

***VILLAGE CHARTER SCHOOL***

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

***COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2018***

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2018**

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# **INTRODUCTORY SECTION**



January 25, 2019

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

We are pleased to report that the Comprehensive Annual Financial Report of the Village Charter School (the "School") for the fiscal year ended June 30, 2018 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 January 12, 2018 the Commissioner of Education and New Jersey Department of Education renewed the School's Charter for a five year term through June 30, 2023. 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 2017 – 2018 fiscal year, with an average daily enrollment of 356 students.

2. ECONOMIC CONDITION AND OUTLOOK: The School enrolled 360 students in kindergarten through eighth grade for the 2017-2018 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 nineteen 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 2018-2019:

1. Data:

- a. I Ready: Use of the I Ready assessment and remediation program. This program, which has been successfully implemented in 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 basic skills remediation.
- 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.
- c. Basic Skills: The Village Charter School identifies students who are in need of remediation in Math or English Language Arts. We develop progress and proficiency plans in the beginning of the school year with specific benchmarks. Interventions are used to ensure student proficiency. The Basic Skills Team includes a basic skills math interventionist and a reading interventionist.

2. VCS Summer Academy:

- a. Summer Academy is designed to help students make a smooth transition to the next grade both academically and socially. Village Charter School is committed to student growth and believes that solid foundational skills will ultimately lead to academic and personal success throughout their education.

The goals of “Summer Academy” were to:

- Increase student reading fluency through high interest reading materials
- Increase student writing stamina when writing in response to reading and from writing prompts.
- Increase student automaticity with math facts and application.
- Individualized learning and remediation through our online learning program, iReady.
- To further enhance our sense of school community through organized activities.

3. Professional Learning Communities (PLC):

All of the teachers are tasked to read and implement the strategies as outlined in the following books: K-2 “The Wild Card: Steps to an Educators Creative Breakthrough”; ELA Teachers “The Reading Strategies Book: Your Everything Guide to Developing Skilled Readers”; Math Teachers “Mathematical Mindsets: Unleashing Students Potential through Creative, Math Inspiring Messages and Innovative Teaching”; Specialist/Science and Social Studies Teachers “Hacking Project Based Learning: 54 Easy Steps to PBL and Inquiry in the Classroom”; Special Education Teachers “Lost at School: Why Our Kids with Behavioral Challenges are Falling Through the Cracks and How We Can Help Them”.

4. We have also created a *VCS Scholars Program* to provide supplemental educational, cultural and social opportunities for our most successful students.

- a. National Elementary Honor Society is open to students in grades fourth to fifth who have demonstrated leadership qualities and academic excellence. NEHS 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 2008.
- 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 fifth 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 K through eight, which gives us a one to one ratio in all grades with chrome books. Tablets have been distributed to staff to continue our school wide DOJO parent communication initiative.

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, 2018.

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,

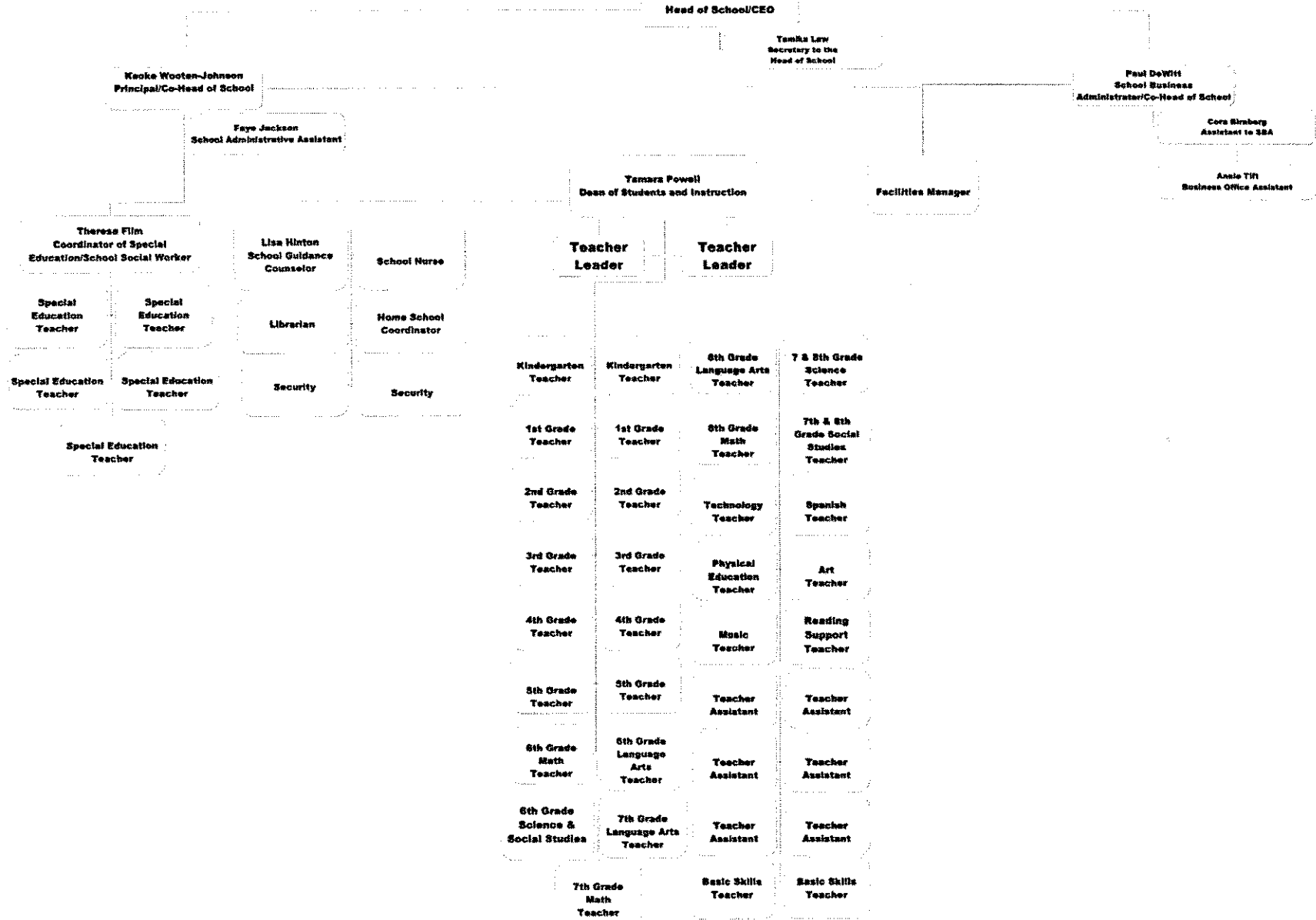


Keoke Wooten-Johnson, Co-Head of School  
and Principal



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

**The Village Charter School  
Board of Trustees**



VILLAGE CHARTER SCHOOL  
 ROSTER OF OFFICIALS  
JUNE 30, 2018

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Caroline Clarke	2019
Anthony DePetris	2019
Sheila Garvin-Glover	2018
Gennifer George	2019
Dynell Kellyman	2019
Stephen L. Kitts, Chair of the Board	2020
M. Elaine Murphy, Secretary	2020
Kristina Schulte	2018
Michael Spicer, Esq.	2018
Cindy Sussmann, MD	2018

<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**

Johnston Law Firm LLC  
75 Midland Avenue  
Montclair, NJ 07042

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

**OFFICIAL DEPOSITORIES**

Investors Bank  
101 Wood Ave. South  
Iselin, NJ 08830

# **FINANCIAL SECTION**



**HODULIK & MORRISON, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

**REPORT ON 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, 2018, 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.

**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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 these 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 our 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village Charter School, in the County of Mercer, State of New Jersey, as of June 30, 2018 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **EMPHASIS OF MATTER**

As discussed in Notes 1 and 6 to the financial statements, during the fiscal year ending June 30, 2018, the Village Charter School implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the school's proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. As the State of New Jersey is solely responsible for the funding of all local education agency OPEB plans for the provisions of health benefits, and the Village Charter School offers no additional OPEB plans, no additional disclosures were required to the accompanying statement of net position. The accompanying statement of activities discloses the allocated expense of the OPEB plan, and an equal revenue to reflect the existing Special Funding Situation, for the year based upon GASB 75 implementation. Note 7 of the Notes to the Financial Statements also discloses the school's proportionate share, for information purposes only, of the state sponsored OPEB Plan. Our Opinion is not modified with respect to this matter.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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, economic, 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 as a whole. The accompanying other supplementary information, consisting of the combining and individual fund financial statements, and long-term debt schedules, as listed in the table of contents, the schedules of federal and state financial assistance, required by New Jersey OMB Circular 15-08, and the other information, including the introductory section and the statistical section are presented for purpose of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements, long-term debt schedules 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, long-term debt schedules and the schedule of state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 on our consideration of the Village Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Village Charter School's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

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

*Robert S. Morrison*

Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
January 25, 2019

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**PART I**

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

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**(Unaudited)**  
**June 30, 2018**

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, 2018. 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 \$5,953,747.15 (Exhibit B-2).
- Overall expenditures – Governmental Funds was \$5,745,203.71 (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*

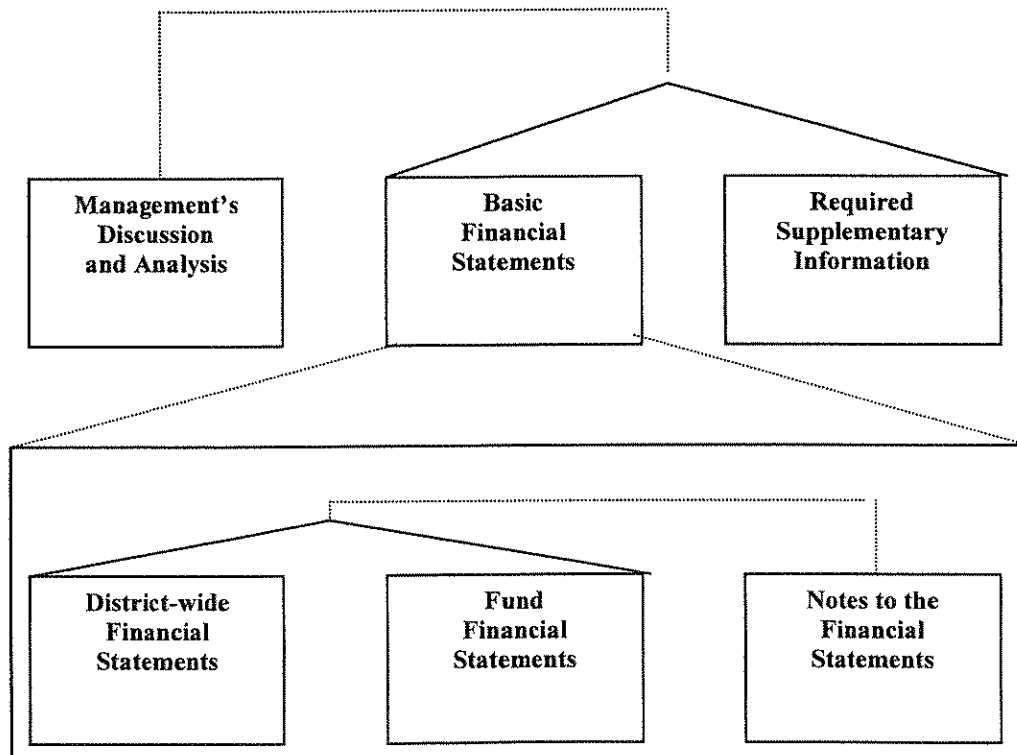


Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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).



**Figure A - 3**  
**Net Position**

	<b>Governmental Activities <u>2018</u></b>	<b>Governmental Activities <u>2017</u></b>	<b>Amount Difference</b>	<b>% Increase (Decrease)</b>
<b>Assets</b>				
Current and other assets	\$ 2,416,194	\$ 2,237,242	\$ 178,952	8.00%
Capital assets	6,133,110	6,376,395	(243,285)	-3.82%
<b>Total assets</b>	<b>8,549,304</b>	<b>8,613,637</b>	<b>(64,333)</b>	<b>-0.75%</b>
Deferred Outflows of Resources	924,195	1,355,281	(431,086)	-31.81%
<b>Liabilities</b>				
Current and other liabilities	6,926,143	8,254,571	(1,328,428)	-16.09%
<b>Total Liabilities</b>	<b>6,926,143</b>	<b>8,254,571</b>	<b>(1,328,428)</b>	<b>-16.09%</b>
Deferred Outflows of Resources	616,655		616,655	-
<b>Net Position:</b>				
Net assets invested in			-	
capital Assets net of debt	1,624,230	1,473,077	151,153	10.26%
Restricted	1,006,127	902,535	103,592	11.48%
Unrestricted	(699,655)	(661,265)	(38,390)	5.81%
<b>Total net position</b>	<b>\$ 1,930,702</b>	<b>\$ 1,714,347</b>	<b>\$ 216,355</b>	<b>12.62%</b>

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>2018</u>	<u>2017</u>	<u>Amount Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
<b>Revenues:</b>				
Program revenue				
State grants & entitlements	\$2,086,777	\$1,967,201	\$119,576	6.08%
General revenue				
Local tax levy	473,271	474,293	(1,022)	-0.22%
Federal and state aid	4,459,523	5,039,960	(580,437)	-11.52%
Miscellaneous revenues (Incl. special items & transfers)	17,946	18,692	(746)	-3.99%
<b>Total general revenues</b>	<u>4,950,740</u>	<u>5,532,945</u>	<u>(582,205)</u>	<u>-10.52%</u>
<b>Total revenues</b>	<u>\$7,037,516</u>	<u>\$7,500,146</u>	<u>(\$462,630)</u>	<u>-6.17%</u>
<b>Function/program expense:</b>				
Instruction				
Regular programs	2,209,682	1,914,129	295,553	15.44%
Special programs	595,701	807,435	(211,734)	-26.22%
General administration and business services	1,345,704	1,583,117	(237,413)	-15.00%
School administration	788,023	989,635	(201,612)	-20.37%
Unallocated benefits	1,742,384	2,018,665	(276,281)	-13.69%
Interest on Long - Term Debt	139,668			
<b>Total expenses</b>	<u>\$6,821,162</u>	<u>\$7,312,981</u>	<u>(\$491,819)</u>	<u>-6.73%</u>
<b>Increase (Decrease) net assets</b>	<u><u>\$216,355</u></u>	<u><u>\$187,166</u></u>	<u><u>\$29,189</u></u>	<u><u>15.60%</u></u>

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 \$1,930,701.57 at June 30, 2018. 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.

