

GALLOWAY COMMUNITY CHARTER SCHOOL

Galloway Community Charter School
Galloway, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

Comprehensive Annual Financial Report

of the

Galloway Community Charter School

Galloway, New Jersey

For the Fiscal Year Ended June 30, 2008

Prepared by

Galloway Community Charter School

For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

INTRODUCTORY SECTION		Page
	Letter of Transmittal	1-3
	Organizational Chart	4
	Roster of Officials	5
	Consultants and Advisors	6
 FINANCIAL SECTION		
	Independent Auditor's Report	7-8
	Required Supplementary Information - Part I	
	Management's Discussion and Analysis	9-16
	Basic Financial Statements	
A	Charter School-wide Financial Statements:	
	A-1 Statement of Net Assets	17
	A-2 Statement of Activities	18
B	Fund Financial Statement	
	Governmental Funds:	
	B-1 Balance Sheet	19
	B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	20
	B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
	Proprietary Funds:	
	B-4 Statement of Net Assets	22
	B-5 Statement of Revenues, Expenses, and Changes in Net Assets	23
	B-6 Statement of Cash Flows	24
	Fiduciary Funds:	
	B-7 Statement of Fiduciary Net Assets	25
	B-8 Statement of Changes in Fiduciary Net Assets	26
	Notes to the Financial Statements	27-38

TABLE OF CONTENTS (continued)

	Required Supplemental Information - Part II	Page
C	Budgetary Comparison Schedules	
	C-1 Budgetary Comparison Schedule - General Fund	39-42
	C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	N/A
	C-2 Budgetary Comparison Schedule - Special Revenue Fund	43
	Notes to the Required Supplementary Information	
	C-3 Budget-to-GAAP Reconciliation	44
	Other Supplementary Information	
D	Not Applicable	
E	Special Revenue Fund:	
	E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund - Budgetary Basis	45-46
F	Capital Projects Fund:	
	F-1 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis	N/A
	F-2 Summary Schedule of Project Expenditures	N/A
G	Proprietary Funds	
	Enterprise Fund:	
	G-1 Combining Statement of Net Assets	N/A
	G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
	G-3 Combining Statement of Cash Flows	N/A

TABLE OF CONTENTS (continued)

		Page
	Internal Service Fund:	
	G-4 Combining Statement of Net Assets	N/A
	G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	N/A
	G-6 Combining Statement of Cash Flows	N/A
H	Fiduciary Funds:	
	H-1 Combining Statement of Fiduciary Net Assets	47
	H-2 Student Activity Agency Fund Statement of Changes in Assets and Liabilities	N/A
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	N/A
	H-4 Payroll Agency Fund Statement of Changes in Assets and Liabilities	48
	H-5 New Jersey Unemployment Compensation Insurance Combining Statement of Revenues, Expenditures and Changes in Fund Balance	49
I	Long-Term Debt:	
	I-1 Schedule of Serial Bonds	N/A
	I-2 Schedule of Obligations under Capital Leases	N/A
	I-3 Debt Service Fund Budgetary Comparison Schedule	N/A
STATISTICAL SECTION (Unaudited)		
Financial Trends		
	J-1 Net Assets by Component	50
	J-2 Changes in Net Assets	51
	J-3 Fund Balances - Governmental Funds	52
	J-4 Changes in Fund Balances - Governmental Funds	53
Revenue Capacity		
	J-5 - J-8	N/A
Debt Capacity		
	J-9 Ratios of Outstanding Debt by Type	
	J-10 - J-12	N/A
Demographic and Economic Information		
	J-13 Demographic and Economic Statistics	54
	J-14 Principal Employers	55
Operating Information		
	J-15 Full-Time Equivalent Charter School Employees by Function/Program	56
	J-16 Operating Statistics	57
	J-17 School Building Information	58
	J-18 Insurance Schedule	59
	J-19 General Fund, Other Local Revenue by Source	60
	J-20 Schedule of Allowable Maintenance Expenditures by School Facility	61

TABLE OF CONTENTS (continued)

SINGLE AUDIT SECTION	Page
K-1 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 Statements	62-63
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	N/A
K-3 Schedule of Expenditures of Federal Awards, Schedule A	64
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	65
K-5 Notes to the Schedules of Awards and Financial Assistance	66-67
K-6 Schedule of Findings and Responses	
Part 1 - Summary of Auditor's Results	N/A
Part 2 - Schedule of Financial Statement Findings	68-70
Part 3 - Schedule of State Award Findings and Questioned Costs	N/A
K-7 Summary Schedule of Prior Audit Findings	71

Introductory Section

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Galloway Community Charter School

112 South New York Road
Galloway, New Jersey 08205

Phone 609-652-7118
Fax 609-652-3640

October 20, 2008

Honorable President and
Members of the Board of Trustees
Galloway Community Charter School
Atlantic County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Galloway Community Charter School for the fiscal year ended June 30, 2008, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the 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 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 three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the School's consultants and advisors, 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 and Management's Discussion and Analysis. The statistical section includes selected financial information.

1. REPORTING ENTITY AND ITS SERVICES: Galloway Community Charter School is an independent reporting entity within the criteria adopted by the GASB. All funds and account groups of the School are included in this report.

The School provides a full range of educational services appropriate to the grade levels K through 8. These include regular and special education services. The School completed the 2007-2008 fiscal year with 292 students.

2. ECONOMIC CONDITION AND OUTLOOK: The Smithville area is experiencing a period of development and expansion, which is expected to continue. The annual daily enrollment should increase each year due to the new residential and commercial construction in Galloway Township.

3. 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, misuse and to insure that adequate accounting data are compiled to allow for the 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 control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by the management.

As a recipient of federal and state financial assistance, the School also 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 is also subject to periodic evaluation by the School's management.

4. 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. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount amended for the fiscal year is reflected in the financial section.

5. ACCOUNTING SYSTEM AND REPORTS: The School's 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 Statements," Note 1.

6. CASH MANAGEMENT: The investment policy of the School is guided in large part 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 provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUPDA 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.

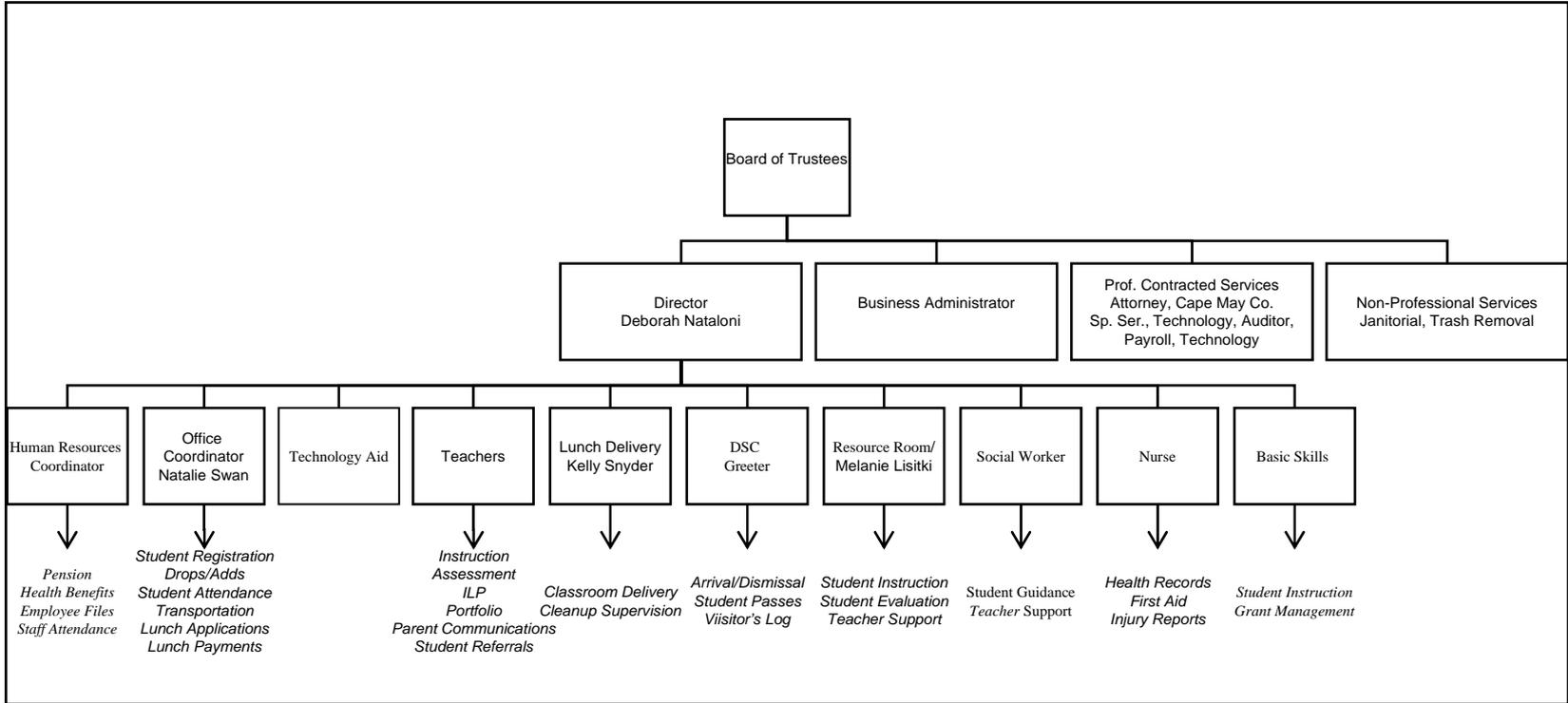
7. RISK MANAGEMENT: The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

8. OTHER INFORMATION: Independent Audit-State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Trustees selected the accounting firm of Alliance of Governmental Auditors, LLC. 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.

