

**Comprehensive Annual  
Financial Report**

**of the**

**GALLOWAY COMMUNITY CHARTER SCHOOL**

**GALLOWAY, NEW JERSEY**

**For the Year Ended June 30, 2011**

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# Introductory Section



*Galloway Community Charter School*

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112 South New York Road  
Galloway, New Jersey 08205  
609-652-7118 X 100 ~ Fax: 609-652-3640

December 5, 2011

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, 2011 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 four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter, the School's organizational chart and a list of principal officials. The Financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Single Audit section includes the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations.

**1) REPORTING ENTITY AND ITS SERVICES:**

Galloway Community Charter School is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds 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 2010-2011 fiscal year with 213 students.

## **2) ECONOMIC CONDITIONS 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 new residential and commercial construction in Galloway Township.

## **3) MAJOR INITIATIVES:**

During fiscal year 2011, the School has continued to update and integrate technology in all areas of student development as well as teaching and administrative staff. A partnership with Leadership Energies had been fostered to focus on student achievement to discover and implement a plan to maximize potential.

## **4) INTERNAL ACCOUNTING CONTROLS:**

Management of the School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the School 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 management.

As part of the School's audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the School has complied with applicable laws and regulations.

## **5) BUDGETARY CONTROLS:**

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2011.

## **6) ACCOUNTING SYSTEM AND REPORTS:**

The School's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 1.

## 7) FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund revenues for the fiscal year ended June 30, 2011 and the amount and percentage of increases in relation to prior year revenues.

<u>Revenue Increase</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase from 2010-2011</u>	<u>Percent of Increase/ Decrease</u>
Local Sources	\$ 1,236,281.03	35.60%	\$ (311,388.24)	-20.12%
State Sources	1,980,931.92	57.05%	(193,310.45)	-8.89%
Federal Sources	<u>255,178.85</u>	<u>7.35%</u>	<u>(41,955.94)</u>	-14.12%
Total	\$ <u>3,472,391.80</u>	<u>100.00%</u>	\$ <u>(546,654.63)</u>	-13.60%

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2010-11</u>	<u>Percent of Increase (Decrease)</u>
Current Expense:				
Regular Instruction	\$ 1,116,309.71	34.72%	\$ (275,029.20)	-19.77%
Support Services:				
Administrative	1,254,209.08	39.01%	(378,286.07)	-23.17%
Employee Benefits	417,614.12	12.99%	(22,701.83)	-5.16%
Capital Outlay	172,010.71	5.35%	(37,202.18)	-17.78%
Special Revenue	<u>255,178.85</u>	<u>7.94%</u>	<u>(41,955.94)</u>	-14.12%
Total	\$ <u>3,215,322.47</u>	<u>100.00%</u>	\$ <u>(755,175.22)</u>	-19.02%

## 8) 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 3. 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. 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.

**9) RISK MANAGEMENT:**

The Board 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.

**10) OTHER INFORMATION:**

A) INDEPENDENT AUDIT - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates, L.L.C. was selected by the Board on June 13, 2011.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as revised in 1997 and the related OMB Circular A-133 and State of New Jersey Treasury Circular Letter OMB 04-04. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor reports related specifically to single audit are included in the single audit section of this report.

**12) ACKNOWLEDGMENTS:**

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 of the Galloway Community Charter School and thereby contributing their full support to the development and maintenance of our financial operations.

