



***VILLAGE CHARTER SCHOOL***

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

***COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR  
ENDED JUNE 30, 2020***

**HODULIK & MORRISON, P.A.**

A division of



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

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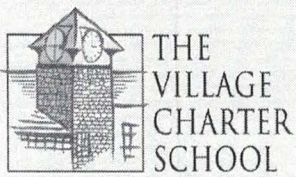
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# Introductory Section



January 6, 2021

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, 2020 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 2019 – 2020 fiscal year, with an average daily enrollment of 360 students.

2. ECONOMIC CONDITION AND OUTLOOK: The School enrolled 358 students in kindergarten through eighth grade for the 2019-2020 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 twenty-one years The 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.

Despite the challenges we've encountered due to the COVID-19 crisis, we continue with the following practices and initiatives for the 2020-2021 school year:

1. Data:

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 New Jersey State Learning Assessment (NJSLA). It therefore enables us to focus our teaching and basic skills remediation.

- a. 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.
- b. 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. Our remote learning model as well as our eventual transition to hybrid learning allows us to offer interventions to those students with academic challenges in reading and math.

2. Professional Learning Communities (PLC) continue as a full day of professional development which is scheduled each week remotely:

All staff K-8<sup>th</sup> grade are tasked to read and implement the strategies as outlined in the following books: Teach Like a Champion 2.0 and Teach Like a Champion Field Guide,

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";

Special Education Teachers "Lost at School: Why Our Kids with Behavioral Challenges are Falling Through the Cracks and How We Can Help Them".

3. 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.
  - c. Our National Junior Honor Society Program takes place with remote meetings between the teacher facilitators and NJHS students.
5. Due to the COVID-19 crisis, our Outreach Programs typically scheduled have been put on hold until our return to school. They will include the following:
  - a. *Junior Achievement Program Day* 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. Princeton Blairstown Center in Princeton, NJ for the seventh 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. Our one to one Chromebook initiative has allowed us to continue a quality, robust online learning platform for our students during this national health emergency. 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 during this unprecedented time.

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 re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reserves for encumbrances and are included as reservations of fund balance at June 30, 2020.

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 division of PKF O'Connor Davies, LLP, 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,

Judith Brown, Head of School



Paul DeWitt, School Business Administrator





**The Village Charter School  
Board of Trustees**

**Judy Brown  
Head of School/CEO**

**Tamika Law  
Secretary to the  
Head of School**

**Keoke Wooten-Johnson  
Principal**

**Faye Jackson  
School Administrative Assistant**

**Paul DeWitt  
School Business Administrator /  
School Safety Specialist**

**Tamara Powell  
Dean of Students and Instruction**

**Theresa Film  
Coordinator of Special  
Education/School Social Worker**

**Lisa Hinton  
School Guidance Counselor**

**Donna Wellons  
Home School Coordinator**

**JoAnn Ray  
School Nurse**

**Cora Birnberg  
Assistant to the School  
Business Administrator**

**Neil Davis  
Facilities Manager**

**Security (2)**

**Business Office  
Assistant  
P/T**

**Academic Coach (2)  
K - 5 Teachers (12)**

**Academic Coach  
6 - 8 Teachers (8)  
Specialist Teachers (5)**

**Special Education  
Teacher (4)**

*"Where Learners Become Leaders"*

VILLAGE CHARTER SCHOOL  
 ROSTER OF OFFICIALS  
JUNE 30, 2020

<u>Members of the Board of Trustees</u>	<u>Expiration of Term</u>
Anthony DePetris	2022
Sheila Garvin-Glover	2022
Gennifer George	2022
Stephen L. Kitts, Chair of the Board	2023
John Middlebrook	2023
M. Elaine Murphy, Secretary	2023
Cynthia Pinelli	2023
Carmen Roman	2022

<u>Other Officials</u>	<u>Title</u>
Judith Brown	Head of School
Keoke Wooten-Johnson	Principal
Paul DeWitt	School Business Administrator/Board Secretary

**VILLAGE CHARTER SCHOOL  
CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

Hodulik and Morrison, P.A., a division of PKF O'Connor Davies  
20 Commerce Drive, Suite 301  
Cranford, NJ 07016

**ATTORNEY**

Johnston Law Firm LLC  
75 Midland Avenue  
Montclair, NJ 07042

**OFFICIAL DEPOSITORIES**

Investors Bank  
101 Wood Ave. South  
Iselin, NJ 08830

# Financial Section



# HODULIK & MORRISON, P.A.



## **INDEPENDENT AUDITORS' 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 (the "School"), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 the accounting principles generally accepted in the United States of America; this includes the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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PKF O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2020 and the respective changes in financial position and, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedules of changes in the School's postemployment benefit liability and related ratios, schedule of the School's proportionate share of the net pension liability-PERS, schedule of School contributions-PERS, schedule of the State's proportionate share of the net pension liability associated with the School-TPAF schedule of post-employment benefits and budgetary comparison information as presented 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. The accompanying introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis, as required by *Title 2 U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey State Office of Management and Budget and Budget Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are also not a required part of the financial statements.

The combining and individual fund financial statements, long-term debt schedules, schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and are 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, schedule of expenditures of federal awards and 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 Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021 on our consideration of the 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 School's internal control over financial reporting and compliance.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
A division of PKF O'Connor Davies  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

*Andrew J. Hodulik*

Andrew Hodulik  
Public School Accountant  
PSA # 841

Cranford, New Jersey  
February 5, 2020

REQUIRED SUPPLEMENTARY  
INFORMATION

PART I

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

**MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**  
**(Unaudited)**  
**June 30, 2020**

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, 2020. It should be read in conjunction with the transmittal letter at the front of this report and the school's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statement—and Management's Discussion and Analysis—for State and Local Governments issued June 1999 and amended by GASB Statements No. 37, No. 61 and No. 63. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Governmental Funds:

- Overall revenue – Governmental fund was \$6,254,664 (Exhibit B-2).
- Overall expenditures – Governmental Funds was \$6,206,443 (Exhibit B-2).
- Total fund balance for the governmental funds was \$2,061,074.04 at June 30, 2020, an increase of \$48,221 from the prior year balance.

District-Wide:

- Governmental Activities net position at June 30, 2020 was \$2,537,446. This represents a \$529,981 increase from the prior year.
- Business-type Activities net position at June 30, 2020 was \$62,568. This represents a \$7,494 increase from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the school:

- The first two statements are entity-wide financial statements that provide both short-term and long-term information about the Charter School’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Charter School, reporting the School’s operations in more detail than the entity-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the School operated like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationship in which the School acts solely as a trustee or agent for the benefits of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**

### *Organization of the School District Annual Financial Report*

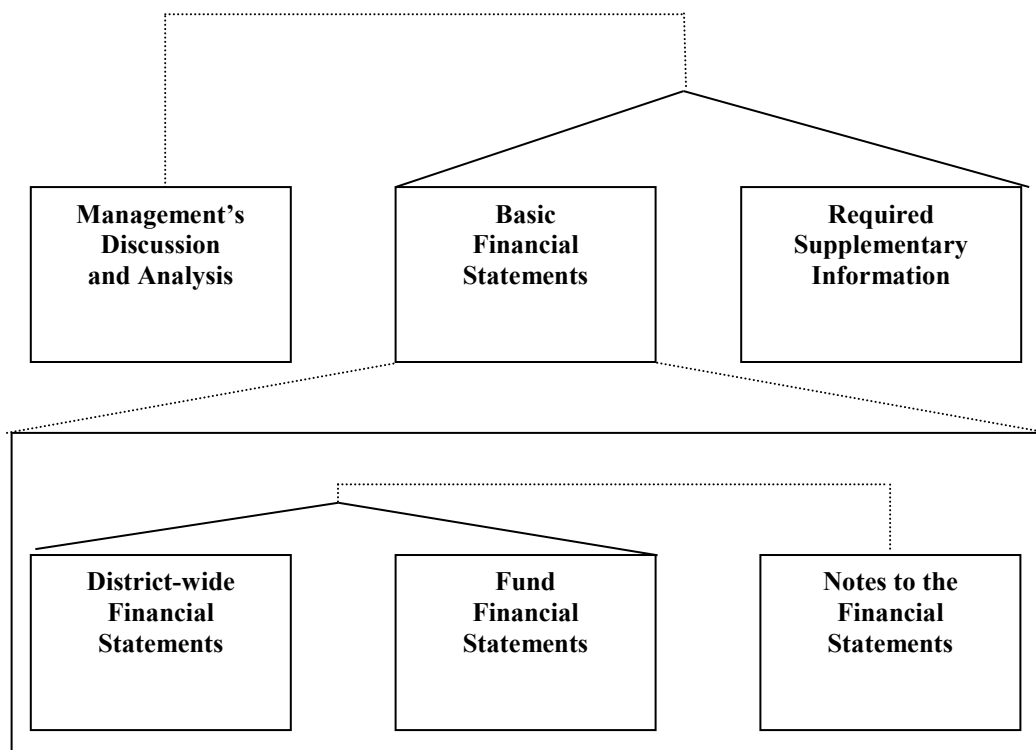


Figure A-2 summarizes the major features of the Charter School's financial statements, including the portion of the School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2 Major Features of the School-Wide and Fund Financial Statements				
	Entity-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the school that are not proprietary or fiduciary, such as special education and building maintenance	Activities the school operates similar to private businesses: food services and adult education	Instances in which the school administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	<ul style="list-style-type: none"> <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).



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 does not use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities.
- **Fiduciary funds:** The school is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The school is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The school excludes these activities from the school-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The school's Governmental Activities Net Position was \$2,537,445.77 at June 30, 2020. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the school's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net position (Figure A-3) and change in net position (Figure A-4) of the school's governmental activities.

**Figure A - 3  
Statement of Net Position**

	<b>Governmental Activities 2020</b>	<b>Governmental Activities 2019</b>	<b>Amount Difference</b>	<b>% Increase (Decrease)</b>
<b>Assets</b>				
Current and other assets	\$ 2,396,535	\$ 2,352,795	\$ 43,740	1.86%
Capital assets	5,881,218	5,887,623	(6,405)	-0.11%
<b>Total assets</b>	<b>8,277,753</b>	<b>8,240,418</b>	<b>37,335</b>	<b>0.45%</b>
<b>Deferred Outflows of Resources</b>	<b>300,736</b>	<b>567,171</b>	<b>(266,435)</b>	<b>-46.98%</b>
<b>Liabilities</b>				
Current and other liabilities	5,005,618	5,884,364	(878,746)	-14.93%
<b>Total Liabilities</b>	<b>5,005,618</b>	<b>5,884,364</b>	<b>(878,746)</b>	<b>-14.93%</b>
<b>Deferred Inflows of Resources</b>	<b>1,035,425</b>	<b>616,655.00</b>	<b>418,770</b>	<b>67.91%</b>
<b>Net Position:</b>				
Net assets invested in			-	
capital Assets net of debt	2,194,402	1,784,236	410,166	22.99%
Restricted	1,242,893	756,127	486,766	64.38%
Unrestricted	(899,849)	(532,898)	(366,951)	68.86%
<b>Total net position</b>	<b>\$ 2,537,446</b>	<b>\$ 2,007,465</b>	<b>\$ 529,981</b>	<b>26.40%</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**  
**Statement of Change in Net Position**

	<u>2020</u>	<u>2019</u>	<u>Amount Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
<b>Revenues:</b>				
Program revenue				
State grants & entitlements	\$514,630	\$1,765,101	(\$1,250,471)	-70.84%
General revenue				
Local tax levy	439,804	447,552	(7,748)	-1.73%
Federal and state aid	5,747,956	4,330,624	1,417,331	32.73%
Miscellaneous revenues (Incl. special items & transfers)	88,643	47,310	41,333	87.37%
Total general revenues	<u>6,276,403</u>	<u>4,825,487</u>	<u>1,450,916</u>	<u>30.07%</u>
<b>Total revenues</b>	<u>\$6,791,033</u>	<u>\$6,590,588</u>	<u>\$200,446</u>	<u>3.04%</u>
<b>Function/program expense:</b>				
Instruction				
Regular programs	2,035,682	2,250,758	(215,076)	-9.56%
Special programs	628,824	572,753	56,071	9.79%
After School Program	53,253	40,982	12,271	100.00%
Summer Academy	62,669	60,675	1,993	100.00%
Support services				
General administration and business services	1,382,662	1,263,568	119,094	9.43%
School administration	711,808	756,573	(44,765)	-5.92%
Unallocated benefits	1,257,389	1,439,443	(182,054)	-12.65%
Interest on Long - Term Debt	<u>128,766</u>	<u>129,073</u>		
<b>Total expenses</b>	<u>\$6,261,052</u>	<u>\$6,513,825</u>	<u>(\$252,772)</u>	<u>-3.88%</u>
<b>Increase (Decrease) net assets</b>	<u><u>\$529,981</u></u>	<u><u>\$76,763</u></u>	<u><u>\$453,218</u></u>	<u><u>590.41%</u></u>