9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Board of Trustees for their concern in providing fiscal accountability to the citizens of the sending districts and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

Deborah A. Nataloni
Director



**Galloway Community Charter School
Galloway, New Jersey**

**Roster of Officials
June 30, 2008**

Members of the Board of Trustees

Jean McAlister, President

Ron Bramble, Member

Heather Butler, Member

Don Kreutzer, Member

Kristina Koschorreck, Member

Scott Sabo, Member

Sara Hickman, Teacher Representative

Other Officials

Deborah Nataloni, Director

Sandra Becker, Business Administrator (through January 1, 2008)

Henry Bermann, Business Administrator (effective January 2, 2008)

**GALLOWAY COMMUNITY CHARTER SCHOOL
Consultants and Advisors**

Accounting Firm

Alliance of Governmental Auditors, LLC
1409 Cantillon Blvd.
P.O. Box 548
Mays Landing, NJ 08330

Attorney

William Donio
Cooper Levinson
1125 Atlantic Avenue
Atlantic City, NJ 08401

Official Depository

Commerce Bank
1701 Route 70 East
Cherry Hill, NJ

Financial Section

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

PO Box 548, Mays Landing, NJ 08330
609-625-0999 FAX 609-625-2421

A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

Independent Auditor's Report

Honorable President and
Members of the Board of Trustees
Galloway Community Charter School
County of Atlantic, New Jersey

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 Board of Trustees of the Galloway Community Charter School in the County of Atlantic, State of New Jersey, as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Galloway Community Charter School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008 on our consideration of the Galloway Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information as noted in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Galloway Community Charter School's basic financial statements. The introductory section, combining and individual non-major fund financials statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are also not a required part of the basic financial statements of the Galloway Community Charter School in the County of Atlantic, State of New Jersey. The combining and individual non-major fund financial statements and the schedules of federal awards and state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kenneth W. Moore, CPA

Licensed Public School Accountant
No. CS00499

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC
Certified Public Accountants

October 20, 2008

Required Supplemental Information

PART I

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Galloway Community Charter School's (School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statement.

FINANCIAL HIGHLIGHTS

- The net assets of the School increased approximately \$217,000 as a result of an increase in current year revenues and a reduction of expenditures.
- The State of New Jersey reimbursed the School \$115,461 during the fiscal year ended June 30, 2008 for the employer's share of social security contributions \$111,540 for TPAF members as calculated on their base salaries. This amount, which is not budgeted, is included as both a revenue and appropriation in the financial statements.
- During the fiscal year ended June 30, 2008, the School's revenues were approximately \$165,000 more than total expenses. During the prior fiscal year, revenues exceeded expenses by approximately \$178,000.
- In the School's business-type activities, net assets decreased approximately \$19,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements, required supplementary information*, and an optional section that presents *combining statements for special revenue, proprietary, capital projects and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the School.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School's government, reporting on the School's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like instruction were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the School operates like businesses, such as the food service and community service programs.

- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the School acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The following table summarizes the major features of the School’s financial statements, including the portion of the School’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Major Features of Galloway Community Charter School School’s
Government-wide and Fund Financial Statements**

	Government wide Statements	Fund 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 food service and student activities	Activities the School operates similar to private businesses; food service, After school program	Instances in which the School is the trustee or agent for someone else’s resources, such as payroll agency.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets

Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets 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.
Type of inflow/outflow information	All revenues and expenses during the 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 payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-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 assets includes *all* of the government’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 government-wide statements report the School’s *net assets* and how they have changed. Net assets – 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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's teacher to student ratio and the condition of the School's facilities.

The government-wide financial statements of the School are divided into two categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – the School charges fees to customers to help it cover the costs of certain services it provides. The School's food service and before and after school program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant *funds* – not the School as a whole. Funds are accounting devices that the School uses to keep track of specific sources of funding and spending for particular purposes.

The School has three kinds of funds:

- *Governmental funds* – Most of the School's basic services are included in governmental funds, which 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 government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the School charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, 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.

- *Fiduciary funds* – The School is the trustee, or *fiduciary*, for its employees’ unemployment compensation plan. It is also responsible for other assets that - because of a trust arrangement – can be used only for the trust beneficiaries. The School is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the School’s fiduciary activities are reported in separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the School’s government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net assets. The School’s governmental activities net assets increased between fiscal years 2007 and 2008 as a result of an increase in revenues.

	<u>Governmental Activities</u>		<u>Business-type Activites</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 632,499	498,821	(6,592)	25,316	625,907	524,137
Capital assets	3,936,814	4,002,777			3,936,814	4,002,777
Total assets	<u>4,569,313</u>	<u>4,501,598</u>	<u>(6,592)</u>	<u>25,316</u>	<u>4,562,721</u>	<u>4,526,914</u>
Long-term liabilities	3,748,409	3,869,591		-	3,748,409	3,869,591
Other liabilities	71,453	92,139	-	23,536	71,453	115,675
Total liabilities	<u>3,819,862</u>	<u>3,961,730</u>	<u>-</u>	<u>23,536</u>	<u>3,819,862</u>	<u>3,985,266</u>
Net Assets						
Invested in capital assets	188,405	133,186			188,405	133,186
Restricted	20,917	14,093			20,917	14,093
Unrestricted	540,199	392,589	(6,592)	12,780	533,607	405,369
Total net assets	<u>\$ 749,521</u>	<u>539,868</u>	<u>(6,592)</u>	<u>12,780</u>	<u>742,929</u>	<u>552,648</u>

Changes in net assets. The total revenue of the School increased approximately \$400,000 due to the increase in Charter School Aid and operating grants.

Approximately 13% of the School’s revenue comes from the State of New Jersey in the form of non-restricted state aid while 78.62% comes from Charter School Aid. This aid is based on the School’s enrollment. The School expenses are primarily related to instruction, administration, and plant operations.

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Charter School Aid	\$2,737,847	78.62%	2,308,805	75.15%
Unrestricted State and Federal Aid	467,612	13.43%	369,189	12.02%
Fundraising	0	0.00%	6,542	0.21%
Operating grants and contributions	234,104	6.72%	356,338	11.60%
Other	42,910	1.23%	31,308	1.02%
Totals	\$3,482,473	100.00%	3,072,182	100.00%

Governmental Activities

The following schedule summarizes the governmental and business-type activities of the School during the 2008 and 2007 fiscal years.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenue						
Charges for services			102,509	85,022	102,509	85,022
Federal and State grants	\$ 234,104	356,338	75,716	64,773	309,820	421,111
General revenues						
Charter School Aid	2,737,847	2,308,805			2,737,847	2,308,805
Fundraising		6,542			0	6,542
State and Federal aid entitlements	467,612	369,189			467,612	369,189
Other	42,910	31,308	658	648	43,568	31,956
Transfer	(2,908)	(22,525)	2,908	22,525	0	0
Total revenues	3,479,565	3,049,657	181,791	172,968	3,661,356	3,222,625
Expenses						
Instruction:						
Regular	1,798,473	1,662,275			1,798,473	1,662,275
Support services:						
School administration services	1,129,300	865,562			1,129,300	865,562
General & business admin services	146,878	191,997			146,878	191,997
Debt Service	195,261	150,462			195,261	
Business-type activities			201,163	154,913	201,163	154,913
Total expenses	3,269,912	2,870,296	201,163	154,913	3,471,075	2,874,747
Increase (decrease) in net assets	\$209,653	179,361	(19,372)	18,055	190,281	347,878

Business-type Activities

Revenues of the School's business-type activities increased \$9,000. This is due to the large increase in food service revenues, however this was offset by a \$20,000 decrease in transfers from the general fund.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$568,000 which is approximately \$162,000 higher than the beginning of the year. Charter School Aid is the most significant increase.

General Fund Budgetary Highlights

As further explained in the Footnotes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and are approved by the Board of School Estimate. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. The School is permitted to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution, which are not budgeted, the School's actual revenue was more than the budget by approximately \$120,000. Again, after adjusting for the Reimbursed TPAF Social Security Contribution, actual expenditures were below the budgeted appropriations by approximately \$276,000. This is a result of a reduction of administrative costs. Audit exhibit C-1 does not include current year depreciation expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the School had invested \$4,310,832 in a broad range of capital assets, including land, buildings, vehicles and machinery. This amount represents a net increase (including additions and deductions) of approximately \$60,000 over last year due to the purchase of gym equipment.