### Governmental Activities (Cont'd):

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$6,821,162. These costs were financed by \$474,271 in local property school taxes, \$4,459,523 in federal and state aid and \$17,946 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, 2018, the school reported \$7,732,771 invested in a broad range of capital assets, including furniture and equipment. Figure A-5 details the composition of capital assets at June 30<sup>th</sup> 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 2018</u>	<u>FY 2017</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>679,378</u>	<u>674,182</u>	<u>5,196</u>	<u>0.77%</u>
Total	<u>\$7,732,771</u>	<u>\$7,727,575</u>	<u>\$5,196</u>	<u>0.07%</u>
Less:				
Accum. Deprec.	<u>1,599,661</u>	<u>1,351,180</u>	<u>248,481</u>	<u>18.39%</u>
<b>NET ASSETS.</b>	<b><u>\$6,133,110</u></b>	<b><u>\$6,376,395</u></b>		

## **Debt**

At June 30, 2018, the school reported Long-Term debt in the total amount of \$4,508,880.64, 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, 2018**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 2,136,181.55	\$ 11,384.26	\$ 2,147,565.81
Receivables, Net		3,179.04	3,179.04
Receivables from Other Governments	171,337.37	15,614.33	186,951.70
Receivables from Other Funds	79,230.38		79,230.38
Inventories		3,478.32	3,478.32
Prepaid Expenses	29,445.04		29,445.04
Capital Assets, Net (Note 3)	6,133,110.00		6,133,110.00
<b>Total Assets</b>	<b>8,549,304.34</b>	<b>33,655.95</b>	<b>8,582,960.29</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Payment Subsequent to Measurement Date	81,076.00		81,076.00
Change in Pension Assumptions	397,755.00		397,755.00
Change in Pension Proportion	385,432.00		385,432.00
Difference in Investment Earnings	13,444.00		13,444.00
Difference in Expected and Actual Experience	46,488.00		46,488.00
<b>Total Deferred Outflows of Resources</b>	<b>924,195.00</b>		<b>924,195.00</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	90,263.50		90,263.50
Accrued Liabilities	94,600.29		94,600.29
Deferred Revenues	2,500.00	1,436.01	3,936.01
Noncurrent liabilities (Note 4):			
Due Within One Year	405,493.03		405,493.03
Due Beyond One Year	4,103,387.61		4,103,387.61
Net Pension Liability	1,974,306.00		1,974,306.00
Accrued Interest	5,153.03		5,153.03
Due Other Governments			
Payables to Other Funds		1,000.00	1,000.00
Other Liabilities	250,439.31		250,439.31
<b>Total Liabilities</b>	<b>6,926,142.77</b>	<b>2,436.01</b>	<b>6,928,578.78</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Change in Pension Assumptions	396,296.00		396,296.00
Change in Pension Proportion	220,359.00		220,359.00
<b>Total Deferred Inflows of Resources</b>	<b>616,655.00</b>		<b>616,655.00</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	1,624,229.57		1,624,229.57
Restricted for:			
Other Purposes	1,006,127.00		1,006,127.00
Unrestricted(Deficit)	(699,655.00)	31,219.94	(668,435.06)
<b>Total Net Position</b>	<b>\$ 1,930,701.57</b>	<b>\$ 31,219.94</b>	<b>\$ 1,961,921.51</b>

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, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 2,209,682.05	\$	\$ 326,912.00	\$ (1,882,770.05)	\$	\$ (1,882,770.05)
Special Education	595,701.11			(595,701.11)		(595,701.11)
Support services:						
School Support Services	788,022.94			(788,022.94)		(788,022.94)
General Administrative Services	1,345,703.81		17,481.00	(1,328,222.81)		(1,328,222.81)
Unallocated Benefits	1,742,383.80		1,742,383.80	-		-
Interest on Long-Term Debt	139,668.12			(139,668.12)		(139,668.12)
<b>Total Governmental Activities</b>	<b>6,821,161.83</b>		<b>2,086,776.80</b>	<b>(4,734,385.03)</b>		<b>(4,734,385.03)</b>
Business-type Activities:						
Food Service	210,514.32	23,081.96	186,510.83		(921.53)	(921.53)
<b>Total Business-type Activities</b>	<b>210,514.32</b>	<b>23,081.96</b>	<b>186,510.83</b>	<b>-</b>	<b>(921.53)</b>	<b>(921.53)</b>
<b>Total Primary Government</b>	<b>\$ 7,031,676.15</b>	<b>\$ 23,081.96</b>	<b>\$ 2,273,287.63</b>	<b>\$ (4,734,385.03)</b>	<b>\$ (921.53)</b>	<b>\$ (4,735,306.56)</b>
General revenues:						
Taxes						
Property Taxes Levied for General Purposes				473,271.00		473,271.00
Local Revenues				14,160.37		14,160.37
Federal and State Aid not Restricted				4,459,522.76		4,459,522.76
Investment Earnings				3,785.47	43.69	3,829.16
<b>Total General Revenues</b>				<b>4,950,739.60</b>	<b>43.69</b>	<b>4,950,783.29</b>
				<b>216,354.57</b>	<b>(877.84)</b>	<b>215,476.73</b>
				1,714,347.00	32,097.78	1,746,444.78
				<b>\$ 1,930,701.57</b>	<b>\$ 31,219.94</b>	<b>\$ 1,961,921.51</b>

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, 2018**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 2,136,130.95	\$ 50.60	\$ 2,136,181.55
Accounts Receivable:			
Interfunds Receivable	231,179.98		231,179.98
Due from Other Governments	23,238.37	148,099.00	171,337.37
Prepaid Expenses	<u>23,145.04</u>	<u>6,300.00</u>	<u>29,445.04</u>
<b>Total Assets</b>	<b><u>2,413,694.34</u></b>	<b><u>154,449.60</u></b>	<b><u>2,568,143.94</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	9,187.50		9,187.50
Accrued Expenses	94,600.29		94,600.29
Unearned Revenue		2,500.00	2,500.00
Interfunds Payable		151,949.60	151,949.60
Other Liabilities	<u>250,439.31</u>		<u>250,439.31</u>
<b>Total Liabilities</b>	<b><u>354,227.10</u></b>	<b><u>154,449.60</u></b>	<b><u>508,676.70</u></b>
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	1,131,107.00		1,131,107.00
Assigned Fund Balance:			
Designated for Subsequent Years Expenditures	125,020.00		125,020.00
Designated for Health Benefit Reserve	500,000.00		500,000.00
Unassigned Fund Balance	<u>303,340.24</u>		<u>303,340.24</u>
<b>Total Fund Balances</b>	<b><u>2,059,467.24</u></b>		<b><u>2,059,467.24</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,413,694.34</u></b>	<b><u>\$ 154,449.60</u></b>	<b><u>\$ 2,568,143.94</u></b>

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

**VILLAGE CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

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

<b>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</b>	<b>\$ 2,059,467.24</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$7,732,771, and the accumulated depreciation of \$1,599,661.	6,133,110.00
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.	(4,508,880.64)
The liability for pension expense that is not payable from currently available resources is not recorded in fund financial statements.	(81,076.00)
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.	(5,153.03)
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	924,195.00
Net Pension Liability	(1,974,306.00)
Deferred Inflows of Resources	<u>(616,655.00)</u>
<b>Net assets of governmental activities.</b>	<b>\$ <u>1,930,701.57</u></b>

**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, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Local Tax Levy	\$ 473,271.00	\$	\$	\$ 473,271.00
Interest	3,785.22			3,785.22
Miscellaneous	3,600.37			3,600.37
Local Sources		10,560.00		10,560.00
State Sources	5,085,955.80			5,085,955.80
Federal Sources	32,181.76	344,393.00		376,574.76
<b>Total Revenues</b>	<b><u>5,598,794.15</u></b>	<b><u>354,953.00</u></b>		<b><u>5,953,747.15</u></b>
<b><u>EXPENDITURES</u></b>				
Current:				
Regular Instruction	2,002,993.07			2,002,993.07
Special Education Instruction	291,963.11	303,738.00		595,701.11
Support Services and Undistributed Costs:				
General Administration Services	1,117,351.81	51,215.00		1,168,566.81
School Support Services	779,402.94			779,402.94
Unallocated Benefits	658,614.80			658,614.80
Debt Service:				
Principal			394,437.32	394,437.32
Interest			140,291.68	140,291.68
Capital Outlay	5,195.98			5,195.98
<b>Total Expenditures</b>	<b><u>4,855,521.71</u></b>	<b><u>354,953.00</u></b>	<b><u>534,729.00</u></b>	<b><u>5,745,203.71</u></b>
Excess (Deficiency) of Revenues over Expenditures	<u>743,272.44</u>		<u>(534,729.00)</u>	<u>208,543.44</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in			534,729.00	534,729.00
Transfers out	<u>(534,729.00)</u>			<u>(534,729.00)</u>
<b>Total Other Financing Sources and Uses</b>	<b><u>(534,729.00)</u></b>		<b><u>534,729.00</u></b>	
<b><u>FUND BALANCE</u></b>				
Net Change in Fund Balances	208,543.44			208,543.44
Fund Balance—July 1	<u>1,850,923.80</u>			<u>1,850,923.80</u>
<b>Fund balance—June 30</b>	<b><u>\$ 2,059,467.24</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,059,467.24</u></b>

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, 2018**

**Total net change in fund balances - governmental funds (from B-2)** **\$ 208,543.44**

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

The amount by which depreciation exceeded capital outlays in the period is as follows:

Capital Outlays	5,195.98	
Depreciation expense	<u>(248,480.98)</u>	(243,285.00)

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. 394,437.36

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 is less than the expenditure reported in the funds is an addition. (143,965.00)

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. A decrease in accrued interest is an addition in the reconciliation. 623.77

**Net Change in Net Position** **\$ 216,354.57**

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, 2018**

		<u>Business-type Activities Enterprise Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and Cash Equivalents	\$	11,384.26
Receivables from Other Governments		15,614.33
Other Receivables		3,179.04
Inventories		<u>3,478.32</u>
Total current assets		<u>33,655.95</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>33,655.95</u></u></b>
<b>LIABILITIES</b>		
Current liabilities:		
Interfund Loans	\$	1,000.00
Deferred revenue		<u>1,436.01</u>
Total current liabilities		<u>2,436.01</u>
<b>Total liabilities</b>		<b><u>2,436.01</u></b>
<b>NET POSITION</b>		
Unrestricted (Deficit)		<u>31,219.94</u>
<b>Total Net Position</b>		<b><u>31,219.94</u></b>
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b><u><u>33,655.95</u></u></b>

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, 2018**

		Business-Type Activities
		Enterprise Fund
		<hr/>
<b>Operating revenues:</b>		
Charges for services:		
Daily Sales - Reimbursable Programs:	\$	18,816.46
Daily Sales Dinner Program Nonreimburaable		4,265.50
		<hr/>
<b>Total Operating Revenues</b>		<b>23,081.96</b>
		<hr/>
<b>Operating expenses:</b>		
Cost of Sales:		
Program Sales		96,680.85
Non-Program Sales		2,820.97
		<hr/>
Total Cost of Sales		99,501.82
Spoilage		691.44
Personnel Costs		80,602.56
Uniforms		188.00
Office and Administration		4,932.95
Insurance		10,721.45
Transportation		1,376.10
Management Fee		12,500.00
		<hr/>
<b>Total Operating Expenses</b>		<b>210,514.32</b>
		<hr/>
Operating income (loss)		<b>(187,432.36)</b>
		<hr/>
<b>Nonoperating Revenues (Expenses):</b>		
State Sources:		
State School Lunch Program		2,590.36
Federal Sources:		
National School Lunch Program		135,390.98
National School Breakfast Program		30,907.43
National School Snack Program		7,648.96
USDA Commodities Program		9,973.10
Interest and Investment Revenue		43.69
		<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>		<b>186,554.52</b>
		<hr/>
<b>Change in Net Position</b>		<b>(877.84)</b>
		<hr/>
Total Net Position—Beginning		32,097.78
		<hr/>
<b>Total Net Position—Ending</b>	<b>\$</b>	<b>31,219.94</b>
		<hr/> <hr/>