## Governmental Activities (Cont'd):

As reported in the Statement of Activities, the cost of all our governmental activities this year was \$6,261,052. These costs were financed by \$439,804 in local property school taxes, \$5,747,956 in federal and state aid and \$88,643 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, 2020, the school reported \$7,937,951.18 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 Capital Assets at Year-End**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Increase (Decrease)</u>	
			<u>\$</u>	<u>%</u>
Land	\$564,271	\$564,271	0.00	0.00%
Building	6,699,498	6,489,122	210,376	3.24%
Furniture and Equipment	<u>674,182.18</u>	<u>681,873</u>	<u>(7,691)</u>	<u>(1.13)%</u>
Total	<u>\$7,937,951</u>	<u>\$7,735,266</u>	<u>\$202,685</u>	<u>2.62%</u>
Less:				
Accum. Deprec.	<u>2,056,733</u>	<u>1,874,643</u>	<u>182,090</u>	<u>9.71%</u>
<b>NET ASSETS.</b>	<b><u>\$5,881,218</u></b>	<b><u>\$6,133,110</u></b>		

**Debt**

At June 30, 2020, the school reported Long-Term debt in the total amount of \$3,686,816.53, 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

DISTRICT-WIDE FINANCIAL  
STATEMENTS

SECTION - A

**VILLAGE CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,993,471.58	\$ 35,622.55	\$ 2,029,094.13
Receivables, Net	402,138.17	14,321.60	416,459.77
Internal Balances	1,000.00	(1,000.00)	-
Inventories		8,126.40	8,126.40
Prepaid Expenses	25,179.24	10,419.43	35,598.67
Capital Assets, Net (Note 3)	5,881,218.26		5,881,218.26
<b>Total Assets</b>	<b>8,303,007.25</b>	<b>67,489.98</b>	<b>8,370,497.23</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Payment Subsequent to Measurement Date	66,471.00		66,471.00
Change in Pension Assumptions	91,101.00		91,101.00
Change in Proportion/Proportionate Share	126,789.00		126,789.00
Difference Projected vs. Actual Experience	16,375.00		16,375.00
<b>Total Deferred Outflows of Resources</b>	<b>300,736.00</b>		<b>300,736.00</b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	112,592.94	2,285.71	114,878.65
Unearned Revenues	5,404.06	2,636.17	8,040.23
Accrued Interest	4,522.00		4,522.00
Other Liabilities	308,188.95		308,188.95
Noncurrent liabilities (Note 4):			
Due Within One Year	412,628.23		412,628.23
Due Beyond One Year	3,274,188.30		3,274,188.30
Net Pension Liability	912,348.00		912,348.00
<b>Total Liabilities</b>	<b>5,029,872.48</b>	<b>4,921.88</b>	<b>5,034,794.36</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Change in Pension Assumptions	316,673.00		316,673.00
Difference Projected vs. Actual Earnings	14,402.00		14,402.00
Difference Projected vs. Actual Experience	4,030.00		4,030.00
Change in Proportion/Proportionate Share	700,320.00		700,320.00
<b>Total Deferred Inflows of Resources</b>	<b>1,035,425.00</b>	<b>-</b>	<b>1,035,425.00</b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	2,194,401.73		2,194,401.73
Restricted for:			
Other Purposes	700,758.86		700,758.86
Unrestricted(Deficit)	(357,714.82)	62,568.10	(295,146.72)
<b>Total Net Position</b>	<b>\$ 2,537,445.77</b>	<b>\$ 62,568.10</b>	<b>\$ 2,600,013.87</b>

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

1,000.00

1,000.00



**VILLAGE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

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	\$ 2,035,682.00			\$ (2,035,682.00)		\$ (2,035,682.00)
Special Education	628,823.86		(399,188.70)	(229,635.16)		(229,635.16)
After School Program	53,252.74			(53,252.74)		(53,252.74)
Summer Academy	62,668.58			(62,668.58)		(62,668.58)
Support services:						
School Support Services	1,382,661.97			(1,382,661.97)		(1,382,661.97)
General Administrative Services	711,807.77		(115,441.61)	(596,366.16)		(596,366.16)
Unallocated Benefits	1,257,389.37			(1,257,389.37)		(1,257,389.37)
Interest on Long-Term Debt	128,766.00			(128,766.00)		(128,766.00)
<b>Total Governmental Activities</b>	<b>6,261,052.29</b>		<b>(514,630.31)</b>	<b>(5,746,421.98)</b>		<b>(5,746,421.98)</b>
Business-type Activities:						
Food Service	184,092.27	24,993.70	166,506.47		7,407.90	7,407.90
<b>Total Business-type Activities</b>	<b>184,092.27</b>	<b>24,993.70</b>	<b>166,506.47</b>		<b>7,407.90</b>	<b>7,407.90</b>
<b>Total Primary Government</b>	<b>\$ 6,445,144.56</b>	<b>\$ 24,993.70</b>	<b>\$ (348,123.84)</b>	<b>\$ (5,746,421.98)</b>	<b>\$ 7,407.90</b>	<b>\$ (5,739,014.08)</b>
General revenues:						
Property Taxes Levied for General Purposes				439,804.00		439,804.00
Local Revenues				85,189.68		85,189.68
Federal and State Aid not Restricted				5,747,955.65		5,747,955.65
Investment Earnings				3,453.74	85.61	3,539.35
<b>Total General Revenues</b>				<b>6,276,403.07</b>	<b>85.61</b>	<b>6,276,488.68</b>
				<b>529,981.09</b>	<b>7,493.51</b>	<b>537,474.60</b>
Net Position—Beginning				2,007,464.68	55,074.59	2,062,539.27
<b>Net Position—Ending</b>				<b>\$ 2,537,445.77</b>	<b>\$ 62,568.10</b>	<b>\$ 2,600,013.87</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, 2020

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,993,471.58	\$	\$ 1,993,471.58
Accounts Receivable:			
Interfunds Receivable	343,715.56		343,715.56
Due from Other Governments	8,744.10	293,836.00	302,580.10
Other Accounts Receivable	25,424.45	20,499.50	45,923.95
Prepaid Expenses	<u>25,179.24</u>		<u>25,179.24</u>
<b>Total Assets</b>	<b><u>2,396,534.93</u></b>	<b><u>314,335.50</u></b>	<b><u>2,710,870.43</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	27,271.94	18,850.00	46,121.94
Accrued Expenses			
Unearned Revenue		5,404.06	5,404.06
Interfunds Payable		290,081.44	290,081.44
Due to Other Governments	56,885.00		56,885.00
Other Liabilities	<u>251,303.95</u>		<u>251,303.95</u>
Total Liabilities	<u>335,460.89</u>	<u>314,335.50</u>	<u>649,796.39</u>
Fund Balances:			
Restricted Fund Balance:			
Maintenance Reserve Account	700,758.86		700,758.86
Assigned Fund Balance:			
Designated for Subsequent Years Expenditures	42,134.00		42,134.00
Designated for Health Benefit Reserve	500,000.00		500,000.00
Unassigned Fund Balance	<u>818,181.18</u>		<u>818,181.18</u>
Total Fund Balances	<u>2,061,074.04</u>		<u>2,061,074.04</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,396,534.93</u></b>	<b><u>\$ 314,335.50</u></b>	<b><u>\$ 2,710,870.43</u></b>

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

VILLAGE CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

<b>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</b>	<b>\$ 2,061,074.04</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 \$7,937,951.18, and the accumulated depreciation of \$2,056,732.92.	5,881,218.26
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.	(3,686,816.53)
The liability for pension expense that is not payable from currently available resources is not recorded in fund financial statements.	(66,471.00)
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.	(4,522.00)
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	300,736.00
Net Pension Liability	(912,348.00)
Deferred Inflows of Resources	<u>(1,035,425.00)</u>
<b>Net position of governmental activities.</b>	<b>\$ <u>2,537,445.77</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, 2020**

	<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	\$ 439,804.00	\$	\$	\$ 439,804.00
Interest	3,453.74			3,453.74
Miscellaneous	74,890.18			74,890.18
Local Sources		10,299.50		10,299.50
State Sources	5,211,465.24	2,081.81		5,213,547.05
Federal Sources	9,420.91	503,249.00		512,669.91
<b>Total Revenues</b>	<b><u>5,739,034.07</u></b>	<b><u>515,630.31</u></b>	<b><u>-</u></b>	<b><u>6,254,664.38</u></b>
<b><u>EXPENDITURES</u></b>				
Current:				
Regular Instruction	1,841,728.00			1,841,728.00
Special Education Instruction	229,635.16	399,188.70		628,823.86
After School Program	53,252.74			53,252.74
Summer Academy	62,668.58			62,668.58
Support Services and Undistributed Costs:				
General Administration Services	1,258,110.36	116,441.61		1,374,551.97
School Support Services	680,603.77			680,603.77
Unallocated Benefits	849,737.24			849,737.24
Debt Service:				
Principal			416,571.08	416,571.08
Interest			118,157.92	118,157.92
Capital Outlay	180,348.14			180,348.14
<b>Total Expenditures</b>	<b><u>5,156,083.99</u></b>	<b><u>515,630.31</u></b>	<b><u>534,729.00</u></b>	<b><u>6,206,443.30</u></b>
Excess (Deficiency) of Revenues over Expenditures	<u>582,950.08</u>	<u>-</u>	<u>(534,729.00)</u>	<u>48,221.08</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in			534,729.00	534,729.00
Transfers out	(534,729.00)			(534,729.00)
<b>Total Other Financing Sources and Uses</b>	<b><u>(534,729.00)</u></b>	<b><u>-</u></b>	<b><u>534,729.00</u></b>	<b><u>-</u></b>
<b><u>FUND BALANCE</u></b>				
Net Change in Fund Balances	48,221.08	-	-	48,221.08
Fund Balance—July 1	2,012,852.96			2,012,852.96
<b>Fund balance—June 30</b>	<b><u>\$ 2,061,074.04</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,061,074.04</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, 2020**

**Total net change in fund balances - governmental funds (from B-2) \$ 48,221.08**

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	\$ 180,348.14	
Depreciation expense	<u>(233,268.00)</u>	(52,919.86)

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 position and is not reported in the statement of activities. 416,571.08

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. 117,638.79

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. 470.00

**Net Change in Net Position \$ 529,981.09**

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, 2020**

		<b>Business-type Activities - Enterprise Funds</b>
		<b><u>Food Service</u></b>
<b>ASSETS</b>		
Current assets:		
Cash and Cash Equivalents	\$	35,622.55
Receivables from Other Governments		575.50
Other Receivables		13,746.10
Inventories		8,126.40
Prepaid Expenses		10,419.43
Total current assets		<u>68,489.98</u>
<b>Total Assets</b>	<b>\$</b>	<b><u><u>68,489.98</u></u></b>
<b>LIABILITIES</b>		
Current liabilities:		
Interfund Loans	\$	1,000.00
Accounts Payable		2,285.71
Deferred Revenue		<u>2,636.17</u>
Total current liabilities		<u>5,921.88</u>
<b>Total Liabilities</b>		<b><u><u>5,921.88</u></u></b>
<b>NET POSITION</b>		
Unrestricted		<u>62,568.10</u>
<b>Total Net Position</b>		<b><u><u>62,568.10</u></u></b>
<b>Total Liabilities and Net Position</b>	<b>\$</b>	<b><u><u>68,489.98</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, 2020**

		<b>Business-Type Activities - Enterprise Fund</b>
		<b><u>Food Service</u></b>
<b>Operating revenues:</b>		
Charges for services:		
Daily Sales - Reimbursable Programs:	\$	19,199.30
Daily Sales - Nonreimbursable Programs:		5,794.40
		<hr/>
<b>Total Operating Revenues</b>		<b>24,993.70</b>
		<hr/>
<b>Operating expenses:</b>		
Cost of Sales:		
Program Sales		93,878.20
Total Cost of Sales		93,878.20
Personnel Costs		57,188.87
Uniforms		275.82
Office and Administration		787.68
Insurance		9,128.11
Transportation		1,182.30
Management Fee		12,750.00
Supplies		2,519.21
Equipment Expense		6,382.08
		<hr/>
<b>Total Operating Expenses</b>		<b>184,092.27</b>
		<hr/>
Operating income (loss)		(159,098.57)
		<hr/>
<b>Nonoperating Revenues (Expenses):</b>		
State Sources:		
State School Lunch Program		1,915.20
Federal Sources:		
National School Lunch Program		105,310.30
National School Breakfast Program		32,300.99
National School Snack Program		7,504.02
USDA Commodities Program		19,475.96
Interest and Investment Revenue		85.61
		<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>		<b>166,592.08</b>
		<hr/>
<b>Change in Net Position</b>		<b>7,493.51</b>
Total Net Position—Beginning		55,074.59
		<hr/>
<b>Total Net Position—Ending</b>	<b>\$</b>	<b>62,568.10</b>
		<hr/> <hr/>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u><b>Business-type Activities - Enterprise Fund Food Service</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 20,273.47
Cash Payments to Suppliers for Goods and Services	<u>(177,506.03)</u>
<b>Net Cash Used for Operating Activities</b>	<u><b>(157,232.56)</b></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Loans	
Cash Received from State and Federal and State Sources	<u>163,371.65</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u><b>163,371.65</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	<u>85.61</u>
<b>Net Cash Provided by Investing Activities</b>	<u><b>85.61</b></u>
Net Increase in Cash and Cash Equivalents	<u>6,224.70</u>
Cash and Cash Equivalents at Beginning of Year	<u>29,397.85</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><b>\$ 35,622.55</b></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (159,098.57)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Income:	
USDA Commodities	19,475.96
Changes in Assets and Liabilities:	
(Increase) Decrease in Inventories	(6,659.01)
(Increase) Decrease in Prepaid Expenses	(10,419.43)
(Increase) Decrease in Accounts Receivable	(4,776.90)
Increase (Decrease) in Accounts Payable	1,946.50
Increase (Decrease) in Deferred Revenue	<u>2,298.89</u>
<b>Net cash (used for) operating activities</b>	<u><b>\$ (157,232.56)</b></u>

**Noncash noncapital financing activities:**

The School received \$19,475.96 of food commodities from the Department of Agriculture for the year ended June 30, 2020.