	<u>Governmental Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 589,545	589,545	589,545	589,545
Buildings & Improvements	3,523,698	3,472,828	3,523,698	3,472,828
Machinery & Equipment	197,589	185,339	197,589	185,339
Total	<u>4,310,832</u>	<u>4,247,712</u>	<u>4,310,832</u>	<u>4,247,712</u>

During the 2008 fiscal year the School did purchase equipment for the school. The school does not plan to purchase any significant assets during the 2009 fiscal year. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

	Balance 6/30/07	Issued	Retired	Balance 6/30/08
Mortgage Payable	\$ 3,869,591		121,182	3,748,409
Total Long Term Debt	\$ 3,869,591	-	121,182	3,748,409

More detailed information about the School's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School budget for the 2009 fiscal year does not include any major acquisitions.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving Schools, and creditors) with a general overview of the School's finances and to demonstrate the School's accountability. If you have questions about the report or need additional financial information, contact the School's business administrator at 112 S. New York Road, Galloway, NJ.

Basic Financial Statements

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

CHARTER SCHOOL - WIDE FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Galloway Community Charter School
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 405,794	42,945	448,739
Internal funds	50,389	(52,945)	(2,556)
Other receivables	12,827		12,827
Due from other governments	163,489	3,408	166,897
Capital assets - net			
Land	589,545		589,545
Depreciable assets, net of depreciation	3,347,269		3,347,269
Total Assets	<u>4,569,313</u>	<u>(6,592)</u>	<u>4,562,721</u>
LIABILITIES			
Accounts payable	12,877		12,877
Other liabilities	26,229		26,229
Payable to other governments	32,277		32,277
Long term debt			
Due within one year	127,534		127,534
Due beyond one year	3,620,875		3,620,875
Total liabilities	<u>3,819,792</u>	<u>-</u>	<u>3,819,792</u>
NET ASSETS			
Invested in capital assets, net of related debt	188,405		188,405
Restricted for:			
Other purposes	20,917		20,917
Unrestricted	540,199	(6,592)	533,607
Total net assets	<u>\$ 749,521</u>	<u>(6,592)</u>	<u>742,929</u>

**Galloway Community Charter School
Statement of Activities
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Instruction:							
Regular	\$ 1,504,755	293,718		52,754	(1,745,719)		(1,745,719)
Support services:							
School administrative services	944,868	184,432		181,350	(947,950)		(947,950)
General and business administrative services	122,890	23,988			(146,878)		(146,878)
Unallocated benefits	502,137	(502,137)			-		-
Capital Outlay					-		-
Interest on long term debt	195,261				(195,261)		(195,261)
Total governmental activities	<u>3,269,911</u>			<u>234,104</u>	<u>(3,035,808)</u>		<u>(3,035,808)</u>
Business-type activities:							
Food Service	155,817		50,083	75,716		(30,018)	(30,018)
Before/After Care	45,346		52,426			7,080	7,080
Total business-type activities	<u>201,163</u>	<u>-</u>	<u>102,509</u>	<u>75,716</u>		<u>(22,938)</u>	<u>(22,938)</u>
Total primary government	<u>\$ 3,471,074</u>	<u>-</u>	<u>102,509</u>	<u>309,820</u>	<u>(3,035,808)</u>	<u>(22,938)</u>	<u>(3,058,746)</u>
General revenues:							
					2,737,847		2,737,847
					467,612		467,612
					42,910	658	43,568
					(2,908)	2,908	-
Total general revenues, special items, extraordinary items and transfers					<u>3,245,461</u>	<u>3,566</u>	<u>3,249,027</u>
Change in Net Assets					209,653	(19,372)	190,281
Net Assets—beginning					<u>539,868</u>	<u>12,780</u>	<u>552,648</u>
Net Assets—ending					<u>749,521</u>	<u>(6,592)</u>	<u>742,929</u>

See Accompanying Notes to the Financial Statements

FUND FINANCIAL STATEMENTS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Galloway Community Charter School
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 397,925	7,869	405,794
Due from other funds	61,578	356	61,934
Due from other governments	139,437	24,052	163,489
Other receivables	4,194		4,194
Total assets	<u>603,134</u>	<u>32,277</u>	<u>635,411</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	12,877		12,877
Other liabilities	26,229		26,229
Due to other governments	-	32,277	32,277
Interfund payable	2,912		2,912
Deferred revenue		-	-
Total liabilities	<u>42,018</u>	<u>32,277</u>	<u>74,295</u>
Fund Balances:			
Reserved for:			
Encumbrances	20,917		20,917
Unreserved, reported in:			
General fund	540,199		540,199
Total Fund balances	<u>561,116</u>	<u>-</u>	<u>561,116</u>
Total liabilities and fund balances	<u>\$ 603,134</u>	<u>32,277</u>	

Amounts reported for *governmental activities* in the statement of net assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,936,814
Long-term liabilities, including mortgage payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,748,409)</u>
Net assets of governmental activities	<u>749,521</u>

Galloway Community Charter School
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Charter School Aid	\$ 2,737,847		2,737,847
Miscellaneous	42,910		42,910
State sources	467,612	71,896	539,508
Federal Sources		162,208	162,208
Total revenues	<u>3,248,369</u>	<u>234,104</u>	<u>3,482,473</u>
EXPENDITURES			
Current:			
Regular instruction	1,399,512	50,762	1,450,274
Support services and undistributed costs:			
School administrative services	910,625	181,350	1,091,975
General and business administrative services	381,182		381,182
On Behalf TPAF Payments	111,540		111,540
Reimbursed TPAF Social Security Contributions	115,461		115,461
Capital Outlay	172,707	1,992	174,699
Total expenditures	<u>3,091,027</u>	<u>234,104</u>	<u>3,325,131</u>
Excess of revenues over expenditures	157,342	-	157,342
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(2,908)</u>		<u>(2,908)</u>
Total other financing sources (uses)	<u>(2,908)</u>		<u>(2,908)</u>
Net change in fund balances	154,434		154,434
Fund balance—July 1	406,682		406,682
Fund balance—June 30	<u>\$ 561,116</u>		<u>561,116</u>

**Galloway Community 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, 2008**

Total net change in fund balances - governmental funds (from B-2) \$ 154,434

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.

This is the amount by which capital outlays exceeded depreciation in the period.

	Depreciation expense	(129,083)		
	Capital outlays	<u>63,120</u>		(65,963)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

121,182

Change in net assets of governmental activities \$ 209,653

Galloway Community Charter School
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Business-type Activities - Enterprise Funds		
	Food Service	Before/After Program (Non-major)	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 26,766	16,179	42,945
Accounts receivable	3,408		3,408
Total current assets	30,174	16,179	46,353
LIABILITIES			
Current liabilities:			
Interfund payable	52,945		52,945
Total current liabilities	52,945	-	52,945
Total liabilities	52,945	-	52,945
NET ASSETS			
Unrestricted	(22,771)	16,179	(6,592)
Total net assets (deficit)	\$ (22,771)	16,179	(6,592)

Galloway Community Charter School
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Fund		
	Food Service	Before/After Program (Non-major)	Total Enterprise
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 50,083		50,083
Program revenue		52,426	52,426
Total operating revenues	<u>50,083</u>	<u>52,426</u>	<u>102,509</u>
Operating expenses:			
Cost of sales	103,421	-	103,421
Salaries	52,396	43,613	96,009
General supplies & materials	-	1,733	1,733
Total Operating Expenses	<u>155,817</u>	<u>45,346</u>	<u>201,163</u>
Operating (loss)/income	<u>(105,734)</u>	<u>7,080</u>	<u>(98,654)</u>
Nonoperating revenues:			
Interest revenues	658	-	658
State sources:			
State school breakfast program	1,322		1,322
State school lunch program	2,679		2,679
Federal sources:			
National school breakfast program	17,110		17,110
National school lunch program	53,677		53,677
National school snack program	928		928
Total nonoperating revenues	<u>76,374</u>	<u>-</u>	<u>76,374</u>
Operating transfers in	2,908		2,908
Change in net assets	(26,452)	7,080	(19,372)
Total net assets—beginning	3,681	9,099	12,780
Total net assets—ending	<u>\$ (22,771)</u>	<u>16,179</u>	<u>(6,592)</u>

**Galloway Community Charter School
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008**

	Business-type Activities - Enterprise Funds		
	Food Service	Before/After Program (Non-major)	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 50,083	52,426	102,509
Cash payments to employees for services	(52,396)	(43,613)	(96,009)
Cash payments to suppliers for goods and services	(103,421)	(1,733)	(105,154)
Net cash (used)/provided by operating activities	<u>(105,734)</u>	<u>7,080</u>	<u>(98,654)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	4,046		4,046
Federal Sources	72,583		72,583
Receipts from other funds	38,583		38,583
Transfers	2,908	-	2,908
Net cash provided by non-capital financing activities	<u>118,120</u>	<u>-</u>	<u>118,120</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	658	-	658
Net cash provided by investing activities	<u>658</u>	<u>-</u>	<u>658</u>
Net increase in cash and cash equivalents	13,044	7,080	20,124
Balances—beginning of year	13,722	9,099	22,821
Balances—end of year	<u>\$ 26,766</u>	<u>16,179</u>	<u>42,945</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating (loss)/income	\$ (105,734)	7,080	(98,654)
Net cash (used for) operating activities	<u>(105,734)</u>	<u>7,080</u>	<u>(98,654)</u>