Respectfully submitted,

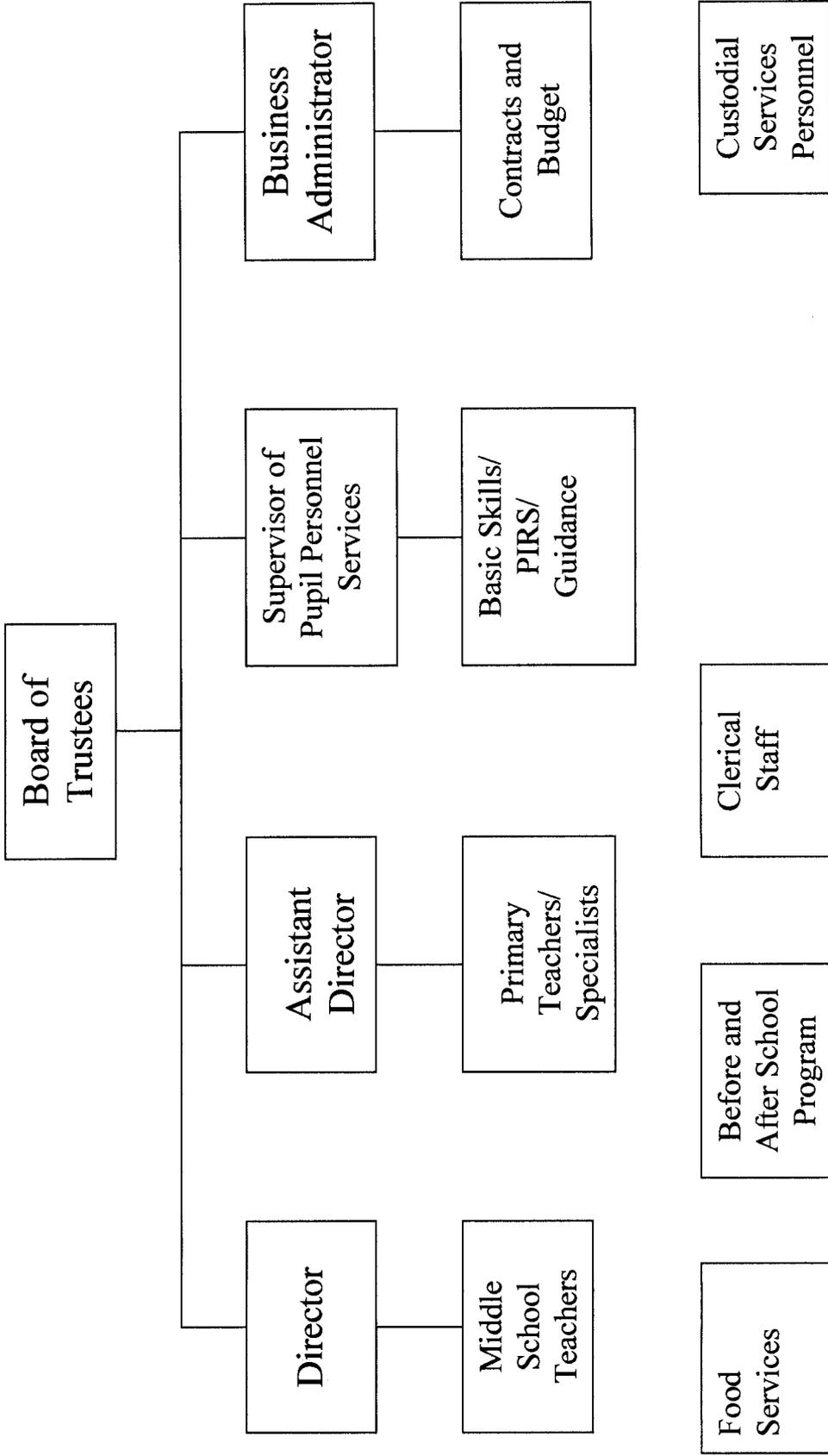


Deborah A. Nataloni  
Director



Linda Fiori  
Board Secretary/Business Administrator

# Galloway Community Charter School Organization Chart



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

**Roster of Officials  
June 30, 2011**

**Members of the Board of Trustees**

James Rhoads, President

Jill Glasser, Vice-President

Irma Jenkins, Member

Nancy Mills, Member

Patrice Leatherberry, Member

John Luca, Member

Michelle Foell, Teacher Representative

Gail Marie Elliott, Teacher Representative

**Other Officials**

Deborah Nataloni, Director

Jessica Fisher, Assistant Director

Henry Berman, Business Administrator

Linda Fiori, Business Administrator / Board Secretary

**GALLOWAY COMMUNITY CHARTER SCHOOL  
Consultants and Advisors**

**Accounting Firm**

Ford, Scott & Associates, L.L.C.  
1535 Haven Avenue  
P.O. Box 538  
Ocean City, NJ 08226

**Attorney**

Amy L. Houck  
Cooper Levinson  
1125 Atlantic Avenue  
Atlantic City, NJ 08401

**Official Depository**

The Bank  
215 E. Jimmie Leeds Road  
Galloway, NJ 08205

# Financial Section



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538

PHONE 609.399.6333 • FAX 609.399.3710

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund 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, 2011, which collectively comprise the District'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 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 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, business-type activities, and each major fund of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, as of June 30, 2011, 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 December 5, 2011 on our consideration of the Galloway Community Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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 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 listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the Galloway Community Charter School's basic financial statements. The accompanying introductory section, combining statements, and related major fund supporting statements and schedules, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and related major fund supporting statements and schedules 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 and statistical sections 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.