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, 2018**

	<u>Business-type Activities - Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 22,140.30
Cash Payments to Suppliers for Goods and Services	<u>(199,416.43)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>(177,276.13)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Loans	1,000.00
Cash Received from State and Federal and State Sources	<u>176,585.49</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>177,585.49</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	<u>43.69</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>43.69</u></b>
Net Increase in Cash and Cash Equivalents	<u>353.05</u>
Cash and Cash Equivalents at Beginning of Year	<u>11,031.21</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u><u>11,384.26</u></u></b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (187,432.36)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Income:	
USDA Commodities	9,973.10
Changes in Assets and Liabilities:	
(Increase) Decrease in Inventories	1,124.79
(Increase) Decrease in Accounts Receivable	(2,471.07)
Increase (Decrease) in Interfunds Payable	1,000.00
Increase (Decrease) in Deferred Revenue	<u>529.41</u>
<b>Net cash provided by (used for) operating activities</b>	<b>\$ <u><u>(177,276.13)</u></u></b>

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, 2018**

	Unemployment Compensation <u>Trust</u>	Agency <u>Fund</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,139.05	\$ 109,364.08
Interfund Receivable	<u>29,366.95</u>	<u>                    </u>
<b>Total Assets</b>	<b><u>41,506.00</u></b>	<b><u>109,364.08</u></b>
 <b>LIABILITIES:</b>		
Interfund Payable	1,654.39	105,942.94
Payroll Deductions and Withholdings	<u>                    </u>	<u>3,021.54</u>
<b>Total Liabilities</b>	<b><u>1,654.39</u></b>	<b><u>108,964.48</u></b>
 <b>NET POSITION:</b>		
Due to Student Groups		399.60
Held in trust for unemployment claims and other purposes	<u>39,851.61</u>	<u>                    </u>
<b>Total Net Position</b>	<b><u>39,851.61</u></b>	<b><u>399.60</u></b>
<b>Total Liabilities and Net Position</b>	<b>\$ <u>41,506.00</u></b>	<b>\$ <u>109,364.08</u></b>

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, 2018**

	<u>Unemployment Compensation Trust</u>
<b><u>ADDITIONS</u></b>	
Contributions:	
Board Contribution	\$ 55,784.34
Employees Share	<u>6,127.41</u>
Total Contributions	<u>61,911.75</u>
Investment Earnings:	
Interest	<u>12.20</u>
Total Investment Earnings	<u>12.20</u>
Total Additions	<u>61,923.95</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>54,066.34</u>
Total Deductions	<u>54,066.34</u>
Change in Net Position	7,857.61
Net position—beginning of the year	<u>31,994.00</u>
<b>Net position—end of the year</b>	<b>\$ <u><u>39,851.61</u></u></b>

**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, 2018**

**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, 2018 of 356 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 (CONT'D)**

**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.

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

The School reports the following major enterprise funds:

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

The School also reports the following fiduciary fund types:

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

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



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

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.

**E. Measurement Focus and Basis of Accounting:**

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

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual basis accounting. General capital asset acquisitions are recorded as expenditures in the governmental funds and are not capitalized.

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

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

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

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

Annual appropriated budgets are prepared in the spring of each year for the general fund. The budgets are submitted to the state for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. New Jersey statutes place limits on the School's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the School to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds. The School did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial statements.

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

NOTES TO FINANCIAL STATEMENTS

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

**F. Budgets/Budgetary Control (Cont'd):**

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from The budgetary comparison schedules	\$5,598,794.15	\$354,953.00
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>\$5,598,794.15</u>	<u>\$354,953.00</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$4,855,521.71	\$354,953.00
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>\$4,855,521.71</u>	<u>\$354,953.00</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 2017-2018 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, 2018 are recorded as prepaid items in both the government-wide and fund financial statements.

**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.

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

**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.

**N. Other Post-Employment Benefits:**

Pursuant to State Statute, the State Health Benefits Local Education Retirees Employees Plan was established to oversee the funding and payment of post-employment medical benefits for eligible LEA employees. This plan is a multi-employer defined benefit OPEB Plan that is administered on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. The Plan is a "Special Funding Situation" as defined in GASB Statement No. 75 as the State of New Jersey is solely responsible for funding the Plan's obligations (net of employee contributions). Accordingly, no net OPEB liability is reported on the District's Statement of Net Position. In the Statement of Activities, the District reports an annual OPEB expense and a corresponding revenue, equal to the allocated expense of the District as reported by the State.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****O. 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, 2017. 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.

**P. 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.

**Q. 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.

**R. 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.

**S. 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.

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

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.

**T. 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.

**U. 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.

**V. 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)	\$2,059,467.24
Adjustments to School-Wide Net Position:	
Capital Assets (See Note 3)	6,133,110.00
Long Term Liabilities (See Note 4)	(4,508,880.64)
Net Pension Liability	(1,974,306.00)
Other Items not Recognized in Fund Financial Statements	
Deferred Inflows of Financial Resources	(616,655.00)
Deferred Outflows of Financial Resources	843,119.00
Accrued Interest	<u>(5,153.03)</u>
Net Position of Governmental Activities	<u>\$1,930,701.57</u>

NOTES TO FINANCIAL STATEMENTS

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

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)	\$208,543.44
Adjustments to School-Wide Net Position:	
Capital Assets (See Note 3)	5,195.98
Depreciation on Capital Assets (See Note 3)	(248,480.98)
Net Increase in Pension Expense	(143,965)
Repayment of Long-Term Liabilities (See Note 4)	394,437.36
Accrued Interest	623.77
Change in Net Position of Governmental Activities	<u>216,354.57</u>

**W. Estimates:**

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

NOTES TO FINANCIAL STATEMENTS

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

Depository Account	Bank Balance
Insured - FDIC	\$250,000
Insured – NJGUDPA (N.J.S.A.17:941)	<u>2,172,437</u>
Total Deposits	<u>\$2,422,437</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, 2018, \$0.00 of the Board’s bank balance of \$2,422,437 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, 2018 was \$2,174,471 and the bank balance was \$2,422,437.

As of June 30, 2018, 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, 2018, 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	\$	7,732,770.98
Less: accumulated depreciation		<u>(1,599,660.98)</u>
<b>Government Activities Capital Assets, Net</b>	<b>\$</b>	<b><u>6,133,110.00</u></b>

Capital assets by classification and activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>			
Land	\$ 564,271.00	\$	\$ 564,271.00
Building	6,489,122.00		6,489,122.00
Machinery, Equipment, Furniture & Vehicles	<u>674,182.00</u>	<u>5,195.98</u>	<u>679,377.98</u>
Totals at Historical Cost	<u>7,727,575.00</u>	<u>5,195.98</u>	<u>7,732,770.98</u>
<b>Less Accumulated Depreciation For:</b>			
Building	(757,065.00)	(185,740.00)	(942,805.00)
Equipment, Furniture, and Vehicles	<u>(594,115.00)</u>	<u>(62,740.98)</u>	<u>(656,855.98)</u>
Total Accumulated Depreciation	<u>(1,351,180.00)</u>	<u>(248,480.98)</u>	<u>(1,599,660.98)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>6,376,395.00</u>	<u>(243,285.00)</u>	<u>6,133,110.00</u>
<b>Government Activities Capital Assets, Net</b>	<b>\$ <u>6,376,395.00</u></b>	<b>\$ <u>(243,285.00)</u></b>	<b>\$ <u>6,133,110.00</u></b>

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$	206,688.98
School Support Services		8,620.00
General Administrative Services		<u>33,172.00</u>
<b>Total Depreciation Expense</b>	<b>\$</b>	<b><u>248,480.98</u></b>

NOTES TO FINANCIAL STATEMENTS

**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, 2018 was as follows:

	<u>Beginning</u> <u>Balance</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	\$ 4,775,317.96	\$ 358,437.32	\$ 4,416,880.64	\$ 369,493.03
Loan Payable	128,000.00	36,000.00	92,000.00	36,000.00
	<u>4,903,317.96</u>	<u>394,437.32</u>	<u>4,508,880.64</u>	<u>405,493.03</u>
Net Pension Liability (PERS)	<u>2,878,082.00</u>	<u>903,776.00</u>	<u>1,974,306.00</u>	<u>                    </u>
<b>Total Liabilities</b>	<b><u><u>\$ 7,781,399.96</u></u></b>	<b><u><u>\$ 1,298,213.32</u></u></b>	<b><u><u>\$ 6,483,186.64</u></u></b>	<b><u><u>\$ 405,493.03</u></u></b>

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:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$4,416,881</u>	<u>\$736,651</u>	<u>\$5,153,532</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:

Year Ending <u>June 30,</u>	<u>Principal</u>
2019	\$36,000
2020	36,000
2021	<u>20,000</u>
	<u>\$92,000</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](http://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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705.

*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, 2018 the School’s total payroll for all employees was \$3,391,195. Total PERS covered payroll was \$391,667. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

**NOTE 5. PENSION PLANS (CONT'D)**

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

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. 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 7.20% in State fiscal year 2017 and increased to 7.34% for State fiscal year 2018, commencing July 1, 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. 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, 2018 and 2017 were \$78,570 and \$86,330, 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

A service retirement benefit of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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, 2018, the School Board reported a liability of \$1,974,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, 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, 2017 actuarial valuation indicated that the Board's proportion was 0.0084812799%, which was an increase from its proportion measure valued as of June 30, 2016 at .0097176258%.

NOTES TO FINANCIAL STATEMENTS

**NOTE 5. PENSION PLANS (CONT'D)**

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

For the year ended June 30, 2018, the Board recognized pension expenses of \$222,537. At June 30, 2018, 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	\$397,755	\$396,296
Net difference between projected and actual earnings on Plan investments	13,444	
Changes in proportion and differences between Board contributions and proportionate share of contributions	385,432	220,359
Board Contribution Sub. Measurement Date	81,076	
Difference in Expected vs Actual	<u>46,488</u>	
Total	<u>\$924,195</u>	<u>\$616,655</u>

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:

<u>Year ending June 30,</u>	
2018	\$132,015
2019	152,352
2020	94,335
2021	(80,466)
2022	(71,772)

*Actuarial Assumptions-* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

**NOTE 5. PENSION PLANS (CONT'D)****A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd.)**

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/ venture capital	8.25%	13.08%

*Discount Rate* – The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

**NOTE 5. PENSION PLANS (CONT'D)**

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

*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, 2017, 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:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
District's proportionate share of the net pension liability	<u>\$2,449,261</u>	<u>\$1,974,306</u>	<u>\$1,578,610</u>

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,041,588</u>	<u>\$48,924,024,385</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, 2017:

Inactive plan members or beneficiaries currently receiving benefits	101,246
Inactive plan members entitled to but not yet receiving benefits	222
Active plan members	<u>140,563</u>
Total	<u>242,031</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.



**NOTE 5. PENSION PLANS (CONT'D)**

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

*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, 2018 the Board’s total payroll for all employees was \$3,391,195. Total TPAF covered payroll was \$2,177,547. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% in State fiscal year 2017 and increased to 7.34% for State fiscal year 2018, commencing July 1, 2017. 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 normal cost and unfunded accrued liability. For fiscal year 2018, the State’s pension contribution was less than the actuarially determined amount.

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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

**NOTE 5. PENSION PLANS (CONT'D)**

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

<b><u>Three-Year Trend Information for TPAF (Paid on-behalf of the Charter School)</u></b>			
<b><u>Year Funding</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
6/30/18	\$291,448	Unknown	\$0
6/30/17	226,951	Unknown	0
6/30/16	165,382	Unknown	0

At June 30, 2017, the TPAF reported a net pension liability of \$67,423,605,859 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 \$13,604,061, or 0.0201770001%. State non-employer contributions allocated to the District were \$226,570 and \$164,507 for 2017 and 2016.

*Actuarial Assumptions* - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

Pre-retirement, post-retirement and disability mortality rates were based upon the experience of TPAF members reflecting mortality improvement on a generational basis based upon a 60-year average of Social Security data from 1953 to 2013. 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.

The actuarial assumptions used in the July 1, 2016 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):**

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/ venture capital	8.25%	13.08%

*Discount Rate* – The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 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 40% 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 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 TPAF as of June 30, 2017 calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease (3.25%)</u>	<u>At current discount rate (4.25%)</u>	<u>At 1% Increase (5.25%)</u>
TPAF	\$80,394,331,171	\$67,670,209,171	\$57,188,022,171

**NOTE 5. PENSION PLANS (CONT'D):**

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

*Components of Net Pension Liability* – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

Total pension liability	\$ 90,726,371,000
Plan fiduciary net position	<u>23,056,161,829</u>
Net pension liability	<u>\$ 67,670,209,171</u>
Plan fiduciary net position as a percentage of the total pension liability	25.41%

*Additional Information* – Collective balances at June 30, 2017 were as follows:

Collective Deferred Outflows of Resource	\$ 14,160,879,257
Collective Deferred Inflows of Resources	11,800,239,661
State's Total Non-Employer Net Pension Liability	67,423,605,859
District's Proportion	0.0201770001%

**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, 2017, the membership in the DCRP, based on the information within the Division's database, was 43,516.