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

# FIDUCIARY FUNDS

**VILLAGE CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY NET POSITION  
JUNE 30, 2020**

	Unemployment Compensation <u>Trust</u>	Agency Fund
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 12,163.36	\$ 94,761.01
Accounts receivable		2,587.67
Interfund Receivable	<u>39,761.37</u>	<u>                    </u>
<b>Total Assets</b>	<b><u>51,924.73</u></b>	<b><u>97,348.68</u></b>
<b>LIABILITIES:</b>		
Interfund Payable	1,654.39	90,741.10
Accounts Payable	1,305.48	
Payroll Deductions and Withholdings	<u>                    </u>	<u>6,390.40</u>
Total Liabilities	<u>2,959.87</u>	<u>97,131.50</u>
<b>NET POSITION:</b>		
Due to Student Groups		217.18
Held in trust for unemployment claims and other purposes	<u>48,964.86</u>	<u>                    </u>
<b>Total Net Position</b>	<b><u>48,964.86</u></b>	<b><u>217.18</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 51,924.73</u></b>	<b><u>\$ 97,348.68</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, 2020**

	<u>Unemployment Compensation Trust</u>
<b><u>ADDITIONS</u></b>	
Contributions:	
Employees Share	\$ <u>8,329.10</u>
Total Contributions	<u>8,329.10</u>
Investment Earnings:	
Interest	<u>12.17</u>
Total Investment Earnings	<u>12.17</u>
Total Additions	<u>8,341.27</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>1,978.69</u>
Total Deductions	<u>1,978.69</u>
Change in Net Position	6,362.58
Net position—beginning of the year	<u>42,602.28</u>
<b>Net position—end of the year</b>	<b>\$ <u><u>48,964.86</u></u></b>

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

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

**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 "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 School 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, 2020 of 350 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.

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**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.

**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.



The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**D. Basis of Presentation – Fund Financial Statements (CONT'D)**

**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 for the activities of the cafeteria operations of the School.

The School also reports the following fiduciary fund types:

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

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

During the course of its normal operations, the School will have activity between funds (interfund activity) for various purposes. Any residual interfund balances at year end are reported as interfund accounts receivable/payable. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included within governmental activities (the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, any interfund balances between business-type (enterprise) funds are eliminated so that only the net amount is included as internal balances in the business-type activities columns.

Further, interfund activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. In the preparation of the government-wide financial statements, transfers between funds included as governmental activities are eliminated so that only net amounts of resources transferred from or to the governmental activities are reported. A similar treatment is afforded transfers of resources between enterprise funds for the preparation of business-type activity financial statements.

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

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

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

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

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

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

The School's proprietary fund and employee benefit trust fund 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.

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

**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 Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

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

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.

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from The budgetary comparison schedules	\$5,739,034.07	\$515,630.31
Difference – budget to GAAP:		
Grant accounting budgetary differs from GAAP in - that encumbrances are recognized as expenditures, and the related revenue is recognized	-	-
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds	<u>\$5,739,034.07</u>	<u>\$515,630.31</u>
Uses/Outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$5,156,083.99	\$515,630.31
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.	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (B-2)	<u>\$5,156,083.99</u>	<u>\$515,630.31</u>

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

**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 2019-2020 were based on contractual per pupil rates established by and between the sending and receiving Schools. These rates are not subject to change except through amendatory contracts.

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**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, 2020 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.

**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

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**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 School's Statement of Net Position. In the Statement of Activities, the School reports an annual OPEB expense and a corresponding revenue, equal to the allocated expense of the School as reported by the State.

**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, 2019. Change in pension proportion represents the unfavorable impact of the incline in the School's proportionate share of system wide net pension liability.



The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

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

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The School is reporting one pension related items in this category, the Difference in Pension Earnings. This represents the School's proportionate share of plan earnings in excess of assumed amounts.

**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.

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

**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.

The committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Trustees. 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 Trustees.

Assignments of fund balance are made by the Board of Trustees for specific purposes that do not the criteria to be classified as committed. The Board of Trustees 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.
6. Restricted Fund Balance includes amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation.

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

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

**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) \$2,061,074.04

Adjustments to School-Wide Net Position:

Capital Assets (See Note 3) 5,881,218.26

Long Term Liabilities (See Note 4) (3,686,816.53)

Net Pension Liability (912,348.00)

Pension Expense (66,471.00)

Other Items not Recognized in Fund Financial Statements

Deferred Inflows of Financial Resources (1,035,425.00)

Deferred Outflows of Financial Resources 300,736

Accrued Interest (4,522.00)

Net Position of Governmental Activities \$2,537,445.77

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) \$(48,221.08)

Adjustments to School-Wide Net Position:

Capital Outlays (See Note 3) 180,348.14

Depreciation on Capital Assets (See Note 3) (233,268.00)

Net Increase in Pension Expense 117,638.79

Repayment of Long-Term Liabilities (See Note 4) 416,571.08

Accrued Interest 470.00

Change in Net Position of Governmental Activities \$529,981.09

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**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.

**X. Recently Issued Accounting Pronouncements to be Implemented in Future Years**

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Due to the COVID-19 pandemic, the effective date has been postponed by one year. Management has not determined the impact of the Statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the Statement on the 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>2,043,921</u>
Total Deposits	<u>\$2,293,921</u>

Custodial Credit Risk – Deposits- Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2020, \$0.00 of the School’s bank balance of \$2,293,921 was exposed to custodial risk. (See Note 1G 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, 2020 was \$2,136,019 and the bank balance was \$2,293,921.

As of June 30, 2020, the Charter School held no investments.

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D.)**

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, 2020, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

**NOTE 3 - DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS**

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance - total governmental funds is made to reflect the carrying value of the School's capital assets at year-end in the District-wide financial statements, which consisted of:

Total capital assets at cost	\$	7,937,951.18
Less: accumulated depreciation		<u>(2,056,732.92)</u>
<b>Government Activities Capital Assets, Net</b>	<b>\$</b>	<b><u>5,881,218.26</u></b>

Capital assets by classification and activity for the year ended June 30, 20120 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 564,271.00	\$	\$	\$ 564,271.00
Building	6,489,122.00	210,376.00		6,699,498.00
Machinery, Equipment, Furniture & Vehicles	<u>681,873.18</u>	<u>                    </u>	<u>(7,691.00)</u>	<u>674,182.18</u>
Totals at Historical Cost	<u>7,735,266.18</u>	<u>210,376.00</u>	<u>(7,691.00)</u>	<u>7,937,951.18</u>
Less Accumulated Depreciation For:				
Building	(1,128,545.00)	(221,565.00)	61,127.00	(1,411,237.00)
Equipment, Furniture, and Vehicles	<u>(719,097.92)</u>	<u>(11,703.00)</u>	<u>(85,305.00)</u>	<u>(645,495.92)</u>
Total Accumulated Depreciation	<u>(1,847,642.92)</u>	<u>(233,268.00)</u>	<u>(24,178.00)</u>	<u>(2,056,732.92)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>5,887,623.26</u>	<u>(22,892.00)</u>	<u>(16,487.00)</u>	<u>5,881,218.26</u>
<b>Government Activities Capital Assets, Net</b>	<b>\$ <u>5,887,623.26</u></b>	<b>\$ <u>(22,892.00)</u></b>	<b><u>(16,487.00)</u></b>	<b>\$ <u>5,881,218.26</u></b>

Note: Certain adjustments were made to agree to physical inventory of fixed assets at June 30, 2020.

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

Instruction	\$	193,956.00
School Support Services		8,109.00
General Administrative Services		<u>31,204.00</u>
<b>Total Depreciation Expense</b>	<b>\$</b>	<b><u>233,269.00</u></b>

The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

**NOTE 4: LONG-TERM LIABILITIES**

Long-term debt liability activity for the year ended June 30, 2020 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	\$ 4,047,387.61	\$ 380,571.08	\$ 3,666,816.53	\$ 392,628.23
Loan Payable	<u>56,000.00</u>	<u>36,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>
	4,103,387.61	416,571.08	3,686,816.53	412,628.23
Net Pension Liability (PERS)	<u>1,422,519.00</u>	<u>510,171.00</u>	<u>912,348.00</u>	<u>                    </u>
<b>Total Liabilities</b>	<b><u>\$ 5,525,906.61</u></b>	<b><u>\$ 926,742.08</u></b>	<b><u>\$ 4,599,164.53</u></b>	<b><u>\$ 412,628.23</u></b>

The Village Charter School

Notes to the Basic Financial Statements

Year ended June 30, 2020

**NOTE 5. PENSION PLANS**

**Description of Systems**

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

**Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60, and 62, respectively, with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

**Public Employees' Retirement System**

The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school Board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2, and 3 members are eligible to retire at age 60, 60, and 62, respectively with an annual benefit generally determined to be 1/55<sup>th</sup> of the average annual.



The Village Charter School  
Notes to the Basic Financial Statements  
Year ended June 30, 2020

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

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60<sup>th</sup> of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Funding Policy**

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS are 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2020, the State of New Jersey contributed \$3,863,177 to the TPAF for normal costs of pension, post-retirement medical and long-term disability insurance benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$179,861.24 during the year ended June 30, 2020 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included as both revenues and expenditures in the government-wide and fund financial statements.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2020, 2019, and 2018 was \$66,471, \$49,525 and \$81,076, respectively, equal to the required contributions for each year.

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For the 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.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees' Retirement System (PERS)**

At June 30, 2020, the District reported a liability of \$912,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.050634034%, which was a decrease of 0.021613546% from its proportion measured as of June 30, 2018.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

For the year ended June 30, 2020, the School recognized pension expenses of \$21,875. At June 30, 2020, the School 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>
Change in Assumptions	\$91,101	\$316,673
Changes in Pension Proportion	126,789	700,320
Difference Projected vs. Actual Earnings		14,402
Difference Projected vs. Actual Experience	16,375	4,030
School contributions subsequent to the measurement date	<u>66,471</u>	<u>                    </u>
 Total	 <u>\$300,736</u>	 <u>\$1,035,425</u>

The \$ 66,471 of deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense by PERS as follows:

Year ending <u>June 30,</u>	
2021	\$ (96,769)
2022	(271,570)
2023	(262,875)
2024	(150,056)
2025	<u>(19,890)</u>
Total	<u>\$ (801,160)</u>

*Actuarial Assumptions* - The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation	2.75%
Salary Increases: Through 2026	2.00-6.00% Based on years of service
Thereafter	3.00-7.00% Based on years of service
Investment rate of return	7.00%

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Description of Plans (Cont'd)**

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

*Mortality Rates*

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 service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter.

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). 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. Improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is unlikely 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 future financial statements.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Description of Plans (Cont'd)**

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
Public high yield	2.00%	5.37%
Private credit	6.00%	7.92%
Private real asset	2.50%	9.31%
Equity related real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	<u>6.50%</u>	11.37%
	100.00%	

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 5.66% as of June 30, 2019. 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 3.87% as of June 30, 2018 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 50% 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**Description of Plans (Cont'd)**

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CONT'D)**

*Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate* – the following presents the collective net pension liability of PERS participating employers, as well as the School's attributed share of that liability, as of June 30, 2019, 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 (5.28%)	At current discount rate (6.28%)	At 1% increase (7.28%)
Village Charter School	<u>\$1,152,444</u>	<u>\$912,348</u>	<u>\$710,034</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information*

Collective balances of the local group at June 30, 2019 are as follows:

Deferred outflows of resources	\$4,960,632,600
Deferred inflows of resources	12,698,252,475
Net pension liability	41,156,252,475
 School's proportion	 0.072247580

Collective pension expense for the Local Group for the measurement period ended June 30, 2019 is \$967,548,587.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined at June 30, 2019, 2018, 2017, 2016, 2015 and 2014 is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years, respectively.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2019 was \$13,099,013. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2019, the State's proportionate share of the TPAF net pension liability associated with the District was 0.02143439972%, which was a increase of 0.0020221457% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized on-behalf pension expense and revenue in the government wide financial statements of \$487,928 for contributions incurred by the State.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. TEACHERS' PENSION AND ANNUITY FUND (CONT'D)**

*Actuarial Assumptions-* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases (through 2026)	1.55 – 4.45%
Based on years of service	
Thereafter	2.75 – 5.65%
Based on years of service	
Investment rate of return	7.00%

*Mortality Rates*

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality. The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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 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.