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*, and are not a required part of the basic financial statements. Such information has 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.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**Glen J. Ortman**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 853**

**December 5, 2011**

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of Galloway Community Charter School's financial performance provides an overall review of the Charter School's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$318,390.14, which represents a 154% decrease from 2010.
- General revenues accounted for \$3,472,391.80 in revenue or 96% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$131,608.10 or 4% of total revenues of \$3,603,999.90.
- Total assets of governmental activities increased by \$145,766.66 as capital assets decreased \$106,980.00, cash and cash equivalents increased by \$216,468.39 and receivables increased by \$47,295.17.
- The Charter School had \$3,285,609.76 in expenses; only \$131,608.10 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily local and state aid) of \$3,472,391.80 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$3,217,212.95 in revenues and \$2,960,143.62 in expenditures. The General Fund's fund balance had a increase of \$239,650.64 over 2010.

### **Using this Comprehensive Annual Financial Report (CAFR)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Galloway Community Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Galloway Community Charter School, the General Fund is by far the most significant fund.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Reporting the Charter School as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the Charter School's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Charter School is divided into two distinct kinds of activities:

- **Governmental Activities** - All of the Charter School's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activity** - This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service, Daycare Program and Before & After School Program enterprise funds are reported as business activities.

**Reporting the Charter School's Most Significant Funds**

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transaction. The Charter School's governmental funds are the General Fund and the Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Reporting the Charter School's Most Significant Funds (Continued)**

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 44 of this report.

**The Charter School as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Charter School as a whole. Net assets may serve over time as a useful indicator of a government's financial position.

The school's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table 1 provides a summary of the Charter School's net assets for 2011 and 2010.

**Table 1  
Net Assets**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Current and Other Assets	\$ 648,073.70	\$ 387,162.02
Capital Assets	<u>3,461,474.00</u>	<u>3,568,454.00</u>
<b>Total Assets</b>	<u><b>4,109,547.70</b></u>	<u><b>3,955,616.02</b></u>
<b>Liabilities</b>		
Long-Term Liabilities	3,398,180.52	3,588,821.93
Other Liabilities	<u>186,592.86</u>	<u>160,409.91</u>
<b>Total Liabilities</b>	<u><b>3,584,773.38</b></u>	<u><b>3,749,231.84</b></u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	96,377.44	34,214.10
Restricted	17,765.37	3,605.00
Unrestricted	<u>410,631.51</u>	<u>168,565.08</u>
<b>Total Net Assets</b>	<u><b>\$ 524,774.32</b></u>	<u><b>\$ 206,384.18</b></u>

The School's combined net assets were \$524,774.32 on June 30, 2011. This was an increase of 154% from the prior year.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**The Charter School as a Whole (Continued)**

Table 2 shows changes in net assets for years 2011 and 2010.

**Table 2  
Changes in Net Assets**

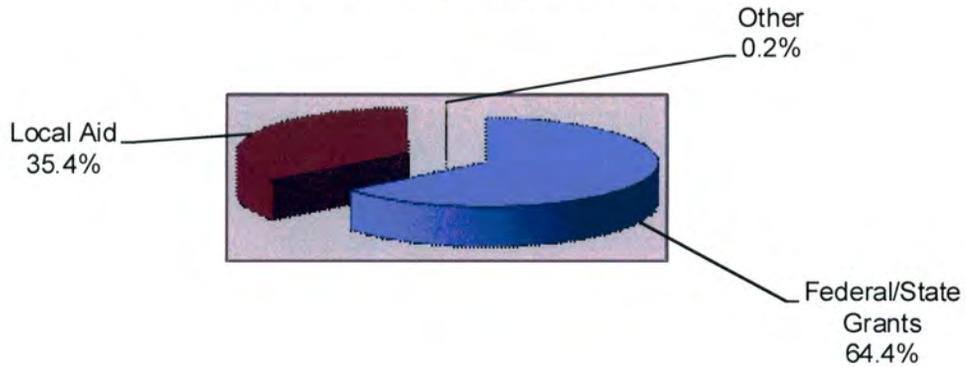
	2011	2010
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 56,908.23	\$ 101,692.57
Operating Grants and Contributions	74,699.87	82,831.59
General Revenues:		
Local Aid	1,230,315.61	1,533,141.73
Grants and Entitlements	2,236,110.77	2,471,376.56
Other	5,965.42	14,527.54
Total Revenues	3,603,999.90	4,203,569.99
<b>Program Expenses</b>		
Instruction	1,632,663.31	2,015,234.62
Administrative Expenses	733,048.26	854,761.62
Support Services	780,171.94	1,129,785.78
School Administrative Services	-	-
General and Business Administrative Services	-	-
Interest on long term debt	-	-
Food Service	117,066.29	136,742.51
Other Non-Major Programs	22,659.96	77,724.14
Extraordinary Items:		
Fixed Asset Appraisal	-	332,239.00
Total Expenses	3,285,609.76	4,546,487.67
Increase/(Decrease) in Net Assets	\$ 318,390.14	\$ (342,917.68)