**Galloway Community Charter School
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 3,230	8,633
Interfund receivable	<u>2,556</u>	<u> </u>
Total assets	<u><u>5,786</u></u>	<u><u>8,633</u></u>
LIABILITIES		
Interfund payable		8,633
Total liabilities	<u><u>-</u></u>	<u><u>8,633</u></u>
NET ASSETS		
Held in trust for unemployment claims and other purposes	<u><u>\$ 5,786</u></u>	

Exhibit B-8

**Galloway Community Charter School
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Plan member contributions	\$ 3,159
Board contributions	12,167
Interest	1
Total Contributions	<u>15,327</u>
Total additions	<u>15,327</u>
DEDUCTIONS	
Unemployment claims	11,425
Other	700
Total deductions	<u>12,125</u>
Change in net assets	3,202
Net assets—beginning of the year	2,584
Net assets—end of the year	<u>\$ 5,786</u>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Trustees (Board) of the Galloway Community Charter School (School) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Although the School has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the School has chosen not to do so. The more significant accounting policies established in GAAP and used by the School are discussed below.

A. REPORTING ENTITY:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of appointed officials and is responsible for the fiscal control of the school. A school coordinator is appointed by the Board and is responsible for the administrative control of the school. The School had an approximate enrollment at June 30, 2008 of 292 students.

It has been determined that the school is not for profit entity that reports under GASB 29. Further, the school is required to file a federal tax return (form 990) and pays no federal or state income tax.

The primary criterion for including activities within the School's 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 Board holds the corporate powers of the organization
- the Board appoints a voting majority of the organization's board
- the Board is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the School
- there is a fiscal dependency by the organization on the School

Based on the aforementioned criteria, the School has no component units.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The School's general and special revenue activities are classified as governmental activities. The School's food service and Before/After Care program are classified as business-type activities.

In the governmental-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities (food service and before/after program). The functions are also supported by general government revenues (sending district payments, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student & instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

- a. The School does allocate indirect costs such as depreciation expense and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

The following fund types are used by the School:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the School.

- a. **General fund** is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the School:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity establishes fees and charges based on a pricing policy designated to recover similar costs.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The School's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) they cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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.

For the purpose of determining cash equivalents the School considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey school 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 Schools.

Additionally, the 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.

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

NJSA 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. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. 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 the Governmental units.

2. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Machinery and equipment	5-10 years
Buildings	39 years
Improvements	10-20 years

3. Revenues:

Substantially all governmental fund revenues are accrued. District revenues are susceptible to accrual and under New Jersey State Statutes each sending district is required to remit to the School the entire balance of aid in the amount certified by the state based upon student count, prior to the end of the school year. The School records the entire approved payment as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met are reported as advances by the provider and deferred revenue by the recipient.

4. Expenditures:

Expenses are recognized when the related fund liability is incurred.

5. Interfund Activity:

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

6. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office 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. 6:23-2(g). Transfers of appropriations may be made by Board resolution at any time during the fiscal year. The following material transfers were made to/(from) budgetary line items:

Account Name	Amount
Instruction - Salaries of Teachers	\$ (33,284)
Instruction - General Supplies	(113,978)
Instruction - Textbooks	(22,652)
Salaries - Administrative	(53,293)
Salaries - Secretarial/Clerical	26,457
Employee Benefits	(35,294)
Support Services - Salaries	(47,757)
Operations and Maintenance	41,852

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. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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 reports.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those results.

9. Allocation of Costs

In the government-wide statement of activities, the School has allocated unallocated benefits to various programs based on the final budgetary expenditures by program.

NOTE 2 - INVESTMENTS

As of June 30, 2008, the School had no investments.

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 18A:20-37 limits the length of time for most investment to 397 days.

Credit Risk. New Jersey Statutes 18A:20-37 limits district investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the district or the local units in which the district is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The district places no limit on the amount the district may invest in any one issuer.

NOTE 3. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2008, \$0 of the government's bank balance of \$663,656 was exposed to custodial credit risk.

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

NOTE 4. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Balance June</u> 30, 2007	<u>Issued</u>	<u>Retired</u>	<u>Balance June</u> 30, 2008	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Mortgage Payable	\$ 3,869,591	-	121,182	3,748,409	127,534
	<u>\$ 3,869,591</u>	<u>-</u>	<u>121,182</u>	<u>3,748,409</u>	<u>127,534</u>

In August of 2006, the Charter School purchased the school building. A mortgage of \$3,956,500 was obtained with an interest rate of 5.05% for 240 months, ending October 2026. Payments are made monthly in the amount of \$26,374. Future debt service payments are as follows:

<u>Years:</u>	<u>Principal</u>	<u>Interest</u>
2009	127,534	188,954
2010	134,221	182,267
2011	141,256	175,232
2012	148,660	167,828
2013	156,453	160,041
2014-2018	914,227	668,239
2019-2023	1,180,322	402,145
2024-2027	945,736	82,791
Total	<u>3,748,409</u>	<u>2,027,497</u>

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

NOTE 5. FIXED ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions/ Adjustments	Balance June 30, 2008
Governmental Activities:				
Land	589,545			589,545
Non-depreciable Assets	589,545	-	-	589,545
Building	3,407,367			3,407,367
Bldg and Bldg Improve	65,461	50,870		116,331
Machinery & Equipment	185,339	12,250		197,589
Depreciable Assets	3,658,167	63,120	-	3,721,287
Less: Accumulated Depreciation	(244,935)	(129,083)		(374,018)
Governmental activities capital assets, net	<u>\$ 4,002,777</u>	<u>(65,963)</u>	<u>-</u>	<u>3,936,814</u>

Depreciation expense as charged to governmental functions as follows:

Regular instruction	\$ 64,085
School administrative expenses	48,154
General and business administration	16,844
	<u>\$ 129,083</u>

NOTE 6. PENSION PLANS

Description of Plans

All required employees of the District are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at http://www.state.nj.us/treasury/pensions/annrpts_archive.htm.

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 retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund 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 District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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 retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is % and the PERS rate is 5% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2008, 2007 and 2006 were \$111,540, \$97,138 and \$0 respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2008, 2007 and 2006 were \$8,010, \$3,330 and \$1,296 respectively, equal to the required contributions for each year.

The Board's total payroll for the year ended June 30, 2008, 2007 and 2006 was \$1,804,342, \$1,662,159, and \$1,654,323 covered payroll was \$1,487,125, \$1,347,481, and \$1,323,424 for TPAF; and \$186,454, \$117,671, and \$102,296 for PERS.

NOTE 7. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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. As of June 30, 2007, there were 75,860 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994 with an additional contribution beginning in fiscal year 1996 which will increase the medical reserve by one half of 1% of the active State payroll.

The State made post-retirement (PRM) contributions of \$592.7 million for TPAF and \$224.3 million for PERS in Fiscal Year 2007.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$110.3 million toward Chapter 126 benefits for 11,747 eligible retired members in Fiscal Year 2007.

NOTE 8. 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 omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The School maintains commercial insurance coverage for property, liability and surety bonds. There has been no significant decrease in coverage or claims in excess of insurance.

Galloway Community Charter School
Notes to Financial Statements
June 30, 2008

New Jersey Unemployment Compensation Insurance - The School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the 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 School is billed quarterly for amounts due to the State. The following is a summary of School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School's expendable trust fund for the current and prior year:

<u>Fiscal Year</u>	<u>School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2007-2008	\$ 15,120	3,159	13,203	5,786
2006-2007	23,839	1,205	48,493	710
2005-2006	20,000	4,077	445	24,159

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2008

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 61,578	2,912
Special Revenue Fund	356	
Business Type Activities		52,945
Trust and Agency Fund	2,556	8,633
	<u>\$ 64,490</u>	<u>64,490</u>

Interfunds were created throughout the year due to short term borrowings to cover cash flow needs in the various funds. In addition, the general fund made a permanent interfund transfer to the enterprise fund to cover accumulated deficits in the food service program.

NOTE 10. FUND BALANCE APPROPRIATED

General Fund - Of the \$561,116 General Fund fund balance at June 30, 2008, \$20,917 is reserved for encumbrances and \$540,199 is unreserved and undesignated.