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

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

For the year ended June 30, 2018, the Board's total payroll for all employees was \$3,391,195. 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, 2018 were \$498.96 and \$914.76, respectively.

**NOTE 6. POST-RETIREMENT BENEFITS****General Information about the OPEB Plan:***Plan Description and Benefits Provided:*

P.L. 1987, c.384 and P.L. 1990, c.6. required the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS), respectively, to fund post-retirement medical benefits for those members who retire after accumulating a minimum of 25 years of credited service or on a disability retirement. Pursuant to P.L. 2007, c.103, separate funds outside the pension plans were established for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. Pursuant to this Act, the State Health Benefits Local Education Retired Employees Plan (SHBLEREP) was established to oversee the funding and payment of post-employment medical benefits for eligible LEA employees. The SHBPLEREP is a multiple employer defined benefit OPEB plan that is administered on a pay-as-you-go basis in accordance with P.L. 1994, c.62. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria set forth in paragraph 4 of GASB Statement No. 75. The SHBPLEREP provides medical, prescription drug and Medicare Part B reimbursement to retirees and retiree dependents of local education employers.

Coverage is provided at no cost to members of the TPAF and PERS that had retired on a disability retirement or retired after accumulating 25 years of creditable service prior to June 28, 2011 and to those who had a minimum of 20 years of creditable service on June 28, 2011 and who subsequently retire after accumulating 25 years of credited service or on a disability retirement. Employees who had less than 20 years of creditable service on June 28, 2011 and subsequently retire after accumulating a minimum of 25 years of creditable service are required by Chapter 78, P.L. 2011 to contribute a percentage of the cost of their health care coverage in retirement. The percentage of the premium that will be the responsibility of the retiree is determined based upon the retiree's annual retirement benefit and level of coverage. Chapter 78 retirees opting for single will make contributions that escalate from 4.5% for annual retirement allowance under \$20,000 to 35.0% for annual retirement allowances exceeding \$110,000 per annum. Chapter 78 retirees opting for family coverage will range from 3.43% for annual retirement allowances under \$25,000 per annum to 35.0% for annual retirement allowances exceeding \$110,000 per annum.

The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides free 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 or on a disability retirement if the member's employer does not provide this coverage.

*Covered Retirees and State Contributions:*

At June 30, 2017, there were approximately 112,966 TPAF retirees receiving State paid post-employment health benefits, and the State contributed \$1.39 billion on their behalf.

The State paid \$238.9 million toward Chapter 126 post-employment benefits for 20,913 eligible PERS retired members in Fiscal Year 2017.

*Total OPEB Liability*

The State, a non-employer contributing entity, is the only entity that has a legal obligation to make contributions to OPEB for qualified retired SHBLEREP participants. The State of New Jersey's Total Non-employer OPEB Liability for the SHBLEREP was \$53,639,841,858 and \$57,831,784,184 at June 30, 2017 and 2016, respectively. The amounts of the State's Non-employer OPEB Liability that are attributable to employees and retirees of the Village Charter School was \$4,183,641 and \$4,291,183 at June 30, 2017 and 2016, respectively. These allocated liabilities represent 0.01% of the State's Total Non-employer OPEB Liability for each of the years reported. However, the Village Charter School's proportionate share percentage as determined in accordance with the provisions of paragraphs 193 and 203 to 205 of GASB Statement No. 75 is zero percent. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Based upon the preceding, the OPEB liability information that follows is reported at the State's level and does not reflect expenses and liabilities of the District that are required to be funded through annual District budgets.

**NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)**

*Actuarial Assumptions and Other Inputs:*

The total non-employer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 that was rolled forward to June 30, 2017. The total non-employer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending upon the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55-4.55% Based on Years of Service	2.15-4.15% Based on Age
Thereafter	2.00-5.45% Based on Years of Service	3.15-5.15% Based on Age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012-June 30, 2015, and July 1, 2011-June 30, 2014 for TPAF and PERS, respectively.

*Healthcare Trend Assumptions:*

For pre-Medicare preferred provider organization (PPO) benefits, this amount is initially 5.9% per annum and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% per annum and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For Medicare Part B reimbursement, the trend rate is 5.0% The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Discount Rate:*

The discount rates for June 30, 2017 and 2016 were 3.58% and 2.85%, respectively. The source is the Bond Buyer G.O. 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of Aa/AA or higher.

**NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)**

*Changes in the Total Non-employer OPEB Liability reported by the State of New Jersey:*

Changes to the State's Total Non-employer OPEB Liability and the portion of those amounts allocated to the School during the fiscal year ended June 30, 2017 were as follows:

	<u>State Totals</u>	<u>School Allocation</u>
Non-employer OPEB Liability Balance-June 30, 2016:	\$57,831,784,184	\$4,291,183
Changes During the Current Year:		
Service Cost	2,391,878,884	526,125
Interest on the Total OPEB Liability	1,699,441,736	135,973
Changes in Assumptions	(7,086,599,129)	(676,306)
Gross Benefit Payments	(1,242,412,566)	(96,902)
Employee Contributions	<u>45,748,749</u>	<u>3,568</u>
Net Changes	(4,191,942,326)	(107,542)
Non-employer OPEB Liability Balance-June 30, 2017	<u>\$53,639,841,858</u>	<u>\$4,183,641</u>

Changes in Assumptions-Reflects a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

*Sensitivity of the State's Total Non-employer OPEB Liability to Changes in the Discount Rate:*

The following table sets forth the State's Total Non-employer OPEB Liability as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the State's Total Non-employer OPEB Liability would be if it was calculated using a discount rate that is one percentage point (1%) higher and lower than the actual discount rate that was utilized in the current period:

	1% Decrease <u>(2.58%)</u>	At Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
Total Non-employer OPEB Liability (New Jersey LEA Retirees)	\$63,674,362,200	\$53,639,841,858	\$45,680,364,953

*Sensitivity of the State's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:*

The following table sets forth the State's Total Non-employer OPEB Liability as of June 30, 2017, calculated using the healthcare trend rates rate as disclosed above, as well as what the State's Total Non-employer OPEB Liability would be if it was calculated using a healthcare trend rate that is one percentage point (1%) higher and lower than the actual healthcare trend rate that was utilized in the current period:

	<u>1% Decrease</u>	Healthcare Cost <u>Trent Rate</u>	<u>1% Increase</u>
Total Non-employer OPEB Liability (New Jersey LEA Retirees)	\$44,113,584,560	\$53,639,841,858	\$66,290,599,457

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:*

For the year ended June 30, 2018, in the Statement of Activities, the School District recognized OPEB expense of \$621,037. This amount was determined by the State of New Jersey as the District's allocated special funding share of the State's \$3,348,490,523 Total OPEB Non-employer Expense for the year ended June 30, 2017. These expense amounts represent calculations in accordance with GASB Statement No. 75 for the defined benefit OPEB Plan that is not operated through a trust that meets the criteria of paragraph 4 of the Statement and in which there is a special funding situation. As the State of New Jersey is the only entity with a legal responsibility to fund SHBLEREP OPEB obligations, the District's recognized OPEB expense is offset by Program Revenues/Operating Contributions in an equal amount in the Statement of Activities. Due to this special funding situation, there is no recognition of the allocation of the proportionate shares of deferred outflows of resources and deferred inflows of resources in the District's financial statements.

NOTES TO FINANCIAL STATEMENTS

**NOTE 6. POST-RETIREMENT BENEFITS (CONT'D)**

*On-behalf Payments by the State of New Jersey for Retiree Health Benefits Costs:*

As noted above, the State of New Jersey, pursuant to P.L. 1994, c. 62, administers the OPEB Plan on a pay-as-you-go basis. The following table sets forth the amounts of State contributions to the SHBLEREP allocated to the District for the last three years for post-employment medical costs. These amounts are reported in the governmental funds and budgetary comparison schedules as revenues and expenditures.

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

<u>Year Funding</u>	<u>Annual Post-Retirement Medical Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/18	\$ 188,240	100%
6/30/17	189,102	100%
6/30/16	196,926	100%

*Additional Information:*

Collective balances of the SHBLEREP at June 30, 2017 were as follows:

Deferred Outflows of Resources	\$ 173,372
Deferred Inflows of Resources	494,782
State's Total Non-employer OPEB Liability	53,639,841,858
District's Proportion	0.007799503%

**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.



NOTES TO FINANCIAL STATEMENTS

**NOTE 10. NEW JERSEY UNEMPLOYMENT COMPENSATION INSURANCE**

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

Due to legal restrictions imposed by the State of New Jersey on the accumulated balance in the Charter School Unemployment Compensation Insurance Fund, the Charter School has elected to treat this fund as an expendable trust fund for the purpose of financial reporting. Information relating to this fund for the year ended June 30, 2018:

<u>Fiscal Year</u>	<u>Board/Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$61,912	\$12	\$54,066	\$39,852
2016-2017	5,822	12	1,718	31,994
2015-2016	6,686	12	37,673	27,878

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 231,179.98	\$
Special Revenue Fund		151,949.60
Enterprise Fund		1,000.00
Unemployment Trust	29,366.95	1,654.39
Agency Fund		105,942.94
	<u>\$ 260,546.93</u>	<u>\$ 260,546.93</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, 2017 to June 30, 2018 fiscal year is as follows:

Beginning balance, July 1, 2017	\$881,107
Board Resolution	<u>250,000</u>
Ending Balance June 30, 2018	\$1,131,107

**NOTE 14. INVENTORY**

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food	\$	<u>3,478.32</u>
	\$	<u><u>3,478.32</u></u>

**NOTE 15. FUND BALANCE APPROPRIATED**

**General Fund (B-1)** - Of the \$2,059,467.24 of General Fund balance (budgetary basis) at June 30, 2018 \$1,131,107 has been restricted in the Maintenance Reserve Account and \$125,020 is assigned for the School Year 2019 Budget, \$500,000 is Designated for Health Care Reserve and \$303,340.24 is reported as unassigned.

**NOTE 16. DEFICIT FUND BALANCES**

The Charter School did not have any deficit fund balances at June 30, 2018 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, 2018**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 483,444.00	\$ (9,684.00)	\$ 473,760.00	\$ 473,271.00	\$ (489.00)
Interest on Investments	5,000.00	-	5,000.00	3,785.22	(1,214.78)
Miscellaneous				3,600.37	3,600.37
<b>Total - Local Sources</b>	<u>488,444.00</u>	<u>(9,684.00)</u>	<u>478,760.00</u>	<u>480,656.59</u>	<u>1,896.59</u>
<b>State Sources:</b>					
Special Education Aid	110,355.00	-	110,355.00	107,918.00	(2,437.00)
Security Aid	122,072.00	(4,453.00)	117,619.00	116,827.00	(792.00)
Equalization Aid	3,874,662.00	(78,337.00)	3,796,325.00	3,791,681.00	(4,644.00)
State Aid Adjustment	315,720.00	74,254.00	389,974.00	398,336.00	8,362.00
Non-Public	-	12,579.00	12,579.00	12,579.00	-
On-Behalf TPAF Pension Contrib.				291,448.00	291,448.00
On-Behalf TPAF Post Retirement Medical				188,240.00	188,240.00
On-Behalf TPAF Long-Term Disability Insurance				1,187.00	1,187.00
On-Behalf TPAF Soc. Sec. Contrib.				177,739.80	177,739.80
<b>Total - State Sources</b>	<u>4,422,809.00</u>	<u>4,043.00</u>	<u>4,426,852.00</u>	<u>5,085,955.80</u>	<u>659,103.80</u>
<b>Federal Sources:</b>					
Erate Program	33,000.00	(818.00)	32,182.00	32,181.76	(0.24)
<b>Total - Federal Sources</b>	<u>33,000.00</u>	<u>(818.00)</u>	<u>32,182.00</u>	<u>32,181.76</u>	<u>(0.24)</u>
<b>Total Revenues</b>	<u>4,944,253.00</u>	<u>(6,459.00)</u>	<u>4,937,794.00</u>	<u>5,598,794.15</u>	<u>661,000.15</u>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Instruction:</b>					
Salaries of Teachers - Specialists	529,058.00	(74,491.79)	454,566.21	423,773.59	30,792.62
Salaries of Teachers - Kindergarten	93,184.00	6,800.00	99,984.00	99,984.00	-
Salaries of Teachers - Grade 1-5	483,841.00	40,431.00	524,272.00	523,918.94	353.06
Salaries of Teachers - Grade 6-8	457,290.00	(21,169.00)	436,121.00	414,968.39	21,152.61
Salary Teaching Aide	-	65,804.00	65,804.00	65,804.00	-
Salaries of Teachers Substitutes	43,900.00	(5,000.00)	38,900.00	37,350.00	1,550.00
Other Salaries for Instruction	39,250.00	141,539.75	180,789.75	180,789.75	-
Other instruction- Home Schooling	-	2,000.00	2,000.00	455.00	1,545.00
Purchased Professional/Technical Services	32,500.00	(9,187.50)	23,312.50	7,708.67	15,603.83
Other Purchased Services - NIT and Other	74,000.00	(5,000.00)	69,000.00	63,465.60	5,534.40
General Supplies - Instruction	41,200.00	27,684.95	68,884.95	68,525.15	359.80
General Supplies - Workbooks	29,500.00	(10,046.88)	19,453.12	19,393.37	59.75
General Supplies - Technology Supplies	91,690.00	(7,318.02)	84,371.98	67,618.51	16,753.47
Textbooks	8,000.00	5,029.78	13,029.78	13,029.78	-
Miscellaneous	28,165.00	(10,168.40)	17,996.60	16,208.32	1,788.28
<b>Total Regular Programs - Instruction</b>	<u>1,951,578.00</u>	<u>146,907.89</u>	<u>2,098,485.89</u>	<u>2,002,993.07</u>	<u>95,492.82</u>