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Governmental Activities**

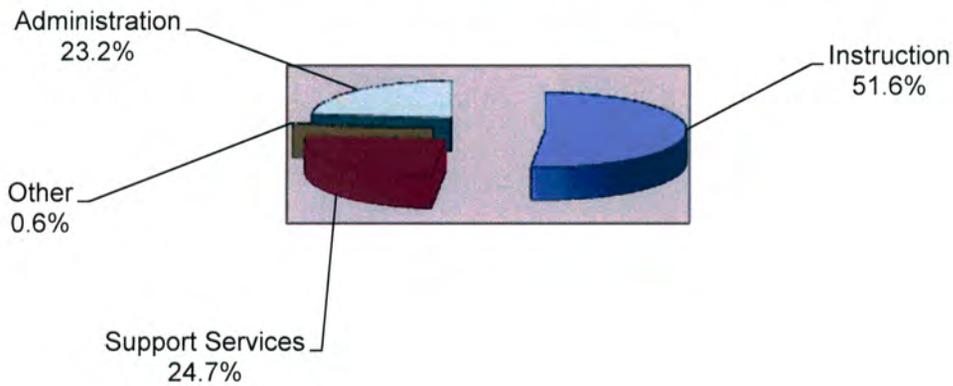
The School's total revenues were \$3,472,391.80 for the year ended June 30, 2011. Federal, state, and local grants accounted for 64.4% of revenue.

**Sources of Revenue for Fiscal Year 2011**



The total cost of all program and services was \$3,163,302.20. Instruction comprises 51.6% percent of School expenses.

**Expenses for 2011**



**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**Business-Type Activities**

Revenues for the School's business-type activities (Food Service & Day Care programs) were comprised of charges for services and federal and state reimbursements.

- Food service expenses exceeded revenues by \$11,254.43. Day Care revenues exceeded expenses by \$3,136.28.
- Charges for food services represent \$31,111.99 of revenue. This represents amounts paid by patrons for daily food service. Charges for Day Care services represent \$25,796.24 of revenue. This represents amounts paid by patrons for daycare services.
- Federal and state reimbursement for meals, including payments for free and reduced snacks, lunches and breakfast was \$74,699.87.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services.

**Table 3**

	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>	<u>Total Cost of Services 2010</u>	<u>Net Cost of Services 2010</u>
General Instruction	\$ 1,632,663.31	\$ 1,632,663.31	\$ 2,015,234.62	\$ 2,015,234.62
Administrative Expenses	733,048.26	733,048.26	854,761.62	854,761.62
Support Services	780,171.94	780,171.94	1,129,785.78	1,129,785.78
Total Expenses	<u>\$ 3,145,883.51</u>	<u>\$ 3,145,883.51</u>	<u>\$ 3,999,782.02</u>	<u>\$ 3,999,782.02</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration, and business include expenses associated with administrative and financial supervision of the School.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$3,472,391.80 and expenditures were \$3,215,322.47.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	2010-11 Amount	Percent of Total	Increase (Decrease) from 2010	Percent of Increase (Decrease)
Local Sources	\$ 1,236,281.03	35.60%	\$ (311,388.24)	-20.12%
State Sources	1,980,931.92	57.05%	(193,310.45)	-8.89%
Federal Sources	255,178.85	7.35%	(41,955.94)	-14.12%
Total	<u>\$ 3,472,391.80</u>	100.00%	<u>\$ (546,654.63)</u>	-13.60%

