

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

***AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS –  
FINANCIAL, COMPLIANCE AND  
PERFORMANCE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018***

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

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

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

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REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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ROBERT S. MORRISON, CPA, RMA, PSA

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States of, the basic financial statements of the Board of Trustees of the Village Charter School in the County of Mercer for the year ended June 30, 2018, and have issued our report thereon dated January 25, 2019.

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

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

*Hodulik & Morrison, P.A.*

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

*Robert S. Morrison*

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

Highland Park, New Jersey  
January 25, 2019

**ADMINISTRATIVE FINDINGS**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

Scope of Audit

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

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

**ADMINISTRATIVE PRACTICES AND PROCEDURES**

Insurance

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

Officials

The following position was covered by Surety Bonds:

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

Tuition Charges

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING**

Examination of Claims

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

Payroll Account

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

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

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

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

### Employee Position Control Account

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

### Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Our review indicated that outstanding issued purchase orders were properly classified at June 30, 2018 based upon generally accepted accounting principles.

### Classification of Expenditures

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

### Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. Exhibit "H-2" sets forth the activity of this fund for the period under review. Total revenues from all sources amounted to \$61,924 and expenditures of \$54,066. Funds available at June 30, 2018 to pay future claims amounted to \$39,852.

### Investment of Idle Funds

During the year ended June 30, 2018, the School had all of the idle funds in its governmental fund types invested in interest bearing accounts. The existing practices allow the Board to maximize investment income without exposing Board funds to market related risks to investment principal.

### Board Secretary's Records

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

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

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

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

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

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

### **Other Special Federal and/or State Projects**

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

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

The financial exhibits are contained within the Special Revenue Fund Section of the CAFR. This section of the CAFR documents the revenues and expenditures pertaining to the aforementioned special projects on a grant accounting budgetary basis and reports the financial position of the fund on a GAAP basis at June 30, 2018.

### **Travel Expense and Reimbursement Policy**

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

### **T.P.A.F. Reimbursement**

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

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

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

## **SCHOOL PURCHASING PROGRAMS**

### **Contracts and Agreements Requiring Advertisement for Bids**

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

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

## **SCHOOL PURCHASING PROGRAMS (CONT'D.)**

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

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

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:39-3 are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000.

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

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

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

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

### **School Food Service Fund**

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The District utilizes a food service management company (FSMC) and is depositing and expending monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. No exceptions noted for items tested.

### School Food Service Fund (Cont'd.)

Expenses were separately recorded as food, labor, benefits, and other costs. Vendor invoices were reviewed and costs verified and expenditure records were maintained in order to substantiate the status of the Food Service Fund.

Amounts collected for food sales are deposited to a Board account. The appropriate revenue and expense records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three-months average expenses.

The District's FSMC provided detailed program and non-program revenue and expenditure information necessary to execute the USDA mandated Non-Program Revenue Tool at least annually. However, the scope of our engagement did not include audit procedures to determine that this information was based upon USDA approved allocation procedures. Furthermore, the Service Organization Control Report (SOC 1, Type II) provided by the FSMC did identify the FSMC's procedures to allocate program and non-program expenses as a significant internal control and no testing of these allocations was indicated in the report. A review of the standard FSMC contract language indicated that such testing has not been mandated.

The contractor maintained inventory on a first-in, first-out basis for the Food Distribution Program commodities received. The contractor maintains a separate inventory record for Food Distribution Program commodities, which is reconciled on a monthly basis to the physical inventory counts. There were no exceptions noted for items tested.

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

### Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 15, 2017 and the last day of school for on-roll, special education, bi-lingual and low-income students. We also performed a review of the School's procedures related to its completion. The information on the enrollment reports were compared to the School's workpapers with no exception noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

### Testing for Lead of all Drinking Water in Educational Facilities

The District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.



\* \* \* \* \*

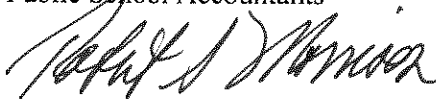
ACKNOWLEDGMENT

During the course of our audit, we received the complete cooperation of all the officials of the school. Every effort was made by the staff to assist us in the completion of our engagement. We greatly appreciate the professionalism of the staff and the courtesies extended to us.