**VILLAGE CHARTER SCHOOL**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>BUDGET</u> <u>TRANSFERS</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>POSITIVE</u> <u>(NEGATIVE)</u> <u>FINAL</u> <u>TO ACTUAL</u>
<b>Special Education:</b>					
Special Ed Salaries	\$ 246,532.00	\$ (35,574.00)	\$ 210,958.00	\$ 210,958.00	\$ -
Special Education Aide Salaries	92,330.00	(92,330.00)	-	-	-
Textbooks	13,500.00	(13,500.00)	-	-	-
Purch/Prof. Develop. - Speech	40,000.00	(4,560.90)	35,439.10	35,439.10	-
Other Purchased Services - Tutoring	2,000.00	(2,000.00)	-	-	-
Purch/Prof. Technical Services-CST	40,000.00	5,566.01	45,566.01	45,566.01	-
<b>Total Special Education</b>	<u>434,362.00</u>	<u>(142,398.89)</u>	<u>291,963.11</u>	<u>291,963.11</u>	<u>-</u>
<b>After School Program:</b>					
Teachers - Salaries	12,000.00	(12,000.00)	-	-	-
Support Benefits	5,050.00	(5,050.00)	-	-	-
Tutoring Expense	21,832.00	(21,832.00)	-	-	-
<b>Total After School Program Program</b>	<u>38,882.00</u>	<u>(38,882.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Instructional Program</b>	<u>2,424,822.00</u>	<u>(34,373.00)</u>	<u>2,390,449.00</u>	<u>2,294,956.18</u>	<u>95,492.82</u>
<b>Administrative:</b>					
Salaries - Administration	150,000.00	(40,000.00)	110,000.00	30,224.00	79,776.00
Salaries of Secretarial and Clerical Assistants	52,426.00	3,500.00	55,926.00	51,405.65	4,520.35
Legal Fees	-	5,865.50	5,865.50	5,865.50	-
Audit Fees	17,250.00	-	17,250.00	17,250.00	-
Purchased Prof./Tech. Services - Admin.	19,200.00	35,047.59	54,247.59	52,203.36	2,044.23
Other Purch. Services - Admin. Conf.	1,200.00	-	1,200.00	456.81	743.19
Other Purchased Services Dues	11,990.00	-	11,990.00	10,866.00	1,124.00
Communication/Telephone	35,600.00	1,972.90	37,572.90	31,187.35	6,385.55
Communications Ads and Postage	10,600.00	(1,831.05)	8,768.95	5,922.75	2,846.20
General Supplies Admin.	2,000.00	-	2,000.00	1,675.83	324.17
Misc. Exp. Admin. Dues and Board Expense	1,500.00	586.88	2,086.88	2,086.88	-
Salaries - Principal	119,413.00	500.00	119,913.00	119,912.88	0.12
Salaries of Secretarial/Clerical	85,867.00	6,000.00	91,867.00	91,033.67	833.33
Supplies - Principal	5,000.00	-	5,000.00	3,186.03	1,813.97
Salaries - Business Office	136,470.00	500.00	136,970.00	136,969.92	0.08
Salaries Admin. Business Office	82,870.00	11,650.03	94,520.03	94,520.03	-
Supplies - Business Office	2,000.00	-	2,000.00	737.87	1,262.13
Admin. Technology	1,500.00	-	1,500.00	-	1,500.00
Insurance - Workers Compensation	40,000.00	-	40,000.00	28,317.21	11,682.79
FICA Expense	78,950.00	(14,066.34)	64,883.66	48,150.07	16,733.59
Unemployment Insurance	40,000.00	14,066.34	54,066.34	54,066.34	-
Health Benefits Cost	325,000.00	-	325,000.00	249,777.49	75,222.51
Pension Expense (PERS)	87,637.00	-	87,637.00	81,536.17	6,100.83
<b>Total Administrative Expense</b>	<u>1,306,473.00</u>	<u>23,791.85</u>	<u>1,330,264.85</u>	<u>1,117,351.81</u>	<u>212,913.04</u>

**VILLAGE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
<b>Other Support Services:</b>					
Club and Coaching Stipends	\$ 33,300.00	\$ (28,800.00)	\$ 4,500.00	\$ 4,500.00	\$ -
Nurse Salary	67,551.00	2,000.00	69,551.00	69,301.04	249.96
Purch. Prof. Services CAP Worksheet	4,000.00	152.53	4,152.53	3,627.37	525.16
Supplies - Nurse	2,000.00	1,112.69	3,112.69	3,112.69	-
Salaries - Guidance Counselors	135,316.00	4,500.00	139,816.00	139,816.00	-
Guidance Office Supplies	2,000.00	-	2,000.00	612.00	1,388.00
Purch. Prof./Tech. Services Support	7,000.00	-	7,000.00	7,000.00	-
Misc. Expense -Support Sports	5,000.00	(1,265.22)	3,734.78	1,870.00	1,864.78
Oper/Maint. Support Staff Salaries	72,943.00	1,500.00	74,443.00	65,609.63	8,833.37
Lunch Program - Salaries	39,182.00	(39,182.00)	-	-	-
Security Staff - Salaries	82,913.00	-	82,913.00	80,149.29	2,763.71
Other Purchased Services	248,700.00	3,476.75	252,176.75	230,720.19	21,456.56
Rental of Land and Buildings	550,503.00	(521,472.44)	29,030.56	29,030.56	-
Insurance for Property, Liability and Fidelity	44,347.00	-	44,347.00	42,730.47	1,616.53
Lease Purchase	28,000.00	(11,686.14)	16,313.86	10,378.06	5,935.80
Transportation - Other than To/From School	5,000.00	(1,570.42)	3,429.58	135.00	3,294.58
Energy Costs (Heat and Electricity)	119,700.00	-	119,700.00	90,810.64	28,889.36
	-	-	-	-	-
<b>Total Other Support Services</b>	<u>1,447,455.00</u>	<u>(591,234.25)</u>	<u>856,220.75</u>	<u>779,402.94</u>	<u>76,817.81</u>
<b>On-Behalf Contributions:</b>					
On-Behalf TPAF Pension					
Contrib. - Not Budgeted	-	-	-	291,448.00	(291,448.00)
On-Behalf TPAF Post					
Retirement Medical - Not Budgeted	-	-	-	188,240.00	(188,240.00)
On-Behalf TPAF Long-Term					
Disability Insurance - Not Budgeted	-	-	-	1,187.00	(1,187.00)
On-Behalf TPAF Soc. Sec.					
Contrib. - Not Budgeted	-	-	-	177,739.80	(177,739.80)
<b>Total On-Behalf Contributions</b>				<u>658,614.80</u>	<u>(658,614.80)</u>
<b>Total Expenditures- Current Expense</b>	<u>5,178,750.00</u>	<u>(601,815.40)</u>	<u>4,576,934.60</u>	<u>4,850,325.73</u>	<u>(273,391.13)</u>
<b>Capital Outlay</b>					
Facilities Acquisition & Construction	-	10,749.61	10,749.61	5,195.98	5,553.63
<b>Total Capital Outlay</b>	<u>-</u>	<u>10,749.61</u>	<u>10,749.61</u>	<u>5,195.98</u>	<u>5,553.63</u>
<b>Total Expenditures - General Fund</b>	<u>5,178,750.00</u>	<u>(591,065.79)</u>	<u>4,587,684.21</u>	<u>4,855,521.71</u>	<u>(267,837.50)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$ (234,497.00)	\$ 584,606.79	\$ 350,109.79	\$ 743,272.44	\$ 393,162.65

**VILLAGE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<b>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</b>
Other Financing Sources (Uses)					
Operating Transfers Out - Debt Service Fund	-	534,729.00	534,729.00	534,729.00	-
Total Other Financing Sources (Uses)	-	534,729.00	534,729.00	534,729.00	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(234,497.00)	49,877.79	(184,619.21)	208,543.44	393,162.65
<b>Fund Balances, July 1</b>	<u>1,850,923.80</u>		<u>1,850,923.80</u>	<u>1,850,923.80</u>	
<b>Fund Balances, June 30</b>	<u>\$ 1,616,426.80</u>	<u>\$ 49,877.79</u>	<u>\$ 1,666,304.59</u>	<u>\$ 2,059,467.24</u>	<u>\$ 393,162.65</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 1,131,107.00	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				125,020.00	
Designated for Health Benefit Reserve				500,000.00	
Unassigned Fund Balance				<u>303,340.24</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<u><b>\$ 2,059,467.24</b></u>	



**Village Charter School  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Revenue from Local Sources	\$ 10,560.00	\$ _____	\$ 10,560.00	\$ 10,560.00	\$ _____
Total - Local Sources	<u>10,560.00</u>	<u>_____</u>	<u>10,560.00</u>	<u>10,560.00</u>	<u>_____</u>
Federal Sources:					
Title I Part A	229,687.00	33,392.00	263,079.00	263,079.00	
Title II, Part A	23,392.00	(23,392.00)			
IDEA Part B	81,314.00		81,314.00	81,314.00	
Title IV	<u>10,000.00</u>	<u>(10,000.00)</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
Total - Federal Sources	<u>344,393.00</u>	<u>_____</u>	<u>344,393.00</u>	<u>344,393.00</u>	<u>_____</u>
<b>Total Revenues</b>	<b><u>354,953.00</u></b>	<b><u>_____</u></b>	<b><u>354,953.00</u></b>	<b><u>354,953.00</u></b>	<b><u>_____</u></b>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	183,756.00	(2,687.50)	181,068.50	181,068.50	
Other Salaries for Instruction	90,800.00	(2,590.00)	88,210.00	88,210.00	
General Supplies	<u>21,464.00</u>	<u>12,995.50</u>	<u>34,459.50</u>	<u>34,459.50</u>	<u>_____</u>
Total instruction	<u>296,020.00</u>	<u>7,718.00</u>	<u>303,738.00</u>	<u>303,738.00</u>	<u>_____</u>
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries					
Personal Services - Employee Benefits	17,481.00		17,481.00	17,481.00	
Purchased Profess. Technical Services	33,952.00	(7,718.00)	26,234.00	26,234.00	
Program Administrator - Services	<u>7,500.00</u>	<u>_____</u>	<u>7,500.00</u>	<u>7,500.00</u>	<u>_____</u>
Total support services	<u>58,933.00</u>	<u>(7,718.00)</u>	<u>51,215.00</u>	<u>51,215.00</u>	<u>_____</u>
<b>Total Expenditures</b>	<b><u>354,953.00</u></b>	<b><u>_____</u></b>	<b><u>354,953.00</u></b>	<b><u>354,953.00</u></b>	<b><u>_____</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

**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, 2018**

**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)	\$ 5,598,794.15	(C-2)	\$ 354,953.00
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.				
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds. (B-2)</b>	<b>(B-2)</b>	<b><u>5,598,794.15</u></b>	<b>(B-2)</b>	<b><u>354,953.00</u></b>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	4,855,521.71	(C-2)	354,953.00
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.				
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>(B-2)</b>	<b><u>4,855,521.71</u></b>	<b>(B-2)</b>	<b><u>354,953.00</u></b>

**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 SCHOOL'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>	<u>2017</u>
District's Proportion of the Net Pension Liability	0.00578808	0.00729161	0.0081943	0.00971763	0.00848128
District's Proportionate Share of the Net Pension Liability	\$1,106,217	\$1,365,189	\$1,839,456	\$2,878,082	\$1,974,306
District's Covered-Employee Payroll	\$597,780	\$635,767	\$572,204	\$505,506	\$ 391,667
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%	504.08%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%	48.10%

\* 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 SCHOOL'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)**

Last 10 Fiscal Years\*

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 43,612	\$ 60,111	\$ 70,449	\$ 87,637	\$ 81,076
Contribution in Relation to Contractually Required Contribution	<u>\$ (43,612)</u>	<u>\$ (60,111)</u>	<u>\$ (70,449)</u>	<u>\$ (87,637)</u>	<u>\$ (81,076)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 597,780	\$ 635,767	\$ 572,204	\$ 505,506	\$ 391,667
Contributions as a percentage of Covered Employee Payroll	7.30%	9.45%	12.31%	17.34%	20.70%

\* 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>	<u>2017</u>
District's Proportion of the Net Pension Liability	0.00021937	0.00021482	0.0002017	0.0002066	0.00020177
District's Proportionate Share of the Net Pension Liability	\$11,086,851	\$11,481,669	\$12,746,267	\$16,249,572	\$13,604,061
District's Covered-Employee Payroll	\$2,027,709	\$1,967,119	\$1,961,428	\$2,091,348	\$2,177,547
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%	624.74%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.76%	33.64%	28.71%	22.33%	25.41%

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



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

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION**  
**JUNE 30, 2018**

**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, 2017, dated March 29, 2018. 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 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.00%. demographic assumptions were unchanged and relied upon 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.