The following schedule represents a summary of general fund and special revenue fund expenditures for the year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	2010-11 Amount	Percent of Total	Increase (Decrease) from 2010	Percent of Increase (Decrease)
Current expense:				
Instruction	\$ 1,285,179.62	39.97%	\$ (268,073.03)	-17.26%
Administrative	1,045,219.20	32.51%	(691,673.90)	-39.82%
Support Services	712,912.94	22.17%	241,773.89	51.32%
Capital Outlay	172,010.71	5.35%	(37,202.18)	-17.78%
Total	<u>\$ 3,215,322.47</u>	100.00%	<u>\$ (755,175.22)</u>	-19.02%

Changes in expenditures were the results of varying factors. Current expense increased due to additional staff and students, and increased health benefits and utility costs.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. As our budget is directly related to enrollment, our business office takes special care to monitor enrollment throughout the year and adjust budgetary projections to ensure sound fiscal management. Our business staff now has the experience of five years of operation and the budgeting process is becoming more efficient with each year. We expect this trend to continue into the future.

**Capital Assets**

At the end of the year 2011, the Charter School had \$3,461,474.00 invested in building, furniture and equipment. Table 4 shows year 2011 balances compared to 2010.

**Table 4  
Capital Assets (Net of Depreciation) at June 30,**

		2011		2010
Land Improvements	\$	589,545.00	\$	589,545.00
Building and Building Improvements		2,821,272.00		2,915,480.00
Machinery and Equipment		50,657.00		63,429.00
Total	\$	3,461,474.00	\$	3,568,454.00

Overall capital assets decreased \$106,980.00 from year 2010 to year 2011. The decrease in capital assets is due to the depreciation. For more detailed information, please refer to the Notes to the Financial Statements.

**Long-Term Liabilities**

At June 30, 2011, the Charter School had \$3,398,180.52 of outstanding debt. Of this amount, \$33,083.96 is for compensated absences; \$8,631.60 for various capital leases; \$3,356,464.96 of mortgage payable.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011  
UNAUDITED (CONTINUED)**

**For the Future**

The Galloway Community Charter School District is in good financial condition presently. A major concern is the continued cost increases and enrollment based state aid.

**Contacting the Charter School's Management**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Linda Fiori, Business Administrator at Galloway Community Charter School, 112 South New York Road., Galloway, N.J. Please visit our website at [www.gccscharterschool.org](http://www.gccscharterschool.org).

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 268,968.98	\$ 12,519.78	\$ 281,488.76
Receivables, Net (Note 3)	366,584.94		366,584.94
Internal Balances	4,923.36	(4,923.36)	-
Capital Assets, Net (Note 6)	3,461,474.00		3,461,474.00
<b>Total Assets</b>	<u>4,101,951.28</u>	<u>7,596.42</u>	<u>4,109,547.70</u>
<b>LIABILITIES</b>			
Accounts Payable	26,276.45	-	26,276.45
Other Liabilities	3,983.00		3,983.00
Payable to State Government	113,120.00		113,120.00
Deferred Revenue	43,213.41		43,213.41
Noncurrent Liabilities (Note 8)			
Due Within One Year	157,291.60		157,291.60
Due Beyond One Year	3,240,888.92		3,240,888.92
<b>Total Liabilities</b>	<u>3,584,773.38</u>	<u>-</u>	<u>3,584,773.38</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	96,377.44		96,377.44
Restricted for:			
Other Purposes	31,987.82		31,987.82
Debt Service	(14,222.45)		(14,222.45)
Unrestricted	403,035.09	7,596.42	410,631.51
<b>Total Net Assets</b>	<u>\$ 517,177.90</u>	<u>\$ 7,596.42</u>	<u>\$ 524,774.32</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Function/Programs	Program Revenue			Net (Expense Revenue and Changes in Net Assets)			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General Instruction	1,632,663.31	\$ -	\$ -	\$ -	\$ (1,632,663.31)	\$ -	\$ (1,632,663.31)
Administrative Expenses	733,048.26				(733,048.26)		(733,048.26)
Support Services	780,171.94				(780,171.94)		(780,171.94)
<b>Total Governmental Activities</b>	<b>3,145,883.51</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,145,883.51)</b>	<b>-</b>	<b>(3,145,883.51)</b>
<b>Business-Type Activities:</b>							
Food Service	117,066.29	31,111.99	74,699.87			(11,254.43)	(11,254.43)
Day Care Program	22,659.96	25,796.24				3,136.28	3,136.28
<b>Total Business-Type Activities</b>	<b>139,726.25</b>	<b>56,908.23</b>	<b>74,699.87</b>	<b>-</b>	<b>-</b>	<b>(8,118.15)</b>	<b>(8,118.15)</b>
<b>Total Primary Government</b>	<b>\$ 3,285,609.76</b>	<b>\$ 56,908.23</b>	<b>\$ 74,699.87</b>	<b>\$ -</b>	<b>\$ (3,145,883.51)</b>	<b>\$ (8,118.15)</b>	<b>\$ (3,154,001.66)</b>
<b>General Revenues:</b>							
Local Aid					\$ 1,230,315.61	\$ -	\$ 1,230,315.61
Federal and State Aid not Restricted					2,236,110.77		2,236,110.77
Investment Earnings					1,156.32		1,156.32
Miscellaneous					4,809.10		4,809.10
Transfers					(17,418.69)	17,418.69	-
<b>Total General Revenues, Special Items, Extraordinary Items and Transfers</b>					<b>3,454,973.11</b>	<b>17,418.69</b>	<b>3,472,391.80</b>
Change in Net Assets					309,089.60	9,300.54	318,390.14
Net Assets - Beginning					208,088.30	(1,704.12)	206,384.18
Net Assets - Ending					\$ 517,177.90	\$ 7,596.42	\$ 524,774.32