Required Supplemental Information

PART II

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

BUDGETARY COMPARISON SCHEDULES

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Charter School Aid	\$ 2,632,741	105,106	2,737,847	2,737,847	-
Miscellaneous	-	-	-	42,910	42,910
Total - Local Sources	2,632,741	105,106	2,737,847	2,780,757	42,910
State Sources:					
Special Education Aid	73,489	(37,463)	36,026	36,026	-
Bilingual Aid	3,504	(3,504)			-
Instructional Supplemental Aid	12,546	(12,546)			-
Early Childhood Program Aid	59,202	12,902	72,104	72,104	-
Demonstrably Effective Program Aid	40,875	7,325	48,200	48,200	-
Targeted At Risk Aid		-		71,350	71,350
Teacher Mentoring				1,023	1,023
Technology Aid	281,900	(269,992)	11,908	11,908	-
On-behalf TPAF Social Security (non-budgeted)				111,540	111,540
Reimbursed TPAF Social Security Contributions (non-budgeted)				115,461	115,461
Total - State Sources	471,516	(303,278)	168,238	467,612	299,374
Total Revenues	3,104,257	(198,172)	2,906,085	3,248,369	342,284

**Galloway Community Charter School
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Instruction:					
Salaries of Teachers:	1,344,315	(33,284)	1,311,031	1,303,385	7,646
General Supplies	212,676	(113,978)	98,698	93,596	5,102
Textbooks	26,500	(22,652)	3,848	2,531	1,317
Miscellaneous	-	-		-	-
Total Instruction	1,583,491	(169,914)	1,413,577	1,399,512	14,065
Administrative costs:					
Salaries - administrative	186,125	(53,293)	132,832	132,608	224
Salaries of secretarial/clerical	76,051	26,457	102,508	103,659	(1,151)
Benefits	341,459	(35,294)	306,165	275,136	31,029
Purchased professional/technical services	149,480	(6,814)	142,666	140,783	1,883
Other Purchased Services	23,038	6,137	29,175	29,174	1
Mortgage Payment - Interest	194,794	(555)	194,239	195,261	(1,022)
Communications/Telephone	10,968	(1,000)	9,968	8,851	1,117
Supplies and Materials	15,000	77	15,077	15,076	1
Miscellaneous Expenditures	11,921	(1,505)	10,416	10,077	339
Total Administrative Costs	1,008,836	(65,790)	943,046	910,625	32,421

**Galloway Community Charter School
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services:					
Salaries - school nurse		-		-	-
Nursing supplies		-		-	-
Salaries	278,973	(47,757)	231,216	101,429	129,787
Purchased Professional and Technical Services	57,210	16,757	73,967	69,123	4,844
Other Purchased Services		-		-	-
Operations and Maintenance		41,852	41,852	41,851	1
Operations and Maintenance Professional	89,090	(13,964)	75,126	73,772	1,354
Rental of Land and Buildings		-		-	-
Insurance	40,000	95	40,095	39,892	203
Supplies and Materials	11,300	(299)	11,001	10,389	612
Transportation - Other than to/from school	12,000	-	12,000	5,536	6,464
Energy Costs - Heat and Electricity	42,200	(749)	41,451	39,190	2,261
Total Support Services	530,773	(4,065)	526,708	381,182	145,526
On-Behalf TPAF Social Security Contributions (non-budgeted)				111,540	
Reimbursed TPAF Social Security Contributions (non-budgeted)				115,461	(115,461)
Total On-behalf Contributions	-	-	-	227,001	(115,461)
Total Current Expense	3,123,100	(239,769)	2,883,331	2,918,320	76,551

**Galloway Community Charter School
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital Outlay:					
Instructional Equipment	80,000	(7,078)	72,922	-	72,922
Non-instructional Equipment	15,000	(2,750)	12,250	12,250	-
Construction Services		50,870	50,870	39,275	11,595
Mortgage Payments - Principal	121,700	555	122,255	121,182	1,073
Total Equipment	216,700	41,597	258,297	172,707	85,590
Total Capital Outlay	216,700	41,597	258,297	172,707	85,590
Total Expenditures	3,339,800	(198,172)	3,141,628	3,091,027	162,141
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,543)	-	(235,543)	157,342	504,425
Other Financing Sources and (Uses)					
Transfer to Food Service	(10,000)	-	(10,000)	(2,908)	7,092
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(245,543)	-	(245,543)	154,434	511,517
Fund Balances, July 1	406,682	-	406,682	406,682	-
Fund Balances, June 30	<u>\$ 161,139</u>	<u>-</u>	<u>161,139</u>	<u>561,116</u>	<u>511,517</u>
<u>Recapitulation:</u>					
Reserve for Encumbrances				20,917	
Unreserved Fund Balance				<u>540,199</u>	
Fund Balance per Governmental Funds (GAAP)				<u>561,116</u>	

**Galloway Community Charter School
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State Sources:					
Other State Sources		71,896	71,896	71,896	-
Total - State Sources	-	71,896	71,896	71,896	-
Federal Sources:					
No Child Left Behind		96,650	96,650	96,650	-
I.D.E.A.		58,209	58,209	58,209	-
Total - Federal Sources	-	154,859	154,859	154,859	-
Total Revenues	-	226,755	226,755	226,755	-
EXPENDITURES:					
Instruction					
Salaries of Teachers		45,987	45,987	45,987	-
Other Purchased Services		4,775	4,775	4,775	-
Total instruction	-	50,762	50,762	50,762	-
Support Services					
Salaries		119,508	119,508	119,508	-
Personal Services - Employee Benefits		31,260	31,260	31,260	-
Purchased Professional - Educational Services			-	-	-
Purchased Professional/Technical Services		4,835	4,835	4,835	-
Other Purchased Services			-	-	-
Supplies & Materials		18,398	18,398	18,398	-
Total support services	-	174,001	174,001	174,001	-
Capital Outlay					
Facilities Acquisition/Construction - Equipment		1,992	1,992	1,992	-
	-	1,992	1,992	1,992	-
Total expenditures	-	226,755	226,755	226,755	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	-	-	-	-

Galloway Community Charter School
 Required Supplementary Information
 Budgetary Comparison Schedule
 Notes to Required Supplementary Information
 For the Fiscal Year Ended June 30, 2008

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

	Special Revenue
Sources/inflows of resources	
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 226,755
Difference - budget to GAAP:	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	
Prior year	7,491
Current year	(142)
	234,104
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds:	234,104
Uses/outflows of resources	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	226,755
Differences - budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes	
Prior year	7,491
Current year	(142)
	234,104
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds:	\$ 234,104

SPECIAL REVENUE FUND

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School
Special Revenue Fund
Combining Schedule of Revenue and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2008**

	Dissemination Grant	Dissemination Grant Carryover	Total State Funds	Title I Part A	I.D.E.A. Part - B Basic	I.D.E.A. Part - B Preschool
REVENUES:						
State Sources	\$ 50,769	21,127	71,896			
Federal Sources				83,971	55,887	2,322
Total revenues	<u>50,769</u>	<u>21,127</u>	<u>71,896</u>	<u>83,971</u>	<u>55,887</u>	<u>2,322</u>
EXPENDITURES:						
Instruction:						
Salaries of teachers			-	45,987		
Purchased Professional and Technical Services						
Other Purchased Services				4,199		
General supplies			-			
Total instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,186</u>	<u>-</u>	<u>-</u>
Support services:						
Salaries	37,153	17,958	55,111	17,830	44,245	2,322
Salaries of other professional staff						
Personal services- employee benefits	494	3,169	3,663	15,955	11,642	
Purchased professional service			-			
Purchased professional/technical service						
Other purchased services			-			
Supplies and materials	11,130		11,130			
Other Objects			-			
Total support services	<u>48,777</u>	<u>21,127</u>	<u>69,904</u>	<u>33,785</u>	<u>55,887</u>	<u>2,322</u>
Capital Outlay						
Facilities Acquisition - Equipmen	1,992		1,992			
Total capital outlay	<u>1,992</u>	<u>-</u>	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 50,769</u>	<u>21,127</u>	<u>71,896</u>	<u>83,971</u>	<u>55,887</u>	<u>2,322</u>

**Galloway Community Charter School
Special Revenue Fund
Combining Schedule of Revenue and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2007**

	Title II Part A	Title II Part A Carryover	Title II Part D	Title II Part D Carryover	Title IV	Title V	Total Federal Funds	Totals
REVENUES:								
State Sources								71,896
Federal Sources	7,398	1,491	576	408	2,184	622	154,859	154,859
Total revenues	<u>7,398</u>	<u>1,491</u>	<u>576</u>	<u>408</u>	<u>2,184</u>	<u>622</u>	<u>154,859</u>	<u>226,755</u>
EXPENDITURES:								
Instruction:								
Salaries of teachers							45,987	45,987
Purchased Professional and Technical Services							-	-
Other Purchased Services			576				4,775	4,775
General supplies							-	-
Total instruction	<u>-</u>	<u>-</u>	<u>576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,762</u>	<u>50,762</u>
Support services:								
Salaries							64,397	119,508
Salaries of other professional staff							-	-
Personal services- employee benefits							27,597	31,260
Purchased professional service							-	-
Purchased professional/technical service	2,500	1,491		408	436		4,835	4,835
Other purchased services							-	-
Supplies and materials	4,898				1,748	622	7,268	18,398
Other Objects							-	-
Total support services	<u>7,398</u>	<u>1,491</u>	<u>-</u>	<u>408</u>	<u>2,184</u>	<u>622</u>	<u>104,097</u>	<u>174,001</u>
Capital Outlay								
Facilities Acquisition - Equipmen							-	1,992
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,992</u>
Total expenditures	<u>7,398</u>	<u>1,491</u>	<u>576</u>	<u>408</u>	<u>2,184</u>	<u>622</u>	<u>154,859</u>	<u>226,755</u>