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 2017, the discount rate was changed to 4.25%, the long-term expected rate of return changed to 7.00%, There were no changes to demographic assumptions.

For 2016, the discount rate change to 3.22%, 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 4.68%

**SCHEDULES RELATED TO ACCOUNTING AND  
REPORTING FOR OPEB (GASB 75) (NEW)**

**SECTION – M**

**(Section numbering as per N.J. Department of Education 2017-2018  
Audit Program)**

VILLAGE CHARTER SCHOOL  
 SCHEDULE OF THE SCHOOL'S SHARE OF THE NET OPEB LIABILITY  
STATE HEALTH BENEFITS LOCAL EDUCATION RETIRED EMPLOYEES PLAN

	<u>2016</u>	<u>2017</u>
District's Proportion of the Net OPEB Liability	0.0074201%	0.0077995%
District's Proportionate Share of the Net OPEB Liability	\$ 4,291,183	\$ 4,183,641
District's Covered Employee Payroll	\$ 2,613,486	\$ 2,569,214
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	164.19%	162.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

Note: The State of New Jersey is solely responsible for the funding and payment of the OPEB costs of the State Health Benefits Local Education Retired Employees Plan.

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

**NOTES TO REQUIRED SUPPLEMENTARY OPEB INFORMATION**  
**JUNE 30, 2018**

**NOTE 1. SPECIAL FUNDING SITUATION**

The State of New Jersey, a non-employer contributing entity, is the only entity that has a legal obligation to make contributions to OPEB for qualified retired SHBLEREP participants. Accordingly, proportionate share information of the Net OPEB Liability is not reflected in the school's financial statements.

**NOTE 2. CHANGES IN ASSUMPTIONS**

For 2017, the discount rate changed to 3.58% from 2.85%. Demographic assumptions remained unchanged and are consistent with the assumptions used in the pension plan valuations.

## 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, 2018**

	<u>TITLE I</u> <u>Part A</u> <u>2017-18</u>	<u>IDEA</u> <u>BASIC</u> <u>REGULAR</u> <u>2017-18</u>	<u>PRINCETON</u> <u>BLAIRSTOWN</u> <u>CAMP</u>	<u>TOTALS</u> <u>2017-18</u>
<b><u>REVENUES</u></b>				
Local Sources	\$	\$	\$ 10,560.00	\$ 10,560.00
Federal Sources	263,079.00	81,314.00		344,393.00
<b>Total Revenues</b>	<b>263,079.00</b>	<b>81,314.00</b>	<b>10,560.00</b>	<b>354,953.00</b>
<b><u>EXPENDITURES</u></b>				
Instruction:				
Salaries of Teachers	118,637.50	62,431.00		181,068.50
Other Salaries for Instruc.	88,210.00			88,210.00
General Supplies	33,057.50	1,402.00		34,459.50
<b>Total Instruction</b>	<b>239,905.00</b>	<b>63,833.00</b>		<b>303,738.00</b>
Support Services:				
Other Salaries				
Personal Services - Empl. Benefits		17,481.00		17,481.00
Purch. Prof. - Tech. Services	15,674.00		10,560.00	26,234.00
Purch. Prof. - Educ. Services				
Purchased Professional Services	7,500.00			7,500.00
Other Purch. Services (400-500 series)				
Supplies and Materials				
<b>Total Support Services</b>	<b>23,174.00</b>	<b>17,481.00</b>	<b>10,560.00</b>	<b>51,215.00</b>
<b>Total Expenditures</b>	<b>\$ 263,079.00</b>	<b>\$ 81,314.00</b>	<b>\$ 10,560.00</b>	<b>\$ 354,953.00</b>



**CAPITAL PROJECTS FUND**

**SECTION – F**

**PROPRIETARY FUNDS**

**SECTION – G**

**ENTERPRISE FUND**

**VILLAGE CHARTER SCHOOL  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
AS OF JUNE 30, 2018**

Assets	
Cash and Cash Equivalents	\$ 11,384.26
Accounts Receivable:	
State	227.15
Federal	15,387.18
Other	3,179.04
Inventories	<u>3,478.32</u>
Total Current Assets	<u>33,655.95</u>
<b>Total Assets</b>	<b>\$ <u><u>33,655.95</u></u></b>
Liabilities	
Current Liabilities:	
Deferred Revenue	\$ 1,436.01
Interfund Loans	<u>1,000.00</u>
Total Current Liabilities	<u>2,436.01</u>
<b>Total Liabilities</b>	<b><u>2,436.01</u></b>
Net Position	
Unrestricted (Deficit)	<u>31,219.94</u>
<b>Total Net Position</b>	<b>\$ <u><u>31,219.94</u></u></b>
<b>Total Net Position and Liabilities</b>	<b>\$ <u><u>33,655.95</u></u></b>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	\$ 18,816.46
Daily Sales Dinner Program Nonreimburaable	<u>4,265.50</u>
Total - Operating Revenue	<u>23,081.96</u>
Operating Expenses:	
Cost of Sales:	
Program Sales	96,680.85
Non-Program Sales	<u>2,820.97</u>
Total Cost of Sales	99,501.82
Spoilage	691.44
Personnel Costs	80,602.56
Uniforms	188.00
Office and Administration	4,932.95
Insurance	10,721.45
Transportation	1,376.10
Management Fee	<u>12,500.00</u>
Total Operating Expenses	210,514.32
Operating Income (Loss)	<u>(187,432.36)</u>
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	2,590.36
Federal Sources:	
National School Lunch Program	135,390.98
National School Breakfast Program	30,907.43
National School Snack Program	7,648.96
USDA Commodities Program	9,973.10
Interest Income	<u>43.69</u>
Total Non-Operating Revenues	<u>186,554.52</u>
Net Income (Loss) Before Operating Transfers	<u>(877.84)</u>
Change in Net Position	(877.84)
Total Net Position Beginning	<u>32,097.78</u>
<b>Total Net Position Ending</b>	<b>\$ <u><u>31,219.94</u></u></b>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 22,140.30
Cash Payments to Suppliers for Goods and Services	<u>(199,416.43)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>(177,276.13)</u></b>
Cash Flows from Non-Capital Financing Activities:	
Interfund Loans	1,000.00
Cash Received from State and Federal Sources	<u>176,585.49</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>177,585.49</u></b>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>43.69</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>43.69</u></b>
Net Increase in Cash and Cash Equivalents	353.05
Cash and Cash Equivalents at Beginning of Year	<u>11,031.21</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u><u>11,384.26</u></u></b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income/(Loss)	\$ (187,432.36)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Income:	
USDA Commodities	9,973.10
Changes in Assets and Liabilities:	
(Increase) Decrease in Inventories	1,124.79
(Increase) Decrease in Accounts Receivable	(2,471.07)
Increase (Decrease) in Interfunds Payable	1,000.00
Increase (Decrease) in Deferred Revenue	<u>529.41</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ <u><u>(177,276.13)</u></u></b>

**INTERNAL SERVICE FUND**

**FIDUCIARY FUNDS**

**SECTION - H**



**VILLAGE CHARTER SCHOOL  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR YEAR ENDED JUNE 30, 2018**

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>	<u>AGENCY</u>	
		<u>STUDENT ACTIVITY</u>	<u>PAYROLL</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 12,139.05	\$ 399.60	\$ 108,964.48
Interfunds Receivable	<u>29,366.95</u>		
<b>Total Assets</b>	<b>\$ <u>41,506.00</u></b>	<b>\$ <u>399.60</u></b>	<b>\$ <u>108,964.48</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Payroll Deductions and Withholdings	\$	\$	\$ 3,021.54
Interfund Payable	<u>1,654.39</u>		<u>105,942.94</u>
<b>Total Liabilities</b>	<u>1,654.39</u>		<u>108,964.48</u>
<b>Net Position:</b>			
Due to Student Groups		399.60	
Held in trust for unemployment claims and other purposes	<u>39,851.61</u>		
<b>Total Net Position</b>	<u>39,851.61</u>	<u>399.60</u>	
<b>Total Net Position</b>	<b>\$ <u><u>41,506.00</u></u></b>	<b>\$ <u><u>399.60</u></u></b>	<b>\$ <u><u>108,964.48</u></u></b>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

		<u>TRUST FUND</u>
		<u>UNEMPLOYMENT COMPENSATION</u>
<b><u>ADDITIONS</u></b>		
Contributions:		
Board Contribution	\$	55,784.34
Employees Share		<u>6,127.41</u>
Total Contributions		<u>61,911.75</u>
Investment Earnings:		
Interest		<u>12.20</u>
Total investment earnings		<u>12.20</u>
Total Additions		<u>61,923.95</u>
<b><u>DEDUCTIONS</u></b>		
Unemployment Claims		<u>54,066.34</u>
Total Deductions		<u>54,066.34</u>
Change in Net Position		<u>7,857.61</u>
Net Position - Beginning of the Year		<u>31,994.00</u>
<b>Net Position - End of the Year</b>	<b>\$</b>	<b><u><u>39,851.61</u></u></b>

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BALANCE JUNE 30, 2017</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2018</u>
Village Charter School	\$ <u>3,272.50</u>	\$ <u>13,935.85</u>	\$ <u>16,808.75</u>	\$ <u>399.60</u>
<b>Total</b>	\$ <u><u>3,272.50</u></u>	\$ <u><u>13,935.85</u></u>	\$ <u><u>16,808.75</u></u>	\$ <u><u>399.60</u></u>

**VILLAGE CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>BALANCE JUNE 30, 2017</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2018</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 213,762.03	\$ 1,335,315.28	\$ 1,440,112.83	\$ 108,964.48
Other Accounts Receivable	<u>11,776.00</u>	<u>                    </u>	<u>11,776.00</u>	<u>                    </u>
Total Assets	<u>\$ 225,538.03</u>	<u>\$ 1,335,315.28</u>	<u>\$ 1,451,888.83</u>	<u>\$ 108,964.48</u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings	\$ 118,102.17	\$ 1,242,619.80	1,357,700.43	\$ 3,021.54
Interfunds Payable	<u>107,435.86</u>	<u>80,919.48</u>	<u>82,412.40</u>	<u>105,942.94</u>
Total Liabilities	<u>\$ 225,538.03</u>	<u>\$ 1,323,539.28</u>	<u>\$ 1,440,112.83</u>	<u>\$ 108,964.48</u>

**LONG-TERM DEBT**

**SECTION - I**

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

ISSUE	DATE OF ISSUE	AMOUNT OF ORIGINAL ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JUNE 30, 2017	DECREASES	BALANCE JUNE 30, 2018
			DATE	AMOUNT				
Acquisition of School Facility*	10/2/13	\$ 6,000,000.00	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%			
Acquisition of School Facility	10/2/13	\$ 260,000.00	2018-19	36,000				
			2019-20	36,000				
			2020-21	20,000				
						<u>128,000.00</u>	<u>36,000.00</u>	<u>92,000.00</u>
<b>Totals</b>						<b>\$ <u>4,903,317.96</u></b>	<b>\$ <u>394,437.32</u></b>	<b>\$ <u>4,508,880.64</u></b>

\*Payments are due on the 16th day of each month.