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. TEACHERS' PENSION AND ANNUITY FUND (CONT'D)**

Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
Public high yield	2.00%	5.37%
Private credit	6.00%	9.31%
Private real asset	2.50%	11.83%
Equity related real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	<u>6.50%</u>	11.37%
	100.00%	

*Discount Rate*

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. This single blended discount rate was based on the long-term rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019 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 70% 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 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054, 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, 2018 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 (4.60%)</u>	<u>At current Discount rate (5.60%)</u>	<u>At 1% Increase (6.6086%)</u>
State shareTPAF	\$72,544,649,801	\$61,519,112,443	\$52,371,397,951

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**B. TEACHERS' PENSION AND ANNUITY FUND (CONT'D)**

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

*Additional Information* – Collective balances of the local group at June 30, 2019 were as follows:

Collective Deferred Outflows of Resources	\$	9,932,767,606
Collective Deferred Inflows of Resources		17,519,845,423
State's Total Non-employer Net Pension Liability		61,519,112,443
School's Proportion		0.0213439972%

**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.

*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.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**C: DEFINED CONTRIBUTION RETIREMENT PLAN (con't)**

For the year ended June 30, 2020 the School's total payroll for all employees was \$3,533,299. Total DCRP covered payroll was \$20,309. Covered payroll refers to all compensation paid by the School to active employees covered by the Plan. School and employee contributions to the DCRP for the year ended June 30, 2020 were \$609.27.

**NOTE 6. POST-RETIREMENT BENEFITS**

**Plan Description**

The District contributes to the New Jersey State Health Benefits Program (the "SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provide medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Funding Policy**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994. The State's contributions to the SHBP for post-retirement benefits on behalf of the District for the years ended June 30, 2020, 2019 and 2018 were \$1,522,419, \$1,153,978, and \$1,245,337, respectively, which equaled the required contributions for each year.

As the employer contributions for local government education employers are legally required to be funded by the State, this constitutes a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6. POST-RETIREMENT BENEFITS:**

**General Information about the OPEB Plan:**

The State is also responsible for the cost attributable P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

The State provides OPEB benefits through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Total OPEB Liability*

The nonemployer OPEB liability from New Jersey's plan is \$41,729,081,045.

The following members were covered by the benefit terms:

<b><u>Local Education</u></b>	<b><u>June 30,2019</u></b>
Active members	216,892
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148,051
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
Total Plan Members	364,943

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The District's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS 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. The State's proportionate share of the net OPEB liability associated with the District as of June 30, 2019 was \$43,808,407, or 0.10%. Additional information can be obtained from the State of New Jersey's comprehensive annual financial report.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**General Information about the OPEB Plan (Cont'd):**

**Total Nonemployer OPEB Liability**

The total nonemployer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The total nonemployer OPEB liability as of June 30, 2018 was determined by actuarial valuation as of June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in.

This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55-3.05%	2.00-6.00%
	Based on Years of Service	Based on Age
Thereafter	1.55-3.05%	3.00-7.00%
	Based on Years of Service	Based on Age

**Actuarial Assumptions and Other Inputs**

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based in the RP-2006 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-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvements projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the actuarial experience studies for the periods July 1, 2015 – June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**General Information about the OPEB Plan (Cont'd):**

**Healthcare Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For Medicare Advantage trend rate is 4.5% and will continue in all future years.

**Discount Rate**

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is 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.

**Changes in the Total Nonemployer OPEB Liability**

The following represents the change in the State's proportionate share of the OPEB liability associated with the District:

Balance at June 30, 2018	\$3,814,302
Increased by:	
Service cost	388,609
Interest cost	160,464
Member contributions	3,488
Changes in assumptions	<u>57,161</u>
	4,424,024
Decreased by:	
Differences between expected and actual experiences	472,634
Gross benefit contributions	<u>117,683</u>
	<u>590,317</u>
Balance at June 30, 2019	<u>\$3,833,706</u>

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

**General Information about the OPEB Plan (Cont'd):**

The State's proportionate share of deferred outflows and inflows of resources associated with the District at June 30, 2019 was \$854,095 and \$1,742,477, respectively.

The following represents sensitivity of the State's proportionate share of the net OPEB liability associated with the District to changes in the discount rate and healthcare cost trend rate:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$4,529,122	\$3,833,706	\$3,281,306

Net OPEB Liability (Allocable to the District and the responsibility of the State)

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

For the year ended June 30, 2019, the District recognized on-behalf OPEB expense and revenue in the government-wide financial statements of \$1,044,845 for OPEB expenses incurred by the State. Collective balances of the Education Group at June 30, 2019 are as follows:

Deferred Outflows of Resources	\$	0
Deferred Inflows of Resources		18,966,494,643
Collective OPEB Expense		1,015,664,874

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 School 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 Insurance Group (the "Group"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

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

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, 2020:

<u>Fiscal Year</u>	<u>School/Employee Contributions</u>	<u>Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2019-2020	\$8,329	\$12	\$1,979	\$48,965
2018-2019	30,700	12	27,962	42,602
2017-2018	61,912	12	54,066	39,852



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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2020:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 343,715.56	\$
Special Revenue Fund		290,081.44
Enterprise Fund		1,000.00
Unemployment Trust	39,761.37	1,654.39
Agency Fund		90,741.10
	\$ 383,476.93	\$ 383,476.93

**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 \$1,303.95.

**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, 2019 to June 30, 2020 fiscal year is as follows:

Beginning balance, July 1, 2019	\$881,107
2019-2020 Budget Appropriation	<u>(180,348)</u>
Ending Balance June 30, 2020	\$700,759

**NOTE 14. INVENTORY**

Inventory in the Food Service Fund at June 30, 2020 consisted of the following:

Food	\$ <u>8,126.40</u>
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**VILLAGE CHARTER SCHOOL  
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15. FUND BALANCE APPROPRIATED**

**General Fund (B-1)** - Of the \$2,061,074 of General Fund balance (budgetary basis) at June 30, 2020, \$700,759 has been restricted in the Maintenance Reserve Account and \$42,134 is assigned for the School Year 2020-2021 Budget, \$500,000 is Designated for Health Benefit Reserve and \$818,181 is reported as unassigned.

**NOTE 16. DEFICIT FUND BALANCES**

The Charter School did not have any deficit fund balances at June 30, 2020 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 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 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. CONTINGENCY**

**Infection Disease Outbreak – COVID 19**

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "*Pandemic*") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Department of Health and Human Services declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

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

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 18. CONTINGENCY**

**Infection Disease Outbreak – COVID 19 (Cont'd.)**

In New Jersey, Governor Murphy declared a state of emergency on March 9, 2020, and has since issued multiple Executive Orders regarding the Pandemic. The School expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of the Pandemic. The Pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide.

The School cannot reasonably predict how long the Pandemic in New Jersey is expected to last, how the outbreak may impact the financial condition or operations of the School, any unexpected deferrals of tax payments, and/or state or federal aid to the School or the costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs of the School.

**NOTE 19. SUBSEQUENT EVENTS**

As at the date of the audit report, no additional 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, 2020**

	<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	\$ 410,268.00	\$ 33,507.00	\$ 443,775.00	\$ 439,804.00	\$ (3,971.00)
Interest on Investments	3,700.00	-	3,700.00	3,453.74	(246.26)
Miscellaneous	167,100.00	13,250.00	180,350.00	74,890.18	(105,459.82)
<b>Total - Local Sources</b>	<u>581,068.00</u>	<u>46,757.00</u>	<u>627,825.00</u>	<u>518,147.92</u>	<u>(109,677.08)</u>
<b>State Sources:</b>					
Special Education Aid	133,619.00	10,288.00	143,907.00	132,036.00	(11,871.00)
Security Aid	171,432.00	4,876.00	176,308.00	174,709.00	(1,599.00)
Equalization Aid	3,768,093.00	48,414.00	3,816,507.00	3,777,063.00	(39,444.00)
State Aid Adjustment	277,920.00	-	277,920.00	277,920.00	-
On-Behalf TPAF Pension Contrib.				487,928.00	487,928.00
On-Behalf TPAF PostRetirement Medical				181,012.00	181,012.00
On-Behalf TPAF LTDI Premiums				936.00	936.00
On-Behalf TPAF Soc. Sec. Contrib.				179,861.24	179,861.24
<b>Total - State Sources</b>	<u>4,351,064.00</u>	<u>63,578.00</u>	<u>4,414,642.00</u>	<u>5,211,465.24</u>	<u>796,823.24</u>
<b>Federal Sources:</b>					
Erate Program	17,100.00	-	17,100.00	9,420.91	(7,679.09)
<b>Total - Federal Sources</b>	<u>17,100.00</u>	<u>-</u>	<u>17,100.00</u>	<u>9,420.91</u>	<u>(7,679.09)</u>
<b>Total Revenues</b>	<u>4,949,232.00</u>	<u>110,335.00</u>	<u>5,059,567.00</u>	<u>5,739,034.07</u>	<u>679,467.07</u>
<b>EXPENDITURES:</b>					
Current Expense:					
<b>Instruction:</b>					
Salaries of Teachers - Specialists	414,791.00	16,201.00	430,992.00	392,158.40	38,833.60
Salaries of Teachers - Kindergarten	103,625.00	(9,945.00)	93,680.00	53,680.40	39,999.60
Salaries of Teachers - Grade 1-5	541,613.00	10,285.35	551,898.35	551,898.35	-
Salaries of Teachers - Grade 6-8	448,504.00	13,445.00	461,949.00	405,999.75	55,949.25
Salary Teaching Aide	63,937.00	10,595.97	74,532.97	74,532.97	-
Salaries of Teachers Substitutes	38,900.00	-	38,900.00	18,100.00	20,800.00
Other Salaries for Instruction	209,990.00	(44,101.32)	165,888.68	114,250.14	51,638.54
Other instruction- Home Schooling	2,000.00	-	2,000.00	1,825.00	175.00
Purchased Professional/Technical Services	33,900.00	(5,270.00)	28,630.00	27,971.69	658.31
Other Purchased Services - NIT and Other	69,000.00	-	69,000.00	47,667.50	21,332.50
General Supplies - Instruction	41,200.00	(1,840.56)	39,359.44	33,962.26	5,397.18
General Supplies - Workbooks	42,507.00	15,464.12	57,971.12	50,649.87	7,321.25
General Supplies - Technology Supplies	94,190.00	(41,795.25)	52,394.75	52,394.75	-
Textbooks	23,418.00	(18,295.72)	5,122.28	5,122.28	-
Miscellaneous	14,165.00	-	14,165.00	11,514.64	2,650.36
<b>Total Regular Programs - Instruction</b>	<u>2,141,740.00</u>	<u>(55,256.41)</u>	<u>2,086,483.59</u>	<u>1,841,728.00</u>	<u>244,755.59</u>
<b>Special Education:</b>					
Special Ed Salaries	161,861.00	7,441.00	169,302.00	169,302.00	-
Special Education Supplies		16,967.41	16,967.41	11,111.27	5,856.14
Textbooks		-	-	-	-
Purch/Prof. Develop. - Speech	35,000.00	-	35,000.00	29,782.89	5,217.11
Purch/Prof. Technical Services-CST	35,000.00	-	35,000.00	19,439.00	15,561.00
<b>Total Special Education</b>	<u>231,861.00</u>	<u>24,408.41</u>	<u>256,269.41</u>	<u>229,635.16</u>	<u>26,634.25</u>