Respectfully submitted,



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



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

**NET CASH RESOURCE SCHEDULE**  
**FYE 6/30/18**

**Net Cash Resources:**

CAFR	<b>Current Assets:</b>	
B-4	Cash & Cash Equivalents	11,384
B-4	Due from Other Govts	15,614
B-4	A/R	3,179
	<b>Current Liabilities:</b>	
B-4	Less A/P	0
B-4	Less Accruals	0
B-4	Less Due to other funds	(1,000)
B-4	Less Deferred Revenue	<u>(1,436)</u>
	<b>Net Cash Resources</b>	<b><u><u>27,742</u></u> A</b>
Net Adj. total Operating Expenses:		
B-5	Total Operating Expenses	210,514
B-5	Less: Depreciation	<u>          </u>
	Adj. Total Operating Expenses	<b><u><u>210,514</u></u> B</b>
	<b><u>Average Monthly Operating Expense</u></b>	<b><u><u>21,051</u></u> C</b>
	<b><u>Three Times monthly Average</u></b>	<b><u><u>63,154</u></u> D</b>
	Total in A	27,742
	Less Total in D	<u>63,154</u>
	<b>Net</b>	<b><u><u>(35,413)</u></u></b>

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

\* Inventories are not included in total current assets.

SOURCE - USDA resource management comprehensive review form.

**VILLAGE CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 13, 2017**

1		2								2a				2b			3			3a		
Submission to DOE reported Grades	On Roll	Sample																				
		Reported on workpapers	Errors	50% Verification required 10/13/17	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors						
Kindergarten	40	40	0	20	20	0	20	0	1	1	0	1	0	17	17	0						
One	39	39	0	20	20	0	20	0	1	1	0	1	0	14	14	0						
Two	40	40	0	20	20	0	20	0	0	0	0	0	0	16	16	0						
Three	40	40	0	20	20	0	20	0	2	2	0	2	0	16	16	0						
Four	40	40	0	20	20	0	20	0	3	3	0	3	0	17	17	0						
Five	40	40	0	20	20	0	20	0	2	2	0	2	0	15	15	0						
Six	40	40	0	20	20	0	20	0	4	4	0	4	0	20	20	0						
Seven	40	40	0	20	20	0	20	0	1	1	0	1	0	17	17	0						
Eight	40	40	0	20	20	0	20	0	3	3	0	3	0	16	16	0						
<b>Total</b>	<b>359</b>	<b>359</b>	<b>0</b>	<b>180</b>	<b>180</b>	<b>0</b>	<b>180</b>	<b>0</b>	<b>17</b>	<b>17</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>148</b>	<b>148</b>	<b>0</b>						
Percentage			0%			0%		0%			0%		0%			0%						

**VILLAGE CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF THE LAST DAY- JUNE 25, 2018**

<u>1</u>		<u>2</u>										<u>2a.</u>		<u>2b.</u>		<u>3</u>		<u>3a.</u>	
Submission to DOE reported		Sample																	
Grades	On Roll	Reported on workpapers	Errors	50% Verification required 6/30/18	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	Errors	Errors	
Kindergarten	39	39	0	20	20	0	20	0	0	0	0	0	0	15	15	0			
One	40	40	0	20	20	0	20	0	0	0	0	0	0	16	16	0			
Two	40	40	0	20	20	0	20	0	3	3	0	3	0	17	17	0			
Three	40	40	0	21	21	0	21	0	1	1	0	1	0	17	17	0			
Four	40	40	0	21	21	0	21	0	1	1	0	1	0	13	13	0			
Five	40	40	0	20	20	0	20	0	5	5	0	5	0	15	15	0			
Six	40	40	0	20	20	0	20	0	3	3	0	3	0	17	17	0			
Seven	38	38	0	19	19	0	19	0	3	3	0	3	0	17	17	0			
Eight	39	39	0	19	19	0	19	0	2	2	0	2	0	13	13	0			
<b>Total</b>	<b>356</b>	<b>356</b>	<b>0</b>	<b>180</b>	<b>180</b>	<b>0</b>	<b>180</b>	<b>0</b>	<b>18</b>	<b>18</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>140</b>	<b>140</b>	<b>0</b>			
Percentage			0%			0%		0%			0%		0%			0%			

VILLAGE CHARTER SCHOOL  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year recommendations. No correction action was required.