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 268,968.98	\$ -	\$ 268,968.98
Due from Other Funds	93,652.21	356.00	94,008.21
Receivables from Other Governments	130,028.10	133,843.26	263,871.36
Other Receivables	102,713.58		102,713.58
Total Assets	<u>\$ 595,362.87</u>	<u>\$ 134,199.26</u>	<u>\$ 729,562.13</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 12,054.00	\$ -	\$ 12,054.00
Other Liabilities	3,983.00		3,983.00
Intergovernmental Payable	110,863.00	2,257.00	113,120.00
Due to Other Funds	356.00	88,728.85	89,084.85
Deferred Revenue		43,213.41	43,213.41
Total Liabilities	<u>127,256.00</u>	<u>134,199.26</u>	<u>261,455.26</u>
Fund Balances:			
Restricted for:			
None			-
Assigned to:			
Other Purposes	31,987.82		31,987.82
Unassigned, Reported in:			
General Fund	436,119.05		436,119.05
Total Fund Balances	<u>468,106.87</u>	<u>-</u>	<u>468,106.87</u>
Total Liabilities and Fund Balances	<u>\$ 595,362.87</u>	<u>\$ 134,199.26</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 resources and therefore are not reported in the funds.

The cost of the assets is \$4,446,925.00 and the accumulated depreciation is \$985,451.00

(See Note 6)

3,461,474.00

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 8)

(3,398,180.52)

Interest on long-term debt in the statement of activities is accrued, regardless of when due.

(14,222.45)

\$ 517,177.90

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Sources:			
Charter School Aid:			
Local Share	\$ 1,230,315.61	\$ -	\$ 1,230,315.61
Miscellaneous	5,965.42	-	5,965.42
Total Local Sources	1,236,281.03	-	1,236,281.03
State Sources	1,980,931.92	-	1,980,931.92
Federal Sources		255,178.85	255,178.85
<b>Total Revenues</b>	<b>3,217,212.95</b>	<b>255,178.85</b>	<b>3,472,391.80</b>
<b>EXPENDITURES</b>			
Current:			
General Instruction	1,116,309.71	168,869.91	1,285,179.62
Administrative Expenses	1,045,219.20		1,045,219.20
Support Services	626,604.00	86,308.94	712,912.94
Capital Outlay	172,010.71		172,010.71
<b>Total Expenditures</b>	<b>2,960,143.62</b>	<b>255,178.85</b>	<b>3,215,322.47</b>
Excess (Deficiency) of Revenues Over Expenditures	257,069.33	-	257,069.33
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer out	(17,418.69)		(17,418.69)
<b>Total Other Financing Sources and Uses</b>	<b>(17,418.69)</b>	<b>-</b>	<b>(17,418.69)</b>
<b>Net Changes in Fund Balance</b>	<b>239,650.64</b>	<b>-</b>	<b>239,650.64</b>
Fund Balance - July 1	228,456.23	-	228,456.23
Fund Balance - June 30	<u>\$ 468,106.87</u>	<u>\$ -</u>	<u>\$ 468,106.87</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2011**

Total Net Change in Fund Balance - Governmental Funds (from B-2) \$ 239,650.64

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 capital outlays exceeded depreciation for the period.