**VILLAGE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>ORIGINAL BUDGET</u>	<u>BUDGET TRANSFERS</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE) FINAL TO ACTUAL</u>
<b>After School Program:</b>	\$	\$	\$	\$	\$
Other Instruction- Salaries	104,160.00	-	104,160.00	51,090.47	53,069.53
Benefits Expense	9,400.00	(301.07)	9,098.93	-	9,098.93
Instructional Supplies	3,500.00	159.88	3,659.88	2,021.08	1,638.80
General Supplies	-	141.19	141.19	141.19	-
<b>Total After School Program Program</b>	<u>117,060.00</u>	<u>0.00</u>	<u>117,060.00</u>	<u>53,252.74</u>	<u>63,807.26</u>
<b>Summer Academy:</b>					
Salaries-Teachers	78,400.00	13,400.00	91,800.00	58,047.50	33,752.50
Summer- Instructional Supplies	20,900.00	(14,400.00)	6,500.00	3,671.08	2,828.92
Security- Salaries	-	1,000.00	1,000.00	950.00	50.00
<b>Total Summer Academy</b>	<u>99,300.00</u>	<u>-</u>	<u>99,300.00</u>	<u>62,668.58</u>	<u>36,631.42</u>
<b>Total Instructional Program</b>	<u>2,589,961.00</u>	<u>(30,848.00)</u>	<u>2,559,113.00</u>	<u>2,187,284.48</u>	<u>371,828.52</u>
<b>Administrative:</b>					
Salaries - Administration	150,000.00	3,000.00	153,000.00	153,000.00	-
Salaries of Secretarial and Clerical Assistants	57,604.00	2,304.08	59,908.08	59,908.08	-
Legal Fees	5,000.00	1,336.50	6,336.50	6,336.50	-
Audit Fees	17,250.00	-	17,250.00	16,161.00	1,089.00
Purchased Prof./Tech. Services - Admin.	19,200.00	(1,384.52)	17,815.48	14,681.16	3,134.32
Other Purch. Services - Admin. Conf.	1,200.00	742.08	1,942.08	1,942.08	-
Other Purchased Services Dues	11,990.00	(694.14)	11,295.86	10,602.00	693.86
Communication/Telephone	30,600.00	250.00	30,850.00	20,952.38	9,897.62
Communications Ads and Postage	10,600.00	-	10,600.00	3,410.28	7,189.72
General Supplies Admin.	2,000.00	500.00	2,500.00	2,234.54	265.46
Misc. Exp. Admin. Dues and Board Expense	1,500.00	-	1,500.00	1,206.54	293.46
Salaries - Principal	132,710.00	6,475.12	139,185.12	139,185.12	-
Salaries of Secretarial/Clerical	95,156.00	376.48	95,532.48	72,431.46	23,101.02
Supplies - Principal	5,000.00	-	5,000.00	4,985.46	14.54
Salaries - Business Office	142,449.00	5,698.00	148,147.00	148,146.96	0.04
Salaries Admin. Business Office	96,100.00	9,106.40	105,206.40	105,206.40	-
Supplies - Business Office	2,000.00	-	2,000.00	1,395.38	604.62
Admin. Technology	1,500.00	(500.00)	1,000.00	-	1,000.00
Insurance - Workers Compensation	40,000.00	4,542.17	44,542.17	44,542.17	-
FICA Expense	69,500.00	(3,240.68)	66,259.32	73,963.52	(7,704.20)
Unemployment Insurance	40,000.00	(13,133.57)	26,866.43	26,866.43	-
Health Benefits Cost	312,000.00	-	312,000.00	300,201.18	11,798.82
Pension Expense (PERS)	72,376.00	(1,805.92)	70,570.08	50,751.72	19,818.36
<b>Total Administrative Expense</b>	<u>1,315,735.00</u>	<u>13,572.00</u>	<u>1,329,307.00</u>	<u>1,258,110.36</u>	<u>71,196.64</u>

**VILLAGE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<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	\$ 4,500.00	\$ 9,150.00	\$ 13,650.00	\$ 13,650.00	\$ -
Nurse Salary	72,333.00	2,893.08	75,226.08	75,226.08	-
Purch. Prof. Services CAP Worksheet	4,000.00	-	4,000.00	2,553.15	1,446.85
Supplies - Nurse	2,000.00	1,541.13	3,541.13	3,541.13	-
Salaries - Guidance Counselors	149,661.00	(2,938.08)	146,722.92	98,753.28	47,969.64
Guidance Office Supplies	2,000.00	(1,541.13)	458.87	83.93	374.94
Purch. Prof./Tech. Services Support	7,000.00	-	7,000.00	7,000.00	-
Misc. Expenses- Support Staff		1,012.00	1,012.00	1,012.00	-
Oper/Maint. Support Staff Salaries	149,975.00	(72,741.53)	77,233.47	77,233.47	-
Security Staff - Salaries		83,189.28	83,189.28	80,656.53	2,532.75
Lunch Program Staff - Salaries		12,191.25	12,191.25	12,191.25	-
Other Purchased Services	234,650.00	(540.00)	234,110.00	159,663.64	74,446.36
Security Supplies and Equipment		540.00	540.00	540.00	-
Rental of Land and Buildings	22,471.00	-	22,471.00	18,607.00	3,864.00
Insurance for Property, Liability and Fidelity	44,347.00	(1,200.00)	43,147.00	42,989.24	157.76
Lease Purchase	28,000.00	(10,000.00)	18,000.00	9,809.10	8,190.90
Transportation - Other than To/From School	2,500.00	-	2,500.00	250.00	2,250.00
Energy Costs (Heat and Electricity)	100,200.00	(5,000.00)	95,200.00	76,843.97	18,356.03
<b>Total Other Support Services</b>	<u>823,637.00</u>	<u>16,556.00</u>	<u>840,193.00</u>	<u>680,603.77</u>	<u>159,589.23</u>
<b>On-Behalf Contributions:</b>					
On-Behalf TPAF Pension Contrib.				487,928.00	487,928.00
On-Behalf TPAF PostRetirement Medical				181,012.00	181,012.00
On-Behalf TPAF LTDI Premiums				936.00	936.00
On-Behalf TPAF Soc. Sec. Contrib.				179,861.24	179,861.24
<b>Total On-Behalf Contributions</b>				<u>849,737.24</u>	<u>849,737.24</u>
<b>Total Expenditures- Current Expense</b>	<u>4,729,333.00</u>	<u>(720.00)</u>	<u>4,728,613.00</u>	<u>4,975,735.85</u>	<u>1,452,351.63</u>
<b>Capital Outlay</b>					
Facilities Acquisition & Construction:	-	-			-
Direct Install Program Cost		92,330.73	92,330.73	92,330.73	-
Master Plan		38,888.91	38,888.91	38,888.91	-
Sidewalk Replacement		49,128.50	49,128.50	49,128.50	-
<b>Total Capital Outlay</b>	<u>-</u>	<u>180,348.14</u>	<u>180,348.14</u>	<u>180,348.14</u>	<u>-</u>
<b>Total Expenditures - General Fund</b>	<u>4,729,333.00</u>	<u>179,628.14</u>	<u>4,908,961.14</u>	<u>5,156,083.99</u>	<u>1,452,351.63</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 219,899.00	\$ (69,293.14)	\$ 150,605.86	\$ 582,950.08	\$ 2,131,818.70
Other Financing Sources (Uses)					
Operating Transfers Out - Debt Service Fund	(534,729.00)		(534,729.00)	(534,729.00)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(534,729.00)</u>	<u>-</u>	<u>(534,729.00)</u>	<u>(534,729.00)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(314,830.00)	(69,293.14)	(384,123.14)	48,221.08	2,131,818.70
<b>Fund Balances, July 1</b>	<u>2,012,852.96</u>		<u>2,012,852.96</u>	<u>2,012,852.96</u>	
<b>Fund Balances, June 30</b>	<u>\$ 1,698,022.96</u>	<u>\$ (69,293.14)</u>	<u>\$ 1,628,729.82</u>	<u>\$ 2,061,074.04</u>	<u>\$ 2,131,818.70</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve Account				\$ 700,758.86	
Assigned Fund Balance:					
Designated for Subsequent Years Expenditures				42,134.00	
Designated for Health Benefit Reserve				500,000.00	
Unassigned Fund Balance				<u>818,181.18</u>	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<u>\$ 2,061,074.04</u>	



**Village Charter School  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Fiscal Year Ended June 30, 2020**

	<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	\$ 10,299.50	\$	\$ 10,299.50	\$ 10,299.50	\$
Total - Local Sources	<u>10,299.50</u>		<u>10,299.50</u>	<u>10,299.50</u>	
State Sources:					
NJSBA Safety Grant	2,500.00		2,500.00	2,081.81	(418.19)
Total - State Sources	<u>2,500.00</u>		<u>2,500.00</u>	<u>2,081.81</u>	<u>(418.19)</u>
Federal Sources:					
Title I Part A	253,346.00		253,346.00	253,346.00	
IDEA Part B	81,919.00		81,919.00	81,919.00	
IDEA Preschool	981.00		981.00	981.00	
COVID 19 Cares Relief Grant		167,003.00	167,003.00	167,003.00	
Total - Federal Sources	<u>336,246.00</u>	<u>167,003.00</u>	<u>503,249.00</u>	<u>503,249.00</u>	
<b>Total Revenues</b>	<b><u>349,045.50</u></b>	<b><u>167,003.00</u></b>	<b><u>516,048.50</u></b>	<b><u>515,630.31</u></b>	<b><u>(418.19)</u></b>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	155,783.65		155,783.65	155,783.65	
Other Salaries for Instruction	64,614.00		64,614.00	64,614.00	
General Supplies	38,500.05		38,500.05	38,500.05	
Instructional Supplies	5,162.00	135,129.00	140,291.00	140,291.00	
Total instruction	<u>264,059.70</u>	<u>135,129.00</u>	<u>399,188.70</u>	<u>399,188.70</u>	
EXPENDITURES (CONT'D):					
Support Services					
Other Salaries		28,864.00	28,864.00	28,864.00	
Personal Services - Employee Benefits	18,850.00		18,850.00	18,850.00	
Purchased Profess. Technical Services	53,135.80	3,010.00	56,145.80	56,145.80	
Purchased Profess. Professional Services	3,000.00		3,000.00	3,000.00	
Program Administrator - Services	7,500.00		7,500.00	7,500.00	
General Supplies	2,500.00		2,500.00	2,081.81	(418.19)
Total support services	<u>84,985.80</u>	<u>31,874.00</u>	<u>116,859.80</u>	<u>116,441.61</u>	<u>(418.19)</u>
<b>Total Expenditures</b>	<b><u>349,045.50</u></b>	<b><u>167,003.00</u></b>	<b><u>516,048.50</u></b>	<b><u>515,630.31</u></b>	<b><u>(418.19)</u></b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

NOTES TO THE REQUIRED  
SUPPLEMENTARY INFORMATION

**VILLAGE CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET-TO-GAAP  
RECONCILIATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures**

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule (C-series)	(C-1)	\$ 5,739,034.07	(C-2)	\$ 515,630.31
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>5,739,034.07</u></b>	<b>(B-2)</b>	<b><u>515,630.31</u></b>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1)	5,156,083.99	(C-2)	515,630.31
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>\$ 5,156,083.99</u></b>	<b>(B-2)</b>	<b><u>\$ 515,630.31</u></b>

REQUIRED SUPPLEMENTARY  
INFORMATION

PART III

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

SECTION - L

**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>	<u>2018</u>	<u>2019</u>
District's Proportion of the Net Pension Liability	0.57880799%	0.72916123%	0.81942900%	0.97176258%	0.84812799%	0.72247580%	0.50634034%
District's Proportionate Share of the Net Pension Liability	\$1,106,217	\$1,365,189	\$1,839,456	\$2,878,082	\$1,974,306	\$1,422,519	\$912,348
District's Covered-Employee Payroll	\$597,780	\$635,767	\$572,204	\$505,506	\$ 391,667	\$ 428,431	\$ 440,053
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%	332.03%	207.33%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%	40.14%	48.10%	53.60%	56.27%

\* 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>	<u>2018</u>	<u>2019</u>
Contractually Required Contribution	\$ 43,612	\$ 60,111	\$ 70,449	\$ 87,637	\$ 81,076	\$ 49,525	\$ 66,471
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>	<u>\$ (49,525)</u>	<u>\$ (66,471)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 597,780	\$ 635,767	\$ 572,204	\$ 505,506	\$ 391,667	\$ 428,431	\$ 440,053
Contributions as a percentage of Covered Employee Payroll	7.30%	9.45%	12.31%	17.34%	20.70%	11.56%	15.11%

\* 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>	<u>2018</u>	<u>2019</u>
District's Proportion of the Net Pension Liability	0.02193713%	0.02148245%	0.02016678%	0.02065631%	0.02017700%	0.01932200%	0.02134400%
District's Proportionate Share of the Net Pension Liability	\$11,086,851	\$11,481,669	\$12,746,267	\$16,249,572	\$13,604,061	\$12,292,147	\$13,099,013
District's Covered-Employee Payroll	\$2,027,709	\$1,967,119	\$1,961,428	\$2,091,348	\$2,177,547	\$2,469,778	\$2,380,119
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%	497.70%	550.35%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.76%	33.64%	28.71%	22.33%	25.41%	26.49%	26.95%

\* 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, 2020**

**NOTE 1. CHANGES IN BENEFITS AND 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, 2019, dated March 27, 2020. 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 2019, the discount rate changed to 6.28% and the long-term expected rate of return remained at the prior-year rate of 7.0%. Demographic assumptions were unchanged.

For 2018, the discount rate changed to 5.66% and the long-term expected rate of return remained at the prior-year rate of 7.0%. Demographic assumptions were unchanged.

For 2017, the discount rate changed to 5.00%, the long-term expected rate of return changed to 7.00%. Demographic assumptions were unchanged.

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% and the long-term expected rate of return remained unchanged at 7.90%. 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% and the long-term expected rate of return was 7.90%.

**TPAF**

Changes in benefit terms: None

Changes in assumptions:

For 2019, the discount rate was changed to 5.60%. There were no changes to the long-term expected rate of return and no changes to demographic assumptions.