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

**VILLAGE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
LONG-TERM DEBT  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:				
Regular Debt Service:				
Redemption of Loan Principal	394,437.32	394,437.32	394,437.32	-
Loan Interest	140,291.68	140,291.68	140,291.68	-
Total Regular Debt Service	<u>534,729.00</u>	<u>534,729.00</u>	<u>534,729.00</u>	<u>-</u>
Total expenditures	<u>534,729.00</u>	<u>534,729.00</u>	<u>534,729.00</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (534,729.00)	\$ (534,729.00)	\$ (534,729.00)	\$ -
Other Financing Sources:				
Operating Transfers In:				
General Fund	<u>534,729.00</u>	<u>534,729.00</u>	<u>534,729.00</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$324,004	\$262,425	\$101,358	\$107,401	\$201,969	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077	\$1,624,230
Restricted			500,000	500,000	500,000	781,107	831,107	899,867	902,535	1,006,127
Unrestricted	1,089,831	1,080,259	840,653	964,228	1,263,414	599,894	(530,389)	(719,372)	(661,265)	(699,655)
<b>Total governmental activities net assets/position</b>	<b>\$ 1,413,835</b>	<b>\$ 1,342,684</b>	<b>\$ 1,442,011</b>	<b>\$ 1,571,629</b>	<b>\$ 1,965,383</b>	<b>\$ 2,480,565</b>	<b>\$ 1,532,098</b>	<b>\$ 1,527,181</b>	<b>\$ 1,714,347</b>	<b>\$ 1,930,702</b>
<b>Business-type activities</b>										
Unrestricted	\$40,494	\$40,727	\$48,540	\$59,268	\$45,042	\$49,016	\$38,637	\$33,930	\$32,098	\$31,220
<b>Total business-type activities net assets/position</b>	<b>\$ 40,494</b>	<b>\$ 40,727</b>	<b>\$ 48,540</b>	<b>\$ 59,268</b>	<b>\$ 45,042</b>	<b>\$ 49,016</b>	<b>\$ 38,637</b>	<b>\$ 33,930</b>	<b>\$ 32,098</b>	<b>\$ 31,220</b>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 385,583	\$324,004	\$262,425	\$107,401	\$107,401	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077	\$1,624,230
Restricted			500,000	500,000	500,000	781,107	831,107	899,867	902,535	1,006,127
Unrestricted	245,045	1,130,325	1,120,986	889,193	1,308,456	648,910	(491,752)	(685,442)	(629,167)	(668,435)
<b>Total district net assets/position</b>	<b>\$ 630,628</b>	<b>\$ 1,454,329</b>	<b>\$ 1,383,411</b>	<b>\$ 1,496,594</b>	<b>\$ 1,960,899</b>	<b>\$ 2,529,581</b>	<b>\$ 1,570,735</b>	<b>\$ 1,561,111</b>	<b>\$ 1,746,445</b>	<b>\$ 1,961,922</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental activities</b>										
<b>Instruction</b>										
Regular	\$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	\$2,209,682
Special education	104,349	142,537	384,236	319,688	507,326	520,207	634,013	593,178	807,435	595,701
<b>Support Services:</b>										
<b>Student &amp; Instruction Related Services</b>										
General administrative services	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	1,345,704
School administrative services	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	788,023
Unallocated Benefits			323,262	348,414	470,713	402,978	500,122	666,998	1,628,213	1,742,384
Capital Outlay										
Unallocated depreciation	33,446									
<b>Total governmental activities expenses</b>	<b>4,350,222</b>	<b>5,634,800</b>	<b>5,420,648</b>	<b>5,806,875</b>	<b>5,604,627</b>	<b>5,450,742</b>	<b>5,845,663</b>	<b>5,983,194</b>	<b>6,922,529</b>	<b>6,681,494</b>
<b>Business-type activities:</b>										
Food service	155,672	172,435	165,973	162,609	187,704	174,539	204,362	246,118	234,385	210,514
<b>Total business-type activities expense</b>	<b>155,672</b>	<b>172,435</b>	<b>165,973</b>	<b>162,609</b>	<b>187,704</b>	<b>174,539</b>	<b>204,362</b>	<b>246,118</b>	<b>234,385</b>	<b>210,514</b>
<b>Total district expenses</b>	<b>\$ 4,505,894.00</b>	<b>\$ 5,807,235.00</b>	<b>\$ 5,586,621.00</b>	<b>\$ 5,969,484</b>	<b>\$ 5,792,331</b>	<b>\$ 5,625,281</b>	<b>\$ 6,050,025</b>	<b>\$ 6,229,312</b>	<b>\$ 7,156,914</b>	<b>\$ 6,892,008</b>

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Operating grants and contributions	596,280	940,040	272,163	348,414	470,713	768,588	791,677	541,776	1,576,749	2,086,777
<b>Total governmental activities program revenues</b>	<b>596,280</b>	<b>940,040</b>	<b>272,163</b>	<b>348,414</b>	<b>470,713</b>	<b>768,588</b>	<b>791,677</b>	<b>541,776</b>	<b>1,576,749</b>	<b>2,086,777</b>
<b>Business-type activities:</b>										
Charges for services					27,212	9,932	9,653	27,045	21,889	23,082
Food service	13,548	12,404	19,892	15,038						
Operating grants and contributions	171,928	160,264	156,628	158,276	146,230	168,574	184,269	214,279	210,618	186,511
<b>Total business type activities program revenues</b>	<b>185,476</b>	<b>172,668</b>	<b>176,520</b>	<b>173,314</b>	<b>173,442</b>	<b>178,506</b>	<b>193,922</b>	<b>241,324</b>	<b>232,507</b>	<b>209,593</b>
<b>Total district program revenues</b>	<b>\$ 781,756</b>	<b>\$ 1,112,708</b>	<b>\$ 448,683</b>	<b>\$ 521,728</b>	<b>\$ 644,155</b>	<b>\$ 947,094</b>	<b>\$ 985,599</b>	<b>\$ 783,100</b>	<b>\$ 1,809,256</b>	<b>\$ 2,296,370</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (4,594,717)
Business-type activities	29,804	233	10,547	10,705	(14,262)	3,967	(10,440)	(4,794)	(1,878)	(922)
<b>Total district-wide net expense</b>	<b>\$ (3,724,138)</b>	<b>\$ (4,694,527)</b>	<b>\$ (5,137,938)</b>	<b>\$ (5,447,756)</b>	<b>\$ (5,148,176)</b>	<b>\$ (4,678,187)</b>	<b>\$ (5,064,426)</b>	<b>\$ (5,446,212)</b>	<b>\$ (5,347,658)</b>	<b>\$ (4,595,638)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Local Property Taxes - Charter School Aid	\$ 457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293	\$ 473,271
Unrestricted Federal and State Aid	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	4,459,523
State and Federal Aid			518,151	396,996	513,974	13,285	12,500	536,780	544,781	-
Miscellaneous income	10,462	353	119,064	17,188	1,915	35,853	9,217	29,318	18,692	17,946
<b>Total governmental activities</b>	<b>4,537,149</b>	<b>4,623,609</b>	<b>5,463,252</b>	<b>5,588,077</b>	<b>5,527,671</b>	<b>5,197,335</b>	<b>5,211,737</b>	<b>5,436,500</b>	<b>5,532,945</b>	<b>4,950,740</b>
<b>Business-type activities:</b>										
Investment earnings			40	24	36	7	60	88	45	44
<b>Total business-type activities</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>24</b>	<b>36</b>	<b>7</b>	<b>60</b>	<b>88</b>	<b>45</b>	<b>44</b>
<b>Total district-wide</b>	<b>\$ 4,537,149</b>	<b>\$ 4,623,609</b>	<b>\$ 5,463,292</b>	<b>\$ 5,588,101</b>	<b>\$ 5,527,707</b>	<b>\$ 5,197,342</b>	<b>\$ 5,211,797</b>	<b>\$ 5,436,588</b>	<b>\$ 5,532,990</b>	<b>\$ 4,950,783</b>
<b>Change in Net Position</b>										
Governmental activities	\$ 783,207	\$ (71,151)	\$ 314,767	\$ 129,616	\$ 393,757	\$ 515,181	\$ 157,751	\$ (4,918)	\$ 187,165	\$ 356,023
Business-type activities	29,804	233	10,587	10,729	(14,226)	3,973	(10,380)	(4,706)	(1,833)	(878)
<b>Total district</b>	<b>\$ 813,011</b>	<b>\$ (70,918)</b>	<b>\$ 325,354</b>	<b>\$ 140,345</b>	<b>\$ 379,531</b>	<b>\$ 519,154</b>	<b>\$ 147,371</b>	<b>\$ (9,624)</b>	<b>\$ 185,332</b>	<b>\$ 355,145</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted	\$	\$	\$ 500,000	\$ 500,000	\$500,000	\$781,107	\$831,107	\$881,107	\$881,107	\$1,131,107
Committed								18,760	21,428	-
Assigned								226,635	484,497	625,020
Unrestricted	1,089,831	1,080,259	840,653	964,228	1,263,414	600,496	630,494	346,295	463,891	303,340
Total general fund	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601	\$ 1,472,797	\$ 1,850,924	\$ 2,059,467
Total all governmental funds	\$ 1,089,831	\$ 1,080,259	\$ 1,340,653	\$ 1,464,228	\$ 1,763,414	\$ 1,381,603	\$ 1,461,601	\$ 1,472,797	\$ 1,850,924	\$ 2,059,467

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	\$457,988	\$ 441,688	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293	\$ 473,271
Miscellaneous	10,462	23,358	119,064	17,188	1,915	35,853	9,217	11,635	4,114	7,386
Local sources			6,854	41,280	137,744	13,285	12,500	17,683	14,578	10,560
State sources	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	5,085,956
Federal sources	327,514	665,079	511,297	355,716	376,230	365,610	346,221	536,780	613,642	376,575
<b>Total revenue</b>	<b>5,133,429</b>	<b>5,563,649</b>	<b>5,735,415</b>	<b>5,936,490</b>	<b>5,998,384</b>	<b>5,965,923</b>	<b>6,019,158</b>	<b>5,978,276</b>	<b>6,115,717</b>	<b>5,953,747</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	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	2,002,993
Special education instruction	104,349	142,537	384,236	319,688	507,326	520,207	634,013	593,178	807,435	595,701
Support Services:										
General Administration Services	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	1,168,567
School Administrative Services	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	779,403
Student & Instruction Related Services			82,816	144,404	166,363	116,813	33,679	32,849		
Unallocated employee benefits	573,722	757,698	323,262	348,414	470,713	402,978	461,200	541,776	582,771	658,615
Unallocated Expenditures	33,446									
Debt Services:										
Principal										394,437
Interest				20,846	126,793	834,195	388,104	42,900	3,811	140,292
Capital outlay										5,196
Special Revenue										
<b>Total expenditures</b>	<b>4,288,643</b>	<b>5,573,221</b>	<b>5,403,893</b>	<b>5,812,917</b>	<b>5,699,195</b>	<b>6,347,734</b>	<b>5,938,591</b>	<b>5,967,649</b>	<b>5,737,591</b>	<b>5,745,204</b>
Excess (Deficiency) of revenues over (under) expenditures	844,786	(9,572)	331,522	123,573	299,189	(381,811)	80,567	10,627	378,126	208,543
<b>Net change in fund balances</b>	<b>\$ 844,786</b>	<b>\$ (9,572)</b>	<b>\$ 331,522</b>	<b>\$ 123,573</b>	<b>\$ 299,189</b>	<b>\$ (381,811)</b>	<b>\$ 80,567</b>	<b>\$ 10,627</b>	<b>\$ 378,126</b>	<b>\$ 208,543</b>
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 Ended June 30,</u>	<u>Interest</u>	<u>Donations 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
2018	3,785	3,600	7,385

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 Ten Fiscal Years  
Unaudited**

<u>Function/Program</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>	<u>2018</u>
Instruction										
Regular	30.0	30.0	32.0	31.0	29.0	28.0	28.0	30.0	30.0	30.0
Special education	3.0	3.0	3.5	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Other instruction	7.0	7.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Support Services:										
Student & instruction related services	0.0	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General administrative services	3.0	4.0	4.0	4.5	4.0	4.0	4.0	4.0	4.0	4.0
School administrative services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Central Services	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other Support Services	3.0	1.0	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0
Food Service	0.0	3.0	3.0	3.0	3.0	3.0	3.0	1.0	0.0	0.0
Total	<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>52.0</u>	<u>52.0</u>

Source: Charter School Personnel Records.

**Village Charter School  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited**

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff <sup>b</sup>	Elementary				
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%
2018	356	5,390,251	15,141	4.09%	33	10	356.3	329.2	-0.11%	92.39%

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, 2018  
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	1,235,014	1,941,805	2,147,566	Audit: Exhibit A-1
Current Assets	1,886,654	2,239,451	2,416,927	Audit: Exhibit A-1
Total Assets	9,107,888	10,002,787	9,507,155	Audit: Exhibit A-1
Current Liabilities	520,697	613,482	600,446	Audit: Exhibit A-1
Total Liabilities	7,546,776	8,256,342	7,545,234	Audit: Exhibit A-1
Net Assets	1,561,112	1,746,445	1,961,922	Audit: Exhibit A-1
Total Revenue	5,978,276	6,115,716	7,037,516	Audit: Exhibit A-2
Total Expenses	5,983,194	5,928,551	6,821,162	Audit: Exhibit A-2
Change in Net Assets	(4,918)	187,165	216,355	Audit: Exhibit A-2
Depreciation Expense	257,577	257,320	248,481	Financial Statements/Audit Workpapers
Interest Expense	161,439	150,596		Financial Statements/Audit Workpapers
Principal Payments	336,882	347,712	358,437	Financial Statements/Audit Workpapers
Interest Payments	161,847	151,017		Financial Statements/Audit Workpapers
Final Average Daily Enrollment	359	356	356	DOE Enrollment Reports
March 30th Budgeted Enrollment	359	359	356	Charter School Budget