FIDUCIARY FUNDS

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School
Fiduciary Fund
Combining Statement of Fiduciary Net Assets
June 30, 2008**

	<u>Expendable Trusts</u>	<u>Agency</u>	
	<u>Unemployment</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 3,230	8,633	11,863
Interfund receivable	2,556		2,556
Total Assets	<u>5,786</u>	<u>8,633</u>	<u>14,419</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund payable		8,633	8,633
Total Liabilities	<u>-</u>	<u>8,633</u>	<u>8,633</u>
Fund balances:			
Reserved - Expendable Trust Unemployment	5,786		5,786
Total fund balances	<u>5,786</u>	<u>-</u>	<u>5,786</u>
Total liabilities and fund balances	<u>\$ 5,786</u>	<u>8,633</u>	<u>14,419</u>

**Galloway Community Charter School
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year ended June 30, 2008**

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
ASSETS:				
Cash and cash equivalents	\$ 19,426	2,190,718	2,201,511	8,633
Total assets	<u>19,426</u>	<u>2,190,718</u>	<u>2,201,511</u>	<u>8,633</u>
LIABILITIES:				
Payroll deductions and withholdings		2,190,718	2,190,718	-
Interfund payable	19,426		10,793	8,633
Total liabilities	<u>\$ 19,426</u>	<u>2,190,718</u>	<u>2,201,511</u>	<u>8,633</u>

**Galloway Community Charter School
Unemployment Expendable Trust Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balances
for the Fiscal Years ended June 30, 2008**

	2008
OPERATING REVENUES:	
Local sources:	
Employee Contributions	\$ 3,159
School Contributions	12,167
Interest	1
Total operating revenues	15,327
 OPERATING EXPENSES:	
Payments of unemployment claims	11,425
Other	700
Total operating expenses	12,125
Operating Income	3,202
Net Income	3,202
Fund balances, July 1	2,584
Fund balances, June 30	\$ 5,786

Statistical Section

The GASB requires that ten years of information be presented. However, in some cases the information is either not available or the school was not in operation for that length of time.

GALLOWAY COMMUNITY CHARTER SCHOOL
Net Assets by Component,
Last Five Fiscal Years
Unaudited

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	133,924	116,693	131,706	133,186	188,405
Restricted	73,038	3,037	4,848	14,093	20,917
Unrestricted	(40,975)	138,982	223,953	392,589	540,199
Total governmental activities net assets	<u>165,987</u>	<u>258,712</u>	<u>360,507</u>	<u>539,868</u>	<u>749,521</u>
Business-type activities					
Invested in capital assets, net of related debt					
Restricted					
Unrestricted	3,264	(9,088)	(5,275)	12,780	(6,592)
Total business-type activities net assets	<u>3,264</u>	<u>(9,088)</u>	<u>(5,275)</u>	<u>12,780</u>	<u>(6,592)</u>
District-wide					
Invested in capital assets, net of related debt	133,924	116,693	131,706	133,186	188,405
Restricted	73,038	3,037	4,848	14,093	20,917
Unrestricted	(37,711)	129,894	218,678	405,369	533,607
Total district net assets	<u>169,251</u>	<u>249,624</u>	<u>355,232</u>	<u>552,648</u>	<u>742,929</u>

The District converted to GASB 34 effective with the fiscal year ended June 30, 2004. Based on this, only five years of information is presented.

Source: CAFR Schedule A-1

GALLOWAY COMMUNITY CHARTER SCHOOL
Changes in Net Assets, Last Five Fiscal Years
Unaudited

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
Instruction					
Regular	892,907	1,325,085	1,429,779	1,662,274	1,798,473
Support Services:					
General administrative services	506,289	521,987	493,309	191,997	146,878
School administrative services	284,167	452,052	685,143	865,562	1,129,300
Interest on long-term debt				150,462	195,261
Unallocated depreciation					
Total governmental activities expenses	<u>1,683,363</u>	<u>2,299,124</u>	<u>2,608,231</u>	<u>2,870,295</u>	<u>3,269,912</u>
Business-type activities:					
Food service	67,402	96,446	99,362	120,990	155,817
Before / After Care	41,501	68,826	38,277	33,923	45,346
Daycare	15,660	27,206			
Total business-type activities expense	<u>124,563</u>	<u>192,478</u>	<u>137,639</u>	<u>154,913</u>	<u>201,163</u>
Total district expenses	<u>1,807,926</u>	<u>2,491,602</u>	<u>2,745,870</u>	<u>3,025,208</u>	<u>3,471,075</u>
Program Revenues					
Governmental activities:					
Operating grants and contributions	121,593	68,609	235,304	356,338	234,104
Capital grants and contributions					
Total governmental activities program revenues	<u>121,593</u>	<u>68,609</u>	<u>235,304</u>	<u>356,338</u>	<u>234,104</u>
Business-type activities:					
Charges for services					
Food service	26,328	30,485	28,792	42,655	50,083
Before / After Care	48,591	61,793	38,652	42,367	52,426
Daycare	15,660	27,206			
Operating grants and contributions	39,634	48,642	52,369	64,773	75,716
Capital grants and contributions					
Total business type activities program revenues	<u>130,213</u>	<u>168,126</u>	<u>119,813</u>	<u>149,795</u>	<u>178,225</u>
Total district program revenues	<u>251,806</u>	<u>236,735</u>	<u>355,117</u>	<u>506,133</u>	<u>412,329</u>
Net (Expense)/Revenue					
Governmental activities	(1,561,770)	(2,230,515)	(2,372,927)	(2,513,957)	(3,035,808)
Business-type activities	5,650	(24,352)	(17,826)	(5,118)	(22,938)
Total district-wide net expense	<u>(1,556,120)</u>	<u>(2,254,867)</u>	<u>(2,390,753)</u>	<u>(2,519,075)</u>	<u>(3,058,746)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Charter School Aid	1,406,266	1,935,179	2,139,708	2,308,805	2,737,847
Unrestricted grants and contributions	160,405	264,952	305,598	369,189	467,612
Fundraising	5,699	7,942	849	6,542	-
Investment earnings					
Miscellaneous income	30,928	127,167	49,928	31,308	42,910
Transfers		(12,000)	(21,361)	(22,525)	(2,908)
Total governmental activities	<u>1,603,298</u>	<u>2,323,240</u>	<u>2,474,722</u>	<u>2,693,319</u>	<u>3,245,461</u>
Business-type activities:					
Investment earnings			278	648	658
Transfers		12,000	21,361	22,525	2,908
Total business-type activities	<u>-</u>	<u>12,000</u>	<u>21,639</u>	<u>23,173</u>	<u>3,566</u>
Total district-wide	<u>1,603,298</u>	<u>2,335,240</u>	<u>2,496,361</u>	<u>2,716,492</u>	<u>3,249,027</u>
Change in Net Assets					
Governmental activities	41,528	92,725	101,795	179,362	209,653
Business-type activities	5,650	(12,352)	3,813	18,055	(19,372)
Total district	<u>47,178</u>	<u>80,373</u>	<u>105,608</u>	<u>197,417</u>	<u>190,281</u>

The District converted to GASB 34 effective with the fiscal year ended June 30, 2004. Based on this, only five years of information is presented.

Source: CAFR Schedule A-2

GALLOWAY COMMUNITY CHARTER SCHOOL
Fund Balances, Governmental Funds,
Last Five Fiscal Years
Unaudited

	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
General Fund					
Reserved	73,038	3,037	4,848	14,093	20,917
Unreserved	(12,364)	138,982	223,953	392,589	540,199
Total general func	<u>60,674</u>	<u>142,019</u>	<u>228,801</u>	<u>406,682</u>	<u>561,116</u>
All Other Governmental Funds					
Reserved					
Unreserved, reported in:					
Special revenue fund					
Total all other governmental fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The District converted to GASB 34 effective with the fiscal year ended June 30, 2004. Based on this, only five years of information is presented.

