 2017**

1		2										2a		2b		3		3a			
Submission to DOE reported		Sample																			
Grades	On Roll	Reported on workpapers		50% Verification required 6/23/17		Verified signed registration forms			Verified # days enrolled		Special Ed/ Bilingual			Verified documentation			Verified # days Service Provided		Low Income	Verified documentation	
		Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors			
Kindergarten	39	39	0	19	19	0	19	0	0	0	0	0	0	0	0	0	0	29	29	0	
One	40	40	0	20	20	0	20	0	1	1	0	1	0	1	0	0	0	31	31	0	
Two	40	40	0	20	20	0	20	0	2	2	0	2	0	2	0	0	0	34	34	0	
Three	40	40	0	20	20	0	20	0	2	2	0	2	0	2	0	0	0	35	35	0	
Four	40	40	0	20	20	0	20	0	5	5	0	5	0	5	0	0	0	34	34	0	
Five	39	39	0	19	19	0	19	0	6	6	0	6	0	6	0	0	0	34	34	0	
Six	40	40	0	20	20	0	20	0	4	4	0	4	0	4	0	0	0	35	35	0	
Seven	38	38	0	19	19	0	19	0	4	4	0	4	0	4	0	0	0	30	30	0	
Eight	40	40	0	20	20	0	20	0	8	8	0	8	0	8	0	0	0	31	31	0	
Total	356	356	0	177	177	0	177	0	32	32	0	32	0	32	0	0	0	293	293	0	
Percentage			0%			0%		0%			0%		0%		0%		0%			0%	

1. Determine sample for each count:

Total population is 500 students(Excel Spreadsheet)

Sample size for each count is 500 times 50%=250 students ensuring that all student records are audited by the second count sample.

Example: Sample size for each count: count 1 = 250, count 2 = 250. Total sample = 500.

Distribute the sample among the grades in the same proportion as the whole population.

Use random selection without replacement to choose sample.

Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)

The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.

Pursuant to N.J.A.C. 6A:23A-15.3: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.

2. Of the sample selected, the students identified as Special Ed &/or Bilingual.

2a. Verify classification to the students IEP.

2b. Verify the number of days that services were provided.

2c. Verify that student is not enrolled in a private school for the disabled.

3. Of the sample selected, identify the students classified as low income.

3a. Verify free lunch application/household income survey &/or documentation from the charter/district.

4. Verify whether student is enrolled in a county vocational program. ADE is adjusted in the Final Enrollment count