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<b>ATIOS ANALYSIS...</b>				
Near Term Indicators	1	2	3	Source:
1a. Current Ratio	3.62	3.65	4.03	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	75.34	119.55	114.92	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	99%	100%	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 Audit	2 Audit	3 Audit	Source
Cash	1,235,014	1,941,805	2,147,566	Audit: Exhibit A-1
Current Assets	1,886,654	2,239,451	2,416,927	Audit: Exhibit A-1
<b>Total Assets</b>	<b>9,107,888</b>	<b>10,002,787</b>	<b>9,507,155</b>	<b>Audit: Exhibit A-1</b>
Current Liabilities	7,546,776	613,482	600,446	Audit: Exhibit A-1
<b>Total Liabilities</b>	<b>7,546,776</b>	<b>8,256,342</b>	<b>7,545,234</b>	<b>Audit: Exhibit A-1</b>
<b>Net Assets</b>	<b>1,561,112</b>	<b>1,746,445</b>	<b>1,961,922</b>	<b>Audit: Exhibit A-1</b>
<b>Total Revenue</b>	<b>5,978,276</b>	<b>6,115,716</b>	<b>7,037,516</b>	<b>Audit: Exhibit A-2</b>
<b>Total Expenses</b>	<b>5,983,194</b>	<b>5,928,551</b>	<b>6,821,162</b>	<b>Audit: Exhibit A-2</b>
<b>Change in Net Assets</b>	<b>(4,918)</b>	<b>187,165</b>	<b>216,355</b>	<b>Audit: Exhibit A-2</b>
Depreciation Expense	257,577	257,320	248,481	Financial Statements/Audit Workpapers
Interest Expense	161,439	150,596		Financial Statements/Audit Workpapers
Principal Payments	336,882	347,712	358,437	Financial Statements/Audit Workpapers
Interest Payments	161,847	151,017		Financial Statements/Audit Workpapers
<b>Final Average Daily Enrollment</b>	<b>359</b>	<b>356</b>	<b>356</b>	<b>DOE Enrollment Reports</b>
<b>March 30th Budgeted Enrollment</b>	<b>359</b>	<b>359</b>	<b>356</b>	<b>Charter School Budget</b>

Sustainability Indicators	2016	2017	2018	3 YR CUM	
2a. Total Margin	0%	3%	3%		2% Change in Net Assets/Total Revenue
2b. Debt to Asset	0.83	0.83	0.79		Total Liabilities/Total Assets
2c. ** Cash Flow	0	706,791	205,761	912,552	Net change in cash flow from prior years (Change in Net Assets+Depreciation+ Interest Expense)/(Principal & Interest Payments)
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		



**SINGLE AUDIT SECTION**

**SECTION – K**

**HODULIK & MORRISON, P.A.**  
 CERTIFIED PUBLIC ACCOUNTANTS  
 REGISTERED MUNICIPAL ACCOUNTANTS  
 PUBLIC SCHOOL ACCOUNTANTS  
 1102 RARITAN AVENUE, P.O. BOX 1450  
 HIGHLAND PARK, NJ 08904  
 (732) 393-1000  
 (732) 393-1196 (FAX)

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 N.J.

**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 President and Members  
 of the Board of Trustees  
 Village Charter School  
 County of Mercer, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, 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, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 25, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village Charter School's 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 a 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 grant 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.

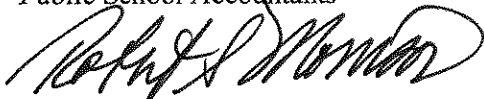
We noted other matters involving compliance and internal control over financial reporting that we have reported to the Village Charter School in a separate *Auditors' Management Report on Administrative Findings* dated January 25, 2019.

### **Purpose of this Report**

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

*Hodulik & Morrison, P.A.*

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



Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
January 25, 2019

**HODULIK & MORRISON, P.A.**  
 CERTIFIED PUBLIC ACCOUNTANTS  
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 1102 RARITAN AVENUE, P.O. BOX 1450  
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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT  
 ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL  
 ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

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

**Report on Compliance for Each Major Program**

We have audited the compliance of the Village Charter School, in the County of Mercer, State of New Jersey, with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of Village Charter School's major state programs for the year ended June 30, 2018. The Village Charter School's 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 state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Village Charter School's major 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; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards 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 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 on compliance 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 State Program**

In our opinion, the Village Charter School complied, in all material respects, with the 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, 2018.

### **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 the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with NJOMB Circular 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 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 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon the requirements of NJOMB Circular 15-08. Accordingly, this communication is not suitable for any other purpose.

*Hodulik & Morrison, P.A.*

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

*Robert S. Morrison*

Robert S. Morrison  
Public School Accountant  
PSA # 871

Highland Park, New Jersey  
January 25, 2019

VILLAGE CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A NO.	FAIN #	Grant or State Project Number	GRANT PERIOD		PROGRAM OR AWARD AMOUNT	BALANCE AT JUNE 30, 2017			CARRY OVER/ TRANSFER	BUDGETARY EXPENDED	ADJUST- MENTS	BALANCE AT JUNE 30, 2018				
				FROM	TO		ACCOUNTS RECEIVABLE	DEFERRED REVENUE	CASH RECEIVED				ACCOUNTS RECEIVABLE	DEFERRED REVENUE			
<b>Enterprise Fund:</b>																	
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Child Nutrition Cluster:																	
Food Distribution Program	10.555	1616NJ304N1099	N/A	7/1/17	6/30/18	13,037.83	\$	\$	1,424.19	13,037.83	\$	\$	(13,026.01)	\$	\$	11.82	
National School Breakfast Program	10.553	1616NJ304N1099	N/A	7/1/16	6/30/17			(3,156.00)		3,156.00							
National School Breakfast Program	10.553	1616NJ304N1099	N/A	7/1/17	6/30/18	30,907.00				28,261.09			(30,907.43)			(2,646.34)	
National School Lunch Program	10.555	1616NJ304N1099	N/A	7/1/16	6/30/17			(12,286.00)		12,286.00							
National School Lunch Program	10.555	1616NJ304N1099	N/A	7/1/17	6/30/18	143,040.00				130,299.10			(143,039.94)			(12,740.84)	
<b>Total Child Nutrition Cluster</b>								<b>(15,442.00)</b>	<b>1,424.19</b>	<b>187,040.02</b>			<b>(186,973.38)</b>			<b>(15,387.18)</b>	<b>11.82</b>
<b>Total Enterprise Fund</b>								<b>(15,442.00)</b>	<b>1,424.19</b>	<b>187,040.02</b>			<b>(186,973.38)</b>			<b>(15,387.18)</b>	<b>11.82</b>
<b>Special Revenue Fund:</b>																	
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	S010A150030	NCLB-8140-17	7/1/17	6/30/18	229,687.00				116,356.00			(263,079.00)			(104,334.00)	
Title I, Part A	84.010A	S010A150030	NCLB-8140-16	7/1/16	6/30/17			(15,931.00)		24,926.00			(8,997.00)				
<b>Total Title I</b>								<b>(15,931.00)</b>		<b>141,282.00</b>			<b>(263,079.00)</b>			<b>(104,334.00)</b>	
Title II, Part A																	
Improving Teacher Quality State Grants	84.367	S367B160027	N/A	7/1/17	6/30/18	23,392.00				23,392.00			(23,392.00)				
<b>Total Title II Part A</b>										<b>23,392.00</b>			<b>(23,392.00)</b>				
Title IV																	
Student Support and Academic Enrichment (ESSA)	84.424	S424A170031	N/A	7/1/17	6/30/18	10,000.00				10,000.00			(10,000.00)				
<b>Total Title IV</b>										<b>10,000.00</b>			<b>(10,000.00)</b>				
Special Education Cluster:																	
I.D.E.A. Part B	84.027	H027A150100	NCLB-8140-17	7/1/17	6/30/18	81,314.00				37,548.00			(81,314.00)			(43,765.00)	
I.D.E.A. Part B, Basic	84.027	H027A150100	NCLB-8140-16	9/1/16	6/30/17			(6,043.00)		6,044.00			(1.00)				
<b>Total Special Education Cluster</b>								<b>(6,043.00)</b>		<b>43,592.00</b>			<b>(81,314.00)</b>			<b>(43,765.00)</b>	
Passed-through Rutgers University, State of New Jersey:																	
Teacher Incentive Fund Program	84.374A	S374A120060-14	N/A	7/1/16	6/30/17			(84,963.63)		84,963.63							
								(84,963.63)		84,963.63							
<b>Total Special Revenue Fund</b>								<b>(106,937.63)</b>		<b>303,229.63</b>			<b>(344,393.00)</b>			<b>(148,099.00)</b>	
<b>Total Federal Financial Assistance</b>								<b>\$ (122,379.63)</b>	<b>\$ 1,424.19</b>	<b>\$ 490,269.65</b>			<b>\$ (531,366.38)</b>	<b>\$ 2.00</b>		<b>\$ (163,486.18)</b>	<b>\$ 11.82</b>

Auditor Note: A Single Audit of Federal Awards was not required for the fiscal year ended June 30, 2018 based upon the reported level of expenditures.

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT OR STATE PROJECT NO.</u>	<u>GRANT PERIOD</u>	<u>AWARD AMOUNT</u>	<u>BALANCE JUNE 30, 2017 DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)</u>	<u>CASH RECEIVED</u>	<u>BUDGETARY EXPENDITURES</u>	<u>BALANCE JUNE 30, 2018 DEFERRED REVENUE/ (ACCOUNTS RECEIVABLE)</u>	<u>MEMO CUMULATIVE TOTAL EXPENDITURES</u>
<b>State Department of Education:</b>								
<b>General Fund:</b>								
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 3,791,681.00	\$	3,777,025.33	\$ (3,791,681.00)	\$ (14,655.67)	\$ (3,837,797.00)
Adjustment Aid	18-495-034-5120-071	7/1/17-6/30/18	398,336.00		398,336.00	(398,336.00)	-	(346,658.00)
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	107,918.00		107,918.00	(107,918.00)	-	(111,700.00)
Special Education Aid	17-495-034-5120-089	7/1/15-6/30/16	-	(12,255.00)	12,255.00		-	(120,176.00)
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	116,827.00		116,827.00	(116,827.00)	-	(120,176.00)
Security Aid	17-495-034-5120-084	7/1/15-6/30/16	-	(13,163.00)	13,163.00		-	(9,988.00)
Non-Public Aid	18-495-034-5120-078	7/1/17-6/30/18	12,579.00		12,579.00	(12,579.00)	-	(226,951.00)
* On Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	291,448.00	-	291,448.00	(291,448.00)	-	(189,102.00)
* On Behalf TPAF Post Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	188,240.00		188,240.00	(188,240.00)	-	(1,725.00)
* On Behalf Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	1,187.00		1,187.00	(1,187.00)	-	(164,993.00)
Reimb. T.P.A.F. Social Security Contrib.	18-495-034-5094-003	7/1/17-6/30/18	177,739.80		169,157.10	(177,739.80)	(8,582.70)	
<b>Total General Fund</b>				<b>(25,418.00)</b>	<b>5,088,135.43</b>	<b>(5,085,955.80)</b>	<b>(23,238.37)</b>	<b>(5,009,090.00)</b>
<b>State Department of Agriculture:</b>								
<b>Enterprise Fund:</b>								
National School Lunch Prog. (State Share)	18-100-010-3350-023	7/1/17-6/30/18	2,590.36	-	2,363.21	(2,590.36)	(227.15)	(2,590.36)
National School Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17		(220.00)	220.00		-	-
<b>Total Enterprise Fund</b>				<b>(220.00)</b>	<b>2,583.21</b>	<b>(2,590.36)</b>	<b>(227.15)</b>	<b>(2,590.36)</b>
<b>Total State Financial Assistance</b>				<b>\$ (25,638.00)</b>	<b>\$ 5,090,718.64</b>	<b>\$ (5,088,546.16)</b>	<b>(23,465.52)</b>	<b>(5,011,680.36)</b>
<b>Note: See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.</b>								
* Not Included in the Single Audit Type A determination calculation.								
<b>Reconciliation:</b>								
Budgetary Expenditures						\$ 5,088,546.16		
Less:								
T.P.A.F. Pension Contributions						(291,448.00)		
T.P.A.F. - Post Retirement Medical						(188,240.00)		
T.P.A.F. - Long-Term Disability Insurance						(1,187.00)		
						\$		
								<b>4,608,858.16</b>
<b>Expenditures subject to State Single Audit</b>								



**VILLAGE CHARTER SCHOOL  
NOTES TO THE SCHEDULE OF AWARDS  
AND FINANCIAL ASSISTANCE  
JUNE 30, 2018**

**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, 2018**

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$32,182	\$5,085,956	\$5,118,138
Special Revenue	344,393		344,393
Food Service Fund	<u>183,920</u>	<u>2,590</u>	<u>186,510</u>
Total Awards & Financial Assistance	<u>\$560,495</u>	<u>\$5,088,546</u>	<u>\$5,649,041</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, 2018. 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, 2018.

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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** - Not applicable, Federal Single Audit not required.

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ No

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

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

Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance? \_\_\_\_\_ Yes \_\_\_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>

Dollar threshold used to distinguish between Type A and B programs: \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ No

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**State Awards**

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

Auditee qualified as low-risk auditee?           X           Yes                      No

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

Internal Control over major programs:

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

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

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
18-495-034-5120-078	State Aid Cluster:
18-495-034-5120-071	Equalization Aid
18-495-034-5120-089	Adjustment Aid
18-495-034-5120-084	Special Education Aid
18-495-034-5120-078	Security Aid
18-495-034-5094-003	Non-Public Aid
	T.P.A.F. Social Security Aid

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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, 2018

Section I – Summary of Prior Year Federal and State Findings

N/A

Section II – Current Year Status

N/A