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

**NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION  
JUNE 30, 2020**

**NOTE 1. CHANGES IN BENEFITS AND ASSUMPTIONS (Cont'd.)**

**TPAF (Cont'd.)**

For 2018, the discount rate was changed to 4.86%. There were no changes to the long-term expected rate of return and no changes to demographic assumptions.

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

For 2016, the discount rate was changed to 3.22%, and the long-term expected rate of return was 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 was changed to 4.13%. There were no changes to the long-term expected rate of return and no changes to demographic assumptions.

For 2014, the discount rate was 4.68% and the long-term expected rate of return was 7.90%.

SCHEDULES RELATED TO  
ACCOUNTING AND REPORTING FOR  
POSTEMPLOYMENT BENEFITS OTHER  
THAN PENSION

SECTION - M

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

	<u>Last 10 Fiscal Years*</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's Proportion of the Net OPEB Liability	0.0074201%	0.0077995%	0.0082720%	0.0091871%
District's Proportionate Share of the Net OPEB Liability	\$ 4,291,183	\$ 4,183,641	\$ 3,814,302	\$ 3,833,706
District's Covered Employee Payroll	\$ 2,613,486	\$ 2,569,214	\$ 2,898,209	\$ 2,820,172
District's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	164.19%	162.84%	131.61%	135.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%

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

\* Information for prior periods was not available.

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, 2020**

**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 District's financial statements.

**NOTE 2. CHANGES IN ASSUMPTIONS**

For 2019, the discount rate changed to 3.50% from 3.87% in 2018. For pre-Medicare PPO and HMO medical benefits, the initial trend rate changed to 5.7% from 5.8%. For prescription drug benefits, the initial trend rate changed to 7.5% from 8.0%. Demographic assumptions remained unchanged and are consistent with the assumptions used in the pension plan valuations.

For 2018, the discount rate changed to 3.87% from 3.58% in 2017. For pre-Medicare PPO and HMO medical benefits, the initial trend rate changed to 5.8% from 5.9%. For prescription drug benefits, the initial trend rate changed to 8.0% from 10.5%. Demographic assumptions remained unchanged and are consistent with the assumptions used in the pension plan valuations.

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, 2020**

	<u>TITLE I Part A 2019-20</u>	<u>IDEA BASIC REGULAR 2019-20</u>	<u>IDEA PRESCHOOL 2019-20</u>	<u>COVID-19 CARES ACT RELIEF GRANT</u>	<u>NJSBA SAFETY GRANT</u>	<u>PRINCETON BLAIRSTOWN CAMP</u>	<u>TOTALS 2019-20</u>
<u>REVENUES</u>							
Local Sources	\$	\$	\$	\$	\$	\$ 10,299.50	\$ 10,299.50
State Sources					2,081.81		2,081.81
Federal Sources	253,346.00	81,919.00	981.00	167,003.00			503,249.00
<b>Total Revenues</b>	<b>253,346.00</b>	<b>81,919.00</b>	<b>981.00</b>	<b>167,003.00</b>	<b>2,081.81</b>	<b>10,299.50</b>	<b>515,630.31</b>
<u>EXPENDITURES</u>							
Instruction:							
Salaries of Teachers	101,927.65	53,856.00					155,783.65
Other Salaries for Instruc.	64,614.00						64,614.00
General Supplies	29,287.05	9,213.00					38,500.05
Instructional Supplies	4,181.00		981.00	135,129.00			140,291.00
<b>Total Instruction</b>	<b>200,009.70</b>	<b>63,069.00</b>	<b>981.00</b>	<b>135,129.00</b>			<b>399,188.70</b>
Support Services:							
Other Salaries				28,864.00			28,864.00
Personal Services - Empl. Benefits		18,850.00					18,850.00
Purch. Prof. - Tech. Services	42,836.30			3,010.00		10,299.50	56,145.80
Purch. Prof. - Educ. Services							
Purchased Professional Services	10,500.00						10,500.00
Other Purch. Services (400-500 series)							
General Supplies					2,081.81		2,081.81
<b>Total Support Services</b>	<b>53,336.30</b>	<b>18,850.00</b>		<b>31,874.00</b>	<b>2,081.81</b>	<b>10,299.50</b>	<b>116,441.61</b>
<b>Total Expenditures</b>	<b>\$ 253,346.00</b>	<b>\$ 81,919.00</b>	<b>\$ 981.00</b>	<b>\$ 167,003.00</b>	<b>\$ 2,081.81</b>	<b>\$ 10,299.50</b>	<b>\$ 515,630.31</b>

CAPITAL PROJECTS FUND

SECTION - F

PROPRIETARY FUND

SECTION – G

# ENTERPRISE FUND

**VILLAGE CHARTER SCHOOL  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
AS OF JUNE 30, 2020**

Assets	
Cash and Cash Equivalents	\$ 35,622.55
Accounts Receivable:	
State	5.50
Federal	570.00
Other	13,746.10
Inventories	8,126.40
Prepaid Expenses	10,419.43
	<hr/>
Total Current Assets	68,489.98
	<hr/>
<b>Total Assets</b>	<b>\$ 68,489.98</b>
	<hr/> <hr/>
Liabilities	
Current Liabilities:	
Accounts Payable	2,285.71
Deferred Revenue	\$ 2,636.17
Interfund Loans	1,000.00
	<hr/>
Total Current Liabilities	5,921.88
	<hr/>
<b>Total Liabilities</b>	<b>5,921.88</b>
	<hr/>
Net Position	
Unrestricted (Deficit)	62,568.10
	<hr/>
<b>Total Net Position</b>	<b>\$ 62,568.10</b>
	<hr/>
<b>Total Net Position and Liabilities</b>	<b>\$ 68,489.98</b>
	<hr/> <hr/>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	\$ 19,199.30
Daily Sales Dinner Program Nonreimburaable	<u>5,794.40</u>
Total - Operating Revenue	<u>24,993.70</u>
Operating Expenses:	
Cost of Sales:	
Program Sales	93,878.20
Non-Program Sales	
Total Cost of Sales	<u>93,878.20</u>
Personnel Costs	57,188.87
Uniforms	275.82
Office and Administration	787.68
Insurance	9,128.11
Transportation	1,182.30
Management Fee	12,750.00
Supplies	2,519.21
Equipment Expense	<u>6,382.08</u>
Total Operating Expenses	184,092.27
Operating Income (Loss)	<u>(159,098.57)</u>
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	1,915.20
Federal Sources:	
National School Lunch Program	105,310.30
National School Breakfast Program	32,300.99
National School Snack Program	7,504.02
USDA Commodities Program	19,475.96
Interest Income	<u>85.61</u>
Total Non-Operating Revenues	<u>166,592.08</u>
Net Income (Loss) Before Operating Transfers	<u>7,493.51</u>
Change in Net Position	7,493.51
Total Net Position Beginning	<u>55,074.59</u>
<b>Total Net Position Ending</b>	<b><u>\$ 62,568.10</u></b>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 20,273.47
Cash Payments to Suppliers for Goods and Services	<u>(177,506.03)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>(157,232.56)</u></b>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from State and Federal Sources	<u>163,371.65</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>163,371.65</u></b>
Net Cash Provided by Investing Activities:	
Interest on Investments	<u>85.61</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>85.61</u></b>
Net Increase in Cash and Cash Equivalents	6,224.70
Cash and Cash Equivalents at Beginning of Year	<u>29,397.85</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 35,622.55</u></b>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income/(Loss)	\$ (159,098.57)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Income:	
USDA Commodities	19,475.96
Changes in Assets and Liabilities:	
(Increase) Decrease in Inventories	(6,659.01)
(Increase) Decrease in Prepaid Expenses	(10,419.43)
(Increase) Decrease in Accounts Receivable	(4,776.90)
Increase (Decrease) in Accounts Payable	1,946.50
Increase (Decrease) in Deferred Revenue	<u>2,298.89</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (157,232.56)</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, 2020**

	<u>UNEMPLOYMENT COMPENSATION TRUST</u>		<u>AGENCY</u>	
			<u>STUDENT ACTIVITY</u>	<u>PAYROLL</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 12,163.36	\$		\$ 94,761.01
Accounts Receivable			2,587.67	
Interfunds Receivable	39,761.37			
	<u>39,761.37</u>		<u>2,587.67</u>	<u>94,761.01</u>
<b>Total Assets</b>	<b>\$ 51,924.73</b>	<b>\$</b>	<b>2,587.67</b>	<b>\$ 94,761.01</b>
<b><u>LIABILITIES AND NET POSITION</u></b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,305.48	\$		\$
Payroll Deductions and Withholdings				6,390.40
Interfund Payable	1,654.39		2,370.49	88,370.61
	<u>1,654.39</u>		<u>2,370.49</u>	<u>88,370.61</u>
<b>Total Liabilities</b>	<b>2,959.87</b>		<b>2,370.49</b>	<b>94,761.01</b>
<b>Net Position:</b>				
Due to Student Groups			217.18	
Held in Trust for Unemployment Claims and Other Purposes	48,964.86			
	<u>48,964.86</u>		<u>217.18</u>	
<b>Total Net Position</b>	<b>48,964.86</b>		<b>217.18</b>	
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 51,924.73</b>	<b>\$</b>	<b>2,587.67</b>	<b>\$ 94,761.01</b>

**VILLAGE CHARTER SCHOOL  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

		<b>TRUST FUND</b>
		<b><u>UNEMPLOYMENT COMPENSATION</u></b>
<b><u>ADDITIONS</u></b>		
Contributions:		
Employees Share	\$	<u>8,329.10</u>
Total Contributions		<u>8,329.10</u>
Investment Earnings:		
Interest		<u>12.17</u>
Total Investment Earnings		<u>12.17</u>
Total Additions		<u>8,341.27</u>
<b><u>DEDUCTIONS</u></b>		
Unemployment Claims		<u>1,978.69</u>
Total Deductions		<u>1,978.69</u>
Change in Net Position		<u>6,362.58</u>
Net Position - Beginning of the Year		<u>42,602.28</u>
<b>Net Position - End of the Year</b>	<b>\$</b>	<b><u><u>48,964.86</u></u></b>

VILLAGE CHARTER SCHOOL  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>BALANCE JUNE 30, 2019</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2020</u>
Village Charter School	\$ <u>(13.19)</u>	\$ <u>33,498.18</u>	\$ <u>35,855.48</u>	\$ <u>(2,370.49)</u>
<b>Total</b>	\$ <u><u>(13.19)</u></u>	\$ <u><u>33,498.18</u></u>	\$ <u><u>35,855.48</u></u>	\$ <u><u>(2,370.49)</u></u>

**VILLAGE CHARTER SCHOOL  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>BALANCE JUNE 30, 2019</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2020</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 156,407.43	\$ 3,545,582.89	\$ 3,607,229.31	\$ 94,761.01
Total Assets	<u>\$ 156,407.43</u>	<u>\$ 3,545,582.89</u>	<u>\$ 3,607,229.31</u>	<u>\$ 94,761.01</u>
<b><u>LIABILITIES</u></b>				
Payroll Deductions and Withholdings	\$ 6,659.04	\$ 1,549,319.15	1,549,587.79	\$ 6,390.40
Interfunds Payable	<u>149,748.39</u>	<u>1,996,263.74</u>	<u>2,057,641.52</u>	<u>88,370.61</u>
Total Liabilities	<u>\$ 156,407.43</u>	<u>\$ 3,545,582.89</u>	<u>\$ 3,607,229.31</u>	<u>\$ 94,761.01</u>

# LONG TERM DEBT

## SECTION - I

**VILLAGE CHARTER SCHOOL  
LONG-TERM DEBT  
SCHEDULE OF MORTGAGE OBLIGATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JUNE 30, 2019</u>	<u>DECREASES</u>	<u>BALANCE JUNE 30, 2020</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Acquisition of School Facility*	10/2/2013	\$ 6,000,000.00	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	10/2/2013	\$ 260,000.00	2020-21	\$ 20,000		\$ 56,000.00	\$ 36,000.00	\$ 20,000.00
<b>Totals</b>						<b>\$ 4,103,387.64</b>	<b>\$ 416,571.11</b>	<b>\$ 3,686,816.53</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, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES:				
Regular Debt Service:				
Redemption of Loan Principal	416,571.08	416,571.08	416,571.08	-
Loan Interest	118,157.92	118,157.92	118,157.92	-
Total Regular Debt Service	534,729.00	534,729.00	534,729.00	-
Total expenditures	534,729.00	534,729.00	534,729.00	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (534,729.00)	\$ (534,729.00)	\$ (534,729.00)	\$ -
Other Financing Sources:				
Operating Transfers In:				
General Fund	534,729.00	534,729.00	534,729.00	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	-	-	-	-
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -



Statistical Section (Unaudited)

SECTION - J

## Financial Trends

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Invested in capital assets, net of related debt	\$101,358	\$107,401	\$201,969	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077	\$1,624,230	\$1,784,236	\$2,194,402
Restricted	500,000	500,000	500,000	781,107	831,107	899,867	902,535	1,006,127	756,127	1,242,893
Unrestricted	840,653	964,228	1,263,414	599,894	(530,389)	(719,372)	(661,265)	(699,655)	(532,898)	(899,849)
Total governmental activities net assets/position	<u>\$1,442,011</u>	<u>\$1,571,629</u>	<u>\$1,965,383</u>	<u>\$2,480,565</u>	<u>\$1,532,098</u>	<u>\$1,527,181</u>	<u>\$1,714,347</u>	<u>\$1,930,702</u>	<u>\$ 2,007,465</u>	<u>\$ 2,537,446</u>
Business-type activities										
Unrestricted	\$48,540	\$59,268	\$45,042	\$49,016	\$38,637	\$33,930	\$32,098	\$31,220	\$55,075	\$62,568
Total business-type activities net assets/position	<u>\$ 48,540</u>	<u>\$ 59,268</u>	<u>\$ 45,042</u>	<u>\$ 49,016</u>	<u>\$ 38,637</u>	<u>\$ 33,930</u>	<u>\$ 32,098</u>	<u>\$ 31,220</u>	<u>\$ 55,075</u>	<u>\$ 62,568</u>
District-wide										
Invested in capital assets, net of related debt	\$262,425	\$107,401	\$107,401	\$1,099,564	\$1,231,380	\$1,346,685	\$1,473,077	\$1,624,230	\$1,784,236	\$2,194,402
Restricted		500,000	500,000	781,107	831,107	899,867	902,535	1,006,127	756,127	1,242,893
Unrestricted	1,120,986	889,193	1,308,456	648,910	(491,752)	(685,442)	(629,167)	(668,435)	(477,824)	(837,281)
Total district net assets/position	<u>\$1,383,411</u>	<u>\$1,496,594</u>	<u>\$1,960,899</u>	<u>\$2,529,581</u>	<u>\$1,570,735</u>	<u>\$1,561,111</u>	<u>\$1,746,445</u>	<u>\$1,961,922</u>	<u>\$ 2,062,539</u>	<u>\$ 2,600,014</u>

Source: CAFR Schedule A-1.