Source: CAFR Schedule B-1

GALLOWAY COMMUNITY CHARTER SCHOOL
Changes in Fund Balances, Governmental Funds,
Last Five Fiscal Years
Unaudited

	2004	2005	2006	2007	2008
Revenues					
Charter School Aid	1,406,266	1,935,179	2,139,708	2,308,805	2,737,847
Fundraising	5,699	7,942	849	6,542	
Miscellaneous	30,928	127,167	49,928	31,308	42,910
State sources	214,487	273,072	310,825	560,866	539,508
Federal sources	116,596	60,489	230,077	164,661	162,208
Total revenue	<u>1,773,976</u>	<u>2,403,849</u>	<u>2,731,387</u>	<u>3,072,182</u>	<u>3,482,473</u>
Expenditures					
Instruction					
Regular Instruction	790,409	1,147,436	1,274,621	1,379,999	1,450,274
Support Services:					
School Administrative services	394,659	391,472	608,329	710,486	1,091,975
General administrative services	444,261	618,649	628,109	398,929	381,182
Unallocated employee benefits	49,082	87,535	107,735	104,580	227,001
Capital outlay	140,332	65,412	4,450	237,370	174,699
Debt Service				40,412	
Total expenditures	<u>1,818,743</u>	<u>2,310,504</u>	<u>2,623,244</u>	<u>2,871,776</u>	<u>3,325,131</u>
Excess (Deficiency) of revenues over (under) expenditures	(44,767)	93,345	108,143	200,406	157,342
Other Financing sources (uses)					
Transfers in					
Transfers out		(12,000)	(21,361)	(22,525)	(2,908)
Total other financing sources (uses)	-	<u>(12,000)</u>	<u>(21,361)</u>	<u>(22,525)</u>	<u>(2,908)</u>
Net change in fund balances	<u>(44,767)</u>	<u>81,345</u>	<u>86,782</u>	<u>177,881</u>	<u>154,434</u>

Source: CAFR Schedule B-2

The District converted to GASB 34 effective with the fiscal year ended June 30, 2004. Based on this, only five years of information is presented.

GALLOWAY COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
Last Eight Fiscal Years
Unaudited

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2001	31,490	995,650,820	31,618	5.40%
2002	32,632	1,029,539,600	31,550	4.00%
2003	33,557	1,058,723,350	31,550	4.90%
2004	34,322	1,088,076,044	31,702	5.20%
2005	35,010	1,111,532,490	31,749	4.50%
2006	35,010	1,180,397,160	33,716	5.60%
2007	35,010	1,201,088,070	34,307	5.20%
2008	36,105	1,281,005,400	35,480	5.40%

Source:

a Population information provided by the NJ Dept of Labor and Workforce Development

b Personal income provided by the NJ Dept of Labor and Workforce Development

c Per Capita provided by the NJ Dept of Labor and Workforce Development

d Unemployment data provided by the NJ Dept of Labor and Workforce Development

The Galloway Community Charter School's year of inception was the 2000-2001 fiscal year.

GALLOWAY COMMUNITY CHARTER SCHOOL
Full-time Equivalent District Employees by Function/Program,
Last Eight Fiscal Years
Unaudited

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Instruction								
Regular					29.00	28.00	28.00	28.00
Special education					4.00	5.00	5.00	5.00
Other special education								
Vocational								
Other instruction								
Nonpublic school programs								
Adult/continuing education programs								
Support Services:								
Tuition								
Student & instruction related services								
General administrative services					1.00	1.00	1.00	1.00
School administrative services					1.00	1.00	1.00	1.00
Business administrative services					0.40	0.40	0.40	0.50
Plant operations and maintenance								
Pupil transportation								
Special Schools								
Food Service					1.50	1.50	1.50	1.50
Child Care					2.00	2.00	2.00	2.00
Total	-	-	-	-	38.90	38.90	38.90	39.00

Source: District Personnel Records

The Galloway Community Charter School's year of inception was the 2000-2001 fiscal year.
The information for the years 2001 to 2004 is not available.

GALLOWAY COMMUNITY CHARTER SCHOOL
Operating Statistics
Last Eight Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2001	126		-					129	120		93.02%
2002	140		-					240	131	86.05%	54.58%
2003	146		-					146	137	-39.17%	93.84%
2004	208	1,807,926	8,692		20	14:1		205	195	40.41%	95.12%
2005	260	2,491,602	9,583	10.25%	36	13:1		261	249	27.32%	95.40%
2006	257	2,608,231	10,149	16.76%	31	11:1		258	243	25.85%	94.19%
2007	287	2,874,746	10,017	4.52%	31	11:1		287	274	9.96%	95.47%
2008	292	3,074,651	10,530	3.75%	33	8.85:1		293	277	13.57%	94.54%

Sources: District records, ASSA and Schedule J-6

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-2
- 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).

The Galloway Community Charter School's year of inception was the 2000-2001 fiscal year.
 Some information prior to 2004 not available.

GALLOWAY COMMUNITY CHARTER SCHOOL
School Building Information
Last Ten Fiscal Years
Unaudited

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Elementary</u>										
Only building (2006-07)										
Square Feet									24,000	24,000
Capacity (students)									535	535
Enrollment									287	292

Number of Schools at June 30, 2007

 Elementary = 1

Source: District records, ASSA

Note: Year of purchase is shown in parentheses, building was constructed in 2003

 Enrollment is based on the annual October District Count.

GALLOWAY COMMUNITY CHARTER SCHOOL
Insurance Schedule
June 30, 2008
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
Property Limits		
Building and personal property	2,973,000	1,000
Blanket Extra	250,000	
Valuable papers	50,000	
Computers	65,000	
General Liability	1,000,000	
Business Auto	1,000,000	
Workers Compensation	2,000,000	
Umbrella	1,000,000	
School Board E & O	1,000,000	
Surety Bonds		
Blanket	20,000	
Board Secretary	110,000	
Board Treasurer	135,000	

GALLOWAY COMMUNITY CHARTER SCHOOL
General Fund Other Local Revenue by Source
Last Eight Fiscal Years
Unaudited

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Fundraising</u>	<u>Interest on</u> <u>Investments</u>	<u>Cancellation</u> <u>of Payables</u>	<u>Misc.</u>	<u>Total</u>
2001	8,079			3,613	11,692
2002	17,822	657		28,336	46,815
2003	45,579			21,614	67,193
2004	5,699			30,928	36,627
2005	7,942		35,249	88,426	131,617
2006	849			49,928	50,777
2007	6,542	3,883		27,425	37,850
2008		12,357	7,715	16,010	36,082

Source: District Records

GALLOWAY COMMUNITY CHARTER SCHOOL
General Fund
Schedule of Required Maintenance for School Facilities:
Last Seven Years
Unaudited

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

School Facilities	Project # (s)	2008	2007	2006	2005	2004	2003	2002
Galloway Community Charter School	N/A	41,851	46,381	-	-	-	-	-
Total School Facilities		41,851	46,381	-	-	-	-	-
Other Facilities		-	-	-	-	-	-	-
Grand Total		<u>41,851</u>	<u>46,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Galloway Community Charter School purchased the building in August 2006.

Single Audit Section

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**ALLIANCE OF
GOVERNMENTAL
AUDITORS, LLC**

PO Box 548, Mays Landing, NJ 08330
609-625-0999 FAX 609-625-2421

A JOINT VENTURE OF

SWARTZ & CO.,LLC &

TRACEY HEUN BRENNAN & CO. CPAs, PC

**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**

Honorable President and
Members of the Board of Trustees
Galloway Community Charter School
County of Atlantic, New Jersey

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Trustees of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Galloway Community Charter School's basic financial statements and have issued our report thereon dated October 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Galloway Community Charter School's internal control over financial reporting as a basis for designing our auditing procedures 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 Galloway Community Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies 08-1, 08-2, 08-3, and 08-5, described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies identified above, we consider items 08-1, 08-2, 08-3, and 08-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Galloway Community Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the requirements of the Department of Education and which are described in the accompanying schedule of findings and responses as items 08-4.

We noted certain matters that we reported to management of the Galloway Community Charter School Board of Trustees in a separate letter dated October 20, 2008.

The Galloway Community Charter School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Galloway Community Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Education, the New Jersey State Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Kenneth W. Moore