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

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

	Fiscal Year Ending June 30.									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$2,057,922	\$2,325,118	\$1,832,497	\$2,005,803	\$1,985,820	\$2,146,332	\$1,914,129	\$2,209,682	\$2,250,758	\$2,035,682
Special education	384,236	319,688	507,326	520,207	634,013	593,178	807,435	595,701	572,753	628,824
After School Program									40,982	53,253
Summer Academy									60,675	62,669
Support Services:										
Student & Instruction Related Services	82,816	144,404	166,363	116,813	33,679	32,849				
General administrative services	1,183,598	1,451,353	1,211,038	1,408,717	1,545,322	1,264,389	1,583,117	1,345,704	1,263,568	1,382,662
School administrative services	1,388,814	1,217,898	1,416,690	996,224	1,146,707	1,279,448	989,635	788,023	756,573	711,808
Unallocated Benefits	323,262	348,414	470,713	402,978	500,122	666,998	1,628,213	1,742,384	1,439,443	1,257,389
Interest on Long-Term Debt									129,073	128,766
Capital Outlay										
Unallocated depreciation										
Total governmental activities expenses	5,420,648	5,806,875	5,604,627	5,450,742	5,845,663	5,983,194	6,922,529	6,681,494	\$6,513,825	\$6,261,052
Business-type activities:										
Food service	165,973	162,609	187,704	174,539	204,362	246,118	234,385	210,514	226,863	184,092
Total business-type activities expense	165,973	162,609	187,704	174,539	204,362	246,118	234,385	210,514	226,863	184,092
Total district expenses	\$ 5,586,621.00	5,969,484	5,792,331	5,625,281	6,050,025	6,229,312	7,156,914	6,892,008	6,740,688	6,445,144

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Program Revenues</b>										
Governmental activities:										
Operating grants and contributions	272,163	348,414	470,713	768,588	791,677	541,776	1,576,749	2,086,777	1,765,101	514,630
Total governmental activities program revenues	272,163	348,414	470,713	768,588	791,677	541,776	1,576,749	2,086,777	1,765,101	514,630
Business-type activities:										
Charges for services:										
Food service	19,892	15,038	27,212	9,932	9,653	27,045	21,889	23,082	31,290	24,994
Operating grants and contributions	156,628	158,276	146,230	168,574	184,269	214,279	210,618	186,511	219,381	166,506
Total business type activities program revenues	176,520	173,314	173,442	178,506	193,922	241,324	232,507	209,593	250,671	191,500
Total district program revenues	\$ 448,683	\$ 521,728	\$ 644,155	\$ 947,094	\$ 985,599	\$ 783,100	\$ 1,809,256	\$ 2,296,370	\$ 2,015,772	\$ 706,130
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,148,485)	\$ (5,458,461)	\$ (5,133,914)	\$ (4,682,154)	\$ (5,053,986)	\$ (5,441,418)	\$ (5,345,780)	\$ (4,594,717)	\$ (4,748,724)	\$ (5,746,422)
Business-type activities	10,547	10,705	(14,262)	3,967	(10,440)	(4,794)	(1,878)	(922)	23,808	7,408
Total district-wide net expense	\$ (5,137,938)	\$ (5,447,756)	\$ (5,148,176)	\$ (4,678,187)	\$ (5,064,426)	\$ (5,446,212)	\$ (5,347,658)	\$ (4,595,638)	\$ (4,724,916)	\$ (5,739,014)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Local Property Taxes - Charter School Aid	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293	\$ 473,271	\$ 447,552	\$ 439,804
Unrestricted Federal and State Aid	4,383,501	4,704,175	4,538,335	4,659,447	4,694,097	4,378,779	4,495,179	4,459,523	4,330,624	5,747,956
Local Aid	518,151	396,996	513,974	13,285	12,500	536,780	544,781	-	-	85,190
Miscellaneous income	119,064	17,188	1,915	35,853	9,217	29,318	18,692	17,946	47,310	3,454
Total governmental activities	5,463,252	5,588,077	5,527,671	5,197,335	5,211,737	5,436,500	5,532,945	4,950,740	4,825,487	6,276,403
Business-type activities:										
Investment earnings	40	24	36	7	60	88	45	44	47	86
Total business-type activities	40	24	36	7	60	88	45	44	47	86
Total district-wide	\$ 5,463,292	\$ 5,588,101	\$ 5,527,707	\$ 5,197,342	\$ 5,211,797	\$ 5,436,588	\$ 5,532,990	\$ 4,950,783	\$ 4,825,534	\$ 6,276,489
<b>Change in Net Position</b>										
Governmental activities	\$ 314,767	\$ 129,616	\$ 393,757	\$ 515,181	\$ 157,751	\$ (4,918)	\$ 187,165	\$ 356,023	\$ 76,763	\$ 529,982
Business-type activities	10,587	10,729	(14,226)	3,973	(10,380)	(4,706)	(1,833)	(878)	23,855	7,494
Total district	\$ 325,354	\$ 140,345	\$ 379,531	\$ 519,154	\$ 147,371	\$ (9,624)	\$ 185,332	\$ 355,145	\$ 100,618	\$ 537,475

Source: CAFR Schedule A-2.

**Village Charter School  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
Unaudited  
*(modified accrual basis of accounting)***

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund										
Restricted	\$ 500,000	\$ 500,000	\$ 500,000	\$ 781,107	\$ 831,107	\$ 881,107	\$ 881,107	\$ 1,131,107	\$ 881,107	\$ 700,759
Committed						18,760	21,428			
Assigned						226,635	484,497	625,020	814,830	542,134
Unrestricted	840,653	964,228	1,263,414	600,496	630,494	346,295	463,891	303,340	316,916	818,181
Total general fund	<u>\$ 1,340,653</u>	<u>\$ 1,464,228</u>	<u>\$ 1,763,414</u>	<u>\$ 1,381,603</u>	<u>\$ 1,461,601</u>	<u>\$ 1,472,797</u>	<u>\$ 1,850,924</u>	<u>\$ 2,059,467</u>	<u>\$ 2,012,853</u>	<u>\$ 2,061,074</u>
Total all governmental funds	<u><u>\$ 1,340,653</u></u>	<u><u>\$ 1,464,228</u></u>	<u><u>\$ 1,763,414</u></u>	<u><u>\$ 1,381,603</u></u>	<u><u>\$ 1,461,601</u></u>	<u><u>\$ 1,472,797</u></u>	<u><u>\$ 1,850,924</u></u>	<u><u>\$ 2,059,467</u></u>	<u><u>\$ 2,012,853</u></u>	<u><u>\$ 2,061,074</u></u>

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

	Fiscal Year Ending June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Tax levy	\$ 442,536	\$ 469,718	\$ 473,447	\$ 488,750	\$ 495,923	\$ 491,623	\$ 474,293	\$ 473,271	\$ 447,552	\$ 439,804
Miscellaneous	119,064	17,188	1,915	35,853	9,217	11,635	4,114	7,386	37,110	78,344
Local sources	6,854	41,280	137,744	13,285	12,500	17,683	14,578	10,560	10,600	10,299
State sources	4,655,664	5,052,588	5,009,048	5,062,425	5,155,297	4,920,555	5,009,090	5,085,956	5,125,270	5,213,547
Federal sources	511,297	355,716	376,230	365,610	346,221	536,780	613,642	376,575	379,509	512,670
<b>Total revenue</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>6,000,042</b>	<b>6,254,664</b>
<b>Expenditures</b>										
Instruction										
Regular Instruction	2,041,167	2,310,315	1,807,541	1,968,001	1,945,835	1,897,370	1,708,273	2,002,993	2,044,568	1,841,728
Special education instruction	384,236	319,688	507,326	520,207	634,013	593,178	807,435	595,701	572,753	628,824
After School Program									40,982	53,253
Summer Academy									60,675	62,669
Support Services:										
General Administration Services	1,183,598	1,217,897	1,203,769	1,178,932	1,329,019	1,279,448	1,265,345	1,168,567	1,230,396	1,374,552
School Administrative Services	1,388,814	1,451,353	1,416,690	1,326,608	1,146,741	1,580,128	1,369,956	779,403	747,953	680,604
Student & Instruction Related Services	82,816	144,404	166,363	116,813	33,679	32,849				
Unallocated employee benefits	323,262	348,414	470,713	402,978	461,200	541,776	582,771	658,615	812,105	849,737
Unallocated Expenditures										
Debt Services:										
Principal								394,437	405,493	405,493
Interest								140,292	129,236	129,236
Capital outlay		20,846	126,793	834,195	388,104	42,900	3,811	5,196	2,495	180,348
Special Revenue										
<b>Total expenditures</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>	<b>6,046,656</b>	<b>6,206,443</b>
Excess (Deficiency) of revenues over (under) expenditures	331,522	123,573	299,189	(381,811)	80,567	10,627	378,126	208,543	(46,614)	48,221
<b>Net change in fund balances</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>	<b>\$ (46,614)</b>	<b>\$ 48,221</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>
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
2019	3,840	33,270	37,110
2020	3,454	74,890	78,344

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Instruction										
Regular	32.0	31.0	29.0	28.0	28.0	30.0	30.0	30.0	30.0	30.0
Special education	3.5	4.5	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Other instruction	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Support Services:										
Student & instruction related services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General administrative services	4.0	4.5	4.0	4.0	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	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Central Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Other Support Services	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Food Service	3.0	3.0	3.0	3.0	3.0	1.0	0.0	0.0	0.0	0.0
Total	<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>	<u>51.0</u>	<u>51.0</u>

Source: Charter School Personnel Records.

Village Charter School  
 Operating Statistics  
 Last Ten Fiscal Years  
Unaudited

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	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
						Elementary	Average				
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%	
2019	358	5,509,432	15,389	1.64%	34	11	360.0	349.7	1.04%	97.14%	
2020	358	5,156,084	14,402	-6.41%	34	11	360.0	350	0.00%	97.22%	

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, 2020  
UNAUDITED**

Company	Coverage	Deductible
School Package Policy		
Commercial Property	\$10,343,600	\$1,000
Boiler and Machinery	100,000,000	1,000
Automobile	16,000,000	5,000
School Board Legal Liability	16,000,000	5,000
Worker's Compensations	2,990,000	
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**

	2018 Audit	2019 Audit	2020 Audit	Source
Cash	2,147,566	1,968,188	2,029,094	Audit: Exhibit A-1
Current Assets	2,416,927	2,373,546	2,465,025	Audit: Exhibit A-1
Total Assets	9,507,155	8,828,341	8,646,979	Audit: Exhibit A-1
Current Liabilities	600,446	525,716	768,119	Audit: Exhibit A-1
Total Liabilities	7,545,234	6,765,801	6,046,965	Audit: Exhibit A-1
Net Assets	1,961,922	2,062,540	2,600,014	Audit: Exhibit A-1
Total Revenue	7,037,516	6,590,588	6,276,403	Audit: Exhibit A-2
Total Expenses	6,821,162	6,513,825	5,746,422	Audit: Exhibit A-2
Change in Net Assets	216,355	76,763	529,981	Audit: Exhibit A-2
Depreciation Expense	248,481	247,982	233,268	Financial Statements/Audit Workpapers
Interest Expense			118,158	Financial Statements/Audit Workpapers
Principal Payments	358,437	394,437	416,571	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	356	360	360	DOE Enrollment Reports
March 30th Budgeted Enrollment	356	360	360	Charter School Budget

**RATIOS ANALYSIS...**

Near Term Indicators	2018	2019	2020	Source:
1a. Current Ratio	4.03	4.51	3.21	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	114.92	110.29	128.88	Cash/(Total Expenses/365)
1c. Enrollment Variance	100%	100%	100%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit



Village Charter School  
Sustainability Indicators  
Fiscal Ratios

	2018 Audit	2019 Audit	2020 Audit	Source
Cash	2,147,566	1,968,188	2,029,094	Audit: Exhibit A-1
Current Assets	2,416,927	2,373,546	2,465,025	Audit: Exhibit A-1
Total Assets	9,507,155	8,828,341	8,646,979	Audit: Exhibit A-1
Current Liabilities	600,446	525,716	768,119	Audit: Exhibit A-1
Total Liabilities	7,545,234	6,765,801	6,046,965	Audit: Exhibit A-1
Net Assets	1,961,922	2,062,539	2,600,014	Audit: Exhibit A-1
Total Revenue	7,037,516	6,590,588	6,276,403	Audit: Exhibit A-2
Total Expenses	6,821,162	6,513,825	5,746,422	Audit: Exhibit A-2
Change in Net Assets	216,355	76,763	529,981	Audit: Exhibit A-2
Depreciation Expense	248,481	247,982	233,268	Financial Statements/Audit Workpapers
Interest Expense			118,158	Financial Statements/Audit Workpapers
Principal Payments	358,437	394,437	416,571	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	356	360	360	DOE Enrollment Reports
March 30th Budgeted Enrollment	356	360	360	Charter School Budget

Sustainability Indicators	2018	2019	2020	3 YR CUM	
2a. Total Margin	3%	1%	8%	4%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.79	0.77	0.70		Total Liabilities/Total Assets
2c. ** Cash Flow	0	(179,378)	60,906	(118,472)	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

**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 AUDITORS' 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 Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village Charter School, in the County of Mercer, State of New Jersey (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 5, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

## **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.  
A division of PKF O'Connor Davies  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew Hodulik  
Public School Accountant  
PSA # 841

Cranford, New Jersey  
February 5, 2021

## HODULIK & MORRISON, P.A.



### **REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

#### **INDEPENDENT AUDITORS' REPORT**

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

#### **Report on Compliance for Each Major State Program**

We have audited the Village Charter School, County of Mercer, New Jersey (the "School") for compliance 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 the School's major state programs for the year ended June 30, 2020. The 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 requirement 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 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 Office of School Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of 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 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 School's compliance.

20 Commerce Drive, Suite 301, Cranford, NJ 07016  
Tel: 908.272.6200 | Fax: 908.272.2416

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## **Unmodified Opinion on Each Major State Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

## **Report on Internal Control Over Compliance**

Management of the 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 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 NJ OMB 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 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 a 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 material weaknesses or significant deficiencies. 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 on the requirements of NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
A division of PKF O'Connor Davies  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants



Andrew Hodulik  
Public School Accountant  
PSA # 841

Cranford, New Jersey  
February 5, 2021

VILLAGE CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL C.F.D.A. NO.	Grant or State Project Number	GRANT PERIOD FROM TO	PROGRAM OR AWARD AMOUNT	BALANCE AT JUNE 30, 2019			CARRY OVER/ TRANSFER	BUDGETARY EXPENDED	ADJUST- MENTS	BALANCE AT JUNE 30, 2020				
					ACCOUNTS RECEIVABLE	UNEARNED REVENUE	CASH RECEIVED				ACCOUNTS RECEIVABLE	UNEARNED REVENUE	DUE TO GRANTOR		
<b>Enterprise Fund:</b>															
U.S. Department of Agriculture															
Passed-through State Department of Education:															
Child Nutrition Cluster:															
Food Distribution Program	10.555	201NJ304N1099	N/A	7/1/19	#####	19,475.96	\$	\$	534.11	19,475.96	\$	(20,010.07)	\$	\$	\$
National School Breakfast Program	10.553	201NJ304N1099	N/A	7/1/19	#####	31,574.99				31,574.99		(31,574.99)			
National School Breakfast Program	10.553	191NJ304N1099	N/A	7/1/18	#####					3,442.82					
National School Lunch Program	10.555	201NJ304N1099	N/A	7/1/19	#####	111,659.32				111,659.32		(111,659.32)			
National School Lunch Program	10.555	191NJ304N1099	N/A	7/1/18	#####					13,242.63					
COVID-19 CARES Act- Lunch	10.555	201NJ304N1099	N/A	7/1/19	#####	1,155.00				805.00		(1,155.00)		(350.00)	
COVID-19 CARES Act- Breakfast	10.553	201NJ304N1099	N/A	7/1/19	#####	726.00				506.00		(726.00)		(220.00)	
Total Child Nutrition Cluster						(16,685.45)		534.11	180,706.72	-	(165,125.38)	-	(570.00)	-	-
<b>Total Enterprise Fund</b>						<b>(16,685.45)</b>		<b>534.11</b>	<b>180,706.72</b>	<b>-</b>	<b>(165,125.38)</b>	<b>-</b>	<b>(570.00)</b>	<b>-</b>	<b>-</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	S010A190030	NCLB-8140-20	7/1/19	#####	215,703.00			134,070.00	37,643.00	(253,346.00)		(81,633.00)		
Title I, Part A	84.010A	S010A180030	NCLB-8140-19	7/1/18	#####				60,634.00				-		
Total Title I						(60,634.00)		-	194,704.00	37,643.00	(253,346.00)	-	(81,633.00)	-	-
Title II, Part A									24,686.00	(24,686.00)			-		
Improving Teacher Quality State Grants	84.367	S367A190029	N/A	7/1/19	#####	24,686.00			24,686.00	(24,686.00)			-		
Total Title II Part A						-		-	24,686.00	(24,686.00)			-		
Title IV									12,957.00	(12,957.00)			-		
Student Support and Academic Enrichment (ESSA)	84.424	S424A190031	N/A	7/1/19	#####	12,957.00			12,957.00	(12,957.00)			-		
Total Title IV						-		-	12,957.00	(12,957.00)			-		
Special Education Cluster:															
I.D.E.A. Part B	84.027	H027A190100	NCLB-8140-20	7/1/19	#####	81,919.00			37,700.00		(81,919.00)		(44,219.00)		
I.D.E.A. Part B, Basic	84.027	H027A180100	NCLB-8140-19	7/1/18	#####				6,186.00				-		
I.D.E.A. Part B, Preschool	84.173	H027A190100	NCLB-8140-20	7/1/19	#####	981.00				(981.00)			(981.00)		
Total Special Education Cluster						(6,186.00)		-	43,886.00	-	(82,900.00)	-	(45,200.00)	-	-
COVID-19 CARES Act Relief Grant	84.425D			3/1/20	#####	167,003.00					(167,003.00)		(167,003.00)		
<b>Total Special Revenue Fund</b>						<b>(66,820.00)</b>		<b>-</b>	<b>276,234.00</b>	<b>-</b>	<b>(503,250.00)</b>	<b>-</b>	<b>(293,836.00)</b>	<b>-</b>	<b>-</b>
<b>Total Federal Awards</b>						<b>\$ (83,505.45)</b>		<b>\$ 534.11</b>	<b>\$ 456,940.72</b>	<b>\$ -</b>	<b>(668,375.38)</b>	<b>\$ -</b>	<b>\$ (294,406.00)</b>	<b>\$ -</b>	<b>\$ -</b>

Auditor Note: A Single Audit of Federal Awards was not required for the fiscal year ended June 30, 2020 based upon the reported level of expenditures.

VILLAGE CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	GRANT PERIOD	AWARD AMOUNT	BALANCE JUNE 30, 2019			BALANCE JUNE 30, 2020		MEMO CUMULATIVE TOTAL EXPENDITURES	
				UNEARNED REVENUE/ (ACCOUNTS RECEIVABLE)	CASH RECEIVED	BUDGETARY EXPENDITURES	UNEARNED REVENUE/ (ACCOUNTS RECEIVABLE)			
State Department of Education:										
General Fund:										
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	\$ 3,777,063.00	\$	\$ 3,765,872.00	\$	(3,777,063.00)	\$	(11,191.00)	(3,777,063.00)
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	3,662,338.00	(10,789.00)	10,789.00					
Adjustment Aid	20-495-034-5120-071	7/1/19-6/30/20	277,920.00		277,920.00	(277,920.00)				(277,920.00)
Special Education Aid	20-495-034-5120-089	7/1/19-6/30/20	132,036.00		132,036.00	(132,036.00)				(132,036.00)
Security Aid	20-495-034-5120-084	7/1/19-6/30/20	174,709.00		174,709.00	(174,709.00)				(174,709.00)
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	158,323.00	(542.00)	542.00					
* On Behalf TPAF Pension Contributions	20-495-034-5094-002	7/1/19-6/30/20	487,928.00		487,928.00	(487,928.00)				(487,928.00)
* On Behalf TPAF Post Retirement Medical	20-495-034-5094-001	7/1/19-6/30/20	181,012.00		181,012.00	(181,012.00)				(181,012.00)
* On Behalf Long-Term Disability Insurance	20-495-034-5094-004	7/1/19-6/30/20	936.00		936.00	(936.00)				(936.00)
Reimb. T.P.A.F. Social Security Contrib.	20-495-034-5094-003	7/1/19-6/30/20	179,861.24		171,117.14	(179,861.24)	(8,744.10)			(179,861.24)
Reimb. T.P.A.F. Social Security Contrib.	19-495-034-5094-003	7/1/18-6/30/19	188,150.96	(9,692.86)	9,692.86					
<b>Total General Fund</b>				<b>(21,023.86)</b>	<b>5,212,554.00</b>	<b>(5,211,465.24)</b>	<b>(19,935.10)</b>			<b>(5,211,465.24)</b>
State Department of Agriculture:										
Enterprise Fund:										
National School Lunch Prog. (State Share)	20-100-010-3350-023	7/1/19-6/30/20	1,915.20		1,909.70	(1,915.20)	(5.50)			(1,915.20)
National School Lunch Prog. (State Share)	19-100-010-3350-023	7/1/18-6/30/19	2,886.56	(231.19)	231.19		-			-
<b>Total Enterprise Fund</b>				<b>(231.19)</b>	<b>2,140.89</b>	<b>(1,915.20)</b>	<b>(5.50)</b>			<b>(1,915.20)</b>
<b>Total State Financial Assistance</b>				<b>\$ (21,255.05)</b>	<b>\$ 5,214,694.89</b>	<b>\$ (5,213,380.44)</b>	<b>\$ (19,940.60)</b>			<b>(5,213,380.44)</b>

Note: See Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

\* Not Included in the Single Audit Type A determination calculation.

Expenditures Subject to State Single Audit:	
Budgetary Expenditures	\$ 5,213,380.44
Less On-behalf Payments:	
T.P.A.F. Pension Contributions	(487,928.00)
T.P.A.F. - Post Retirement Medical	(181,012.00)
T.P.A.F. - Long-Term Disability Insurance	(936.00)
	\$
Expenditures Subject to State Single Audit	<b>4,543,504.44</b>



**VILLAGE CHARTER SCHOOL**  
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL**  
**AND STATE FINANCIAL ASSISTANCE**  
**JUNE 30, 2020**

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 *2 CFR-200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The School did not allocate any indirect costs to any of its federal and/or state financial awards/assistance during the 2019-2020 school year.

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*.

**VILLAGE CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL  
AND STATE AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2020**

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

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 below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$5,211,465	\$5,211,465
Special Revenue	\$503,249		503,249
Food Service Fund	<u>165,125</u>	<u>1,915</u>	<u>167,040</u>
Total Awards & Financial Assistance	<u>\$668,374</u>	<u>\$5,213,380</u>	<u>\$5,881,754</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. TPAF Post-Retirement Medical, Pension and Non-Contributory Insurance Premium Contributions represent the amount paid by the state on behalf of the District for the year ended June 30, 2020. These amounts are published by the State Division of Pensions annually, and the NJDOE has advised that these In-Kind programs are not to be subject to the state single audit mandate, and no audit procedures are required to be applied to these amounts. 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, 2020, and are subject to the state single audit mandate.

VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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:

CFDA Number(s)	Name of Federal Program or Cluster
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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, 2020

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

**State Financial Assistance**

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 state programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>20-495-034-5120-078</u>	<u>State Aid Cluster:</u>
<u>20-495-034-5120-071</u>	<u>Equalization Aid</u>
<u>20-495-034-5120-089</u>	<u>Adjustment Aid</u>
<u>20-495-034-5120-084</u>	<u>Special Education Aid</u>
<u> </u>	<u>Security Aid</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

**VILLAGE CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020**

**Section I – Summary of Prior Year Federal and State Findings**

Not Applicable- No prior year findings or questioned costs.

**Section II – Current Year Status**

Not Applicable- No prior year findings or questioned costs.