Kenneth W. Moore, CPA
Licensed Public School Accountant
No. CS00449

Alliance of Governmental Auditors, LLC

Alliance of Governmental Auditors, LLC
Certified Public Accountants

October 20, 2008

GALLOWAY COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2007	Cash Received	Budgetary Expenditures	Funds Returned	(Accounts Receivable)	Deferred Revenue June 30, 2008	Due to Grantor
U. S. Department of Agriculture											
Passed-through State Department of Education:											
Enterprise Fund:											
National School Snack Program	10.550		7/1/07 - 6/30/08								
National School Snack Program	10.550		7/1/06 - 6/30/07	1,775	(55)	55					
National School Lunch Program	10.555		7/1/07 - 6/30/08								
National School Lunch Program	10.555		7/1/06 - 6/30/07	48,566	(1,724)	1,724					
National School Breakfast Program	10.553		7/1/07 - 6/30/08								
National School Breakfast Program	10.553		7/1/06 - 6/30/07	10,986	(578)	578					
Total U.S. Department of Agriculture					<u>(2,357)</u>	<u>2,357</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
U.S. Department of Education											
Passed-through State Department of Education:											
Special Revenue Fund:											
I.D.E.A. Part B - Basic	84.027		9/1/07 - 8/31/08	54,275		52,388	(54,275)		(1,887)		
I.D.E.A. Part B - Basic Carryover	84.027		9/1/05 - 8/31/06	52,409	7,419		(1,602)				5,817
I.D.E.A. Part B - Preschool	84.173		9/1/07 - 8/31/08	2,332		2,332	(2,332)				
I.D.E.A. Part B - Preschool Carryover	84.173		9/1/05 - 8/31/06	1,668	236						236
NCLB Title I Part A	84.010		9/1/07 - 8/31/08	83,971		83,971	(83,971)				
NCLB Title I Part A - Carryover	84.010		9/1/06 - 8/31/07	106,905	18,978			10,487		-	8,491
NCLB Title I Part A - Carryover	84.010		9/1/05 - 8/31/06	93,509	17,429						17,429
NCLB Title IIA	84.281		9/1/07 - 8/31/08	7,398			(7,398)				
NCLB Title IIA Carryover	84.281		9/1/06 - 8/31/07	6,587	1,491		(1,491)				
NCLB Title IID	84.281		9/1/07 - 8/31/08	576		576	(576)				
NCLB Title IID Carryover	84.281		9/1/06 - 8/31/07	572	408						
NCLB Title IV	84.186		9/1/07 - 8/31/08	2,184		2,184	(2,184)				
NCLB Title V	84.298		9/1/07 - 8/31/08	622		622	(622)				
NCLB Title V - Carryover	84.298		9/1/06 - 8/31/07	639	232						232
NCLB Title V - Carryover	84.298		9/1/05 - 8/31/06	1,394	55						55
Total Special Revenue Fund					<u>46,248</u>	<u>149,471</u>	<u>(154,859)</u>	<u>10,487</u>	<u>(1,887)</u>	<u>-</u>	<u>32,260</u>
Total Federal Financial Awards					<u>\$ 43,891</u>	<u>151,828</u>	<u>(154,859)</u>	<u>10,487</u>	<u>(1,887)</u>	<u>-</u>	<u>32,260</u>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule

GALLOWAY COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2007	Cash Received	Budgetary Expenditures	Funds Returned	(Accounts Receivable) June 30, 2008	Deferred Revenue	Due to Grantor
State Department of Education											
Passed-through Local Districts:											
General Fund:											
Special Education Aid		495-034-5120-011	7/1/07 - 6/30/08	36,026		36,026	(36,026)				
Early Childhood Program Aid		495-034-5120-025	7/1/07 - 6/30/08	72,104		72,104	(72,104)				
Demonstrably Effective Program Aid		495-034-5064-002	7/1/07 - 6/30/08	48,200		48,200	(48,200)				
Targeted At-Risk Aid		495-034-5064-005	7/1/07 - 6/30/08	71,350		71,350	(71,350)				
Teacher Mentoring			7/1/07 - 6/30/08	1,023		1,023	(1,023)				
Technology Aid			7/1/07 - 6/30/08	11,908		11,908	(11,908)				
TPAF Social Security		495-034-5095-051	7/1/07 - 6/30/08	115,461		109,916	(115,461)		(5,545)		
Total General Fund					<u>-</u>	<u>350,527</u>	<u>(356,072)</u>	<u>-</u>	<u>(5,545)</u>	<u>-</u>	<u>-</u>
Special Revenue Fund:											
Dissemination			9/1/07 - 8/31/08	50,771		28,604	(50,769)		(22,165)		
Dissemination - Carryover			9/1/06 - 8/31/07	317,047	21,127		(21,127)				
IDEAL			9/1/06 - 8/31/07	50,000	17					-	17
Total Special Revenue Fund					<u>21,144</u>	<u>28,604</u>	<u>(71,896)</u>	<u>-</u>	<u>(22,165)</u>	<u>-</u>	<u>17</u>
State Department of Agriculture											
Enterprise Fund:											
National School Lunch Program (State Share)		100-034-5120-067	7/1/06 - 6/30/07	2,562	(91)	91			91		
National School Lunch Program (State Share)		100-034-5120-067	7/1/07 - 6/30/08								
National School Breakfast Program (State Share)		100-034-5120-096	7/1/06 - 6/30/07	884	(46)	46					
National School Breakfast Program (State Share)		100-034-5120-096	7/1/07 - 6/30/08								
Total Enterprise Fund					<u>(137)</u>	<u>137</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance					<u>\$ 21,007</u>	<u>379,268</u>	<u>(427,968)</u>	<u>-</u>	<u>(27,619)</u>	<u>-</u>	<u>17</u>

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule

Galloway Community Charter School
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2008

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees of the Galloway Community Charter School. The Board of Trustees is defined in Note 1 to the Board's general-purpose 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 awards and 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 Board's general-purpose financial statements.

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

The general-purpose financial statements present the general fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general 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 P.L. 2003, c.97 (A3521). 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 net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(4,200) for the general 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 Board's general-purpose financial statements on a GAAP basis as follows:

Galloway Community Charter School
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2008

	<u>General</u>	<u>Special Revenue</u>
Federal and State Assistance:		
Actual amounts (budgetary) “revenues” from the Schedule of Expenditures of Federal and State Financial Assistance	\$ 356,072	226,755
Difference-budget to “GAAP” Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		7,349
On Behalf TPAF payments recognized for GAAP statements but not included in the Schedule of Expenditures of State and Federal Assistance	<u>111,540</u>	<u> -</u>
Total Federal and State revenue as reported on the statement of revenues, expenditures and changes in fund balances.	<u>\$467,612</u>	<u>234,104</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amount reported in the accompanying schedules agree with the amounts reported in the related state financial reports.

**GALLOWAY COMMUNITY CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2008**

Part 2 – Schedule of Financial Statement Findings

Finding 08-1

Criteria:

The District is responsible for monitoring the financial activity, including the information necessary for related disclosures in order to ensure proper preparation of an accurate, complete, set of financial statements.

Condition:

Several significant transactions were required to be entered into the financial system to prepare an accurate, complete set of financial statements, including related disclosures.

Effect:

The Board did not have complete financial information on an ongoing basis on which to base decisions.

Recommendation:

The District should carefully monitor all financial activity of the District, including the information necessary for related disclosures.

Management Response:

The Business Administrator will ensure that all the required adjustments have been made to the financial information to allow the Board to monitor financial activity, including the information necessary for related disclosures.

Finding 08-2

Criteria:

The Business Administrator is required to provide monthly Board Secretary's Reports to the Board.

Condition:

Board Secretary's Reports were not provided to the Board of Trustees on a monthly basis for most of the fiscal year.

Effect:

The Board was unable to determine the financial status of the School for several months.

Recommendation:

The Business Administrator should prepare the Board Secretary's Reports on a monthly basis, ensure they are in agreement with the Treasurer's report and provide the reports to the Board of Trustees on a monthly basis.

Management Response:

A new business administrator was hired during the current year, and the reports are now up to date and presented monthly.

Finding 08-3

Criteria:

Written procedures are required to be maintained for all transactions of the School.

Condition:

No written procedures are maintained by the School for cash receipts or disbursements, including payroll procedures.

Effect:

The School cannot provide standard procedures for employees to follow to ensure consistency.

Recommendation:

Procedures should be documented for all transactions performed by School personnel.

Management Response:

The new business administrator hired works with Shared Services, and all procedures are documented and followed.

Finding 08-4

Criteria:

The minutes of the Board of Trustee meetings are required to include specific information as part of the permanent record of the School.

Condition:

The minutes were missing a significant amount of the information required by the State Department of Education.

Effect:

The School was not in compliance with the State Department of Education requirements.

Recommendation:

The business administrator should consult the State Department of Education audit information and ensure that all of the required information is included in the minutes.

Management Response:

The business administrator will ensure that all required information is documented in the minutes.

Finding 08-5

Criteria:

The School is required to maintain an accurate listing of capital assets, including current year acquisitions and disposals.

Condition:

No capital asset listing is maintained by the School.

Effect:

The School is not maintaining appropriate controls over capital assets.

Recommendation:

An accurate listing of all capital assets should be maintained and updated regularly for acquisitions and disposals.

Management Response:

A listing of capital assets will be maintained and updated on a regular basis.

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

None

Status of Prior Year Findings

Finding 07-1: Internal controls were not in place, and overexpenditures were noted in many budget line items.

This finding was cleared in 2008.

Finding 07-2: The general ledgers did not reflect accurate information, and transactions were not properly recorded.

This finding was cleared in 2008.

Finding 07-3: The school was unable to provide a complete set of financial statements, including related disclosures.

This finding was not cleared in 2008.

The School will examine their options to determine the most cost effective resolution to bring the School into compliance with the auditing standard.

Finding 07-4: Bank reconciliations were not prepared for any of the bank accounts for the 2007 fiscal year.

This finding was cleared in 2008.

Finding 07-5: Board Secretary's reports were not provided to the Board of Trustees on a monthly basis.

This finding was not cleared in 2008.

The Board Secretary will provide monthly reports to the Board on a timely basis.

Finding 07-6: No written procedures are maintained by the School for cash receipts or disbursements, including payroll procedures.

This finding was not cleared in 2008.

All procedures will be documented and followed for all departments.