Depreciation expense	<u>\$ (106,980.00)</u>	(106,980.00)
----------------------	------------------------	--------------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.

Mortgage	141,321.74
Capital Lease Payments	27,821.60

the statement of activities, interest on long-term debt is accrued, regardless of when due. In the governmental funds, interest is reported when due. The realization of accrued interest is an addition in the reconciliation.

(14,222.45)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).

21,498.07

Change in Net Assets of Governmental Activities

\$ 309,089.60

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2011**

	Business-type Activities - Enterprise Fund			Totals
	Food Service	Day Care Program	Before & After School Program	
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 12,519.78	\$ -	\$ 12,519.78
Interfund Receivable	-	547.00	-	547.00
Total Current Assets	<u>-</u>	<u>13,066.78</u>	<u>-</u>	<u>13,066.78</u>
Total Assets	<u>\$ -</u>	<u>\$ 13,066.78</u>	<u>\$ -</u>	<u>\$ 13,066.78</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Interfund Payable	\$ 3,256.84	\$ -	\$ 2,213.52	\$ 5,470.36
Total Current Liabilities	<u>3,256.84</u>	<u>-</u>	<u>2,213.52</u>	<u>5,470.36</u>
Noncurrent Liabilities:				
None	-	-	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>				
Unrestricted	(3,256.84)	13,066.78	(2,213.52)	7,596.42
Total Net Assets	<u>\$ (3,256.84)</u>	<u>\$ 13,066.78</u>	<u>\$ (2,213.52)</u>	<u>\$ 7,596.42</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Fund			Totals Enterprise
	Food Service	Day Care Program	Before & After School Program	
Operating Revenue:				
Charges for Service:				
Daily Sales - Non-reimbursable Programs	\$ 31,111.99	\$ -	\$ -	\$ 31,111.99
Program Fees	-	25,796.24		25,796.24
Total Operating Revenue	<u>31,111.99</u>	<u>25,796.24</u>	<u>-</u>	<u>56,908.23</u>
Operating Expenses:				
Cost of Sales	86,353.20	-	-	86,353.20
Salaries	28,581.53	22,659.96		51,241.49
Supplies	2,131.56	-		2,131.56
Total Operating Expenses	<u>117,066.29</u>	<u>22,659.96</u>	<u>-</u>	<u>139,726.25</u>
Operating Loss	<u>(85,954.30)</u>	<u>3,136.28</u>	<u>-</u>	<u>(82,818.02)</u>
Nonoperating Revenues:				
State Sources:				
State School Lunch Program	1,289.23			1,289.23
Federal Sources:				
National School Lunch Program	56,653.20			56,653.20
Federal School Breakfast Program	16,757.44			16,757.44
Total Nonoperating Revenues	<u>74,699.87</u>	<u>-</u>	<u>-</u>	<u>74,699.87</u>
Income (loss) before Contributions & Transfers	(11,254.43)	3,136.28	-	(8,118.15)
Transfers In	<u>17,418.69</u>	<u>-</u>		<u>17,418.69</u>
Changes in Net Assets	6,164.26	3,136.28	-	9,300.54
Total Net Assets-Beginning	<u>(9,421.10)</u>	<u>9,930.50</u>	<u>(2,213.52)</u>	<u>(1,704.12)</u>
Total Net Assets - Ending	<u>\$ (3,256.84)</u>	<u>\$ 13,066.78</u>	<u>\$ (2,213.52)</u>	<u>\$ 7,596.42</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Fund			Totals Enterprise
	Food Service	Day Care Program	Before & After School Program	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 31,241.59	\$ 28,796.64	\$ -	\$ 60,038.23
Payments to Employees	(28,581.53)	(22,659.96)	-	(51,241.49)
Payments for Supplies	(88,484.76)	-	-	(88,484.76)
Net Cash Provided by (Used for) Operating Activities	<u>(85,824.70)</u>	<u>6,136.68</u>	<u>-</u>	<u>(79,688.02)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources	1,553.05			1,553.05
Federal Sources	79,005.38			79,005.38
Operating Subsidies and Transfers to Other Funds	5,266.27			5,266.27
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>85,824.70</u>	<u>-</u>	<u>-</u>	<u>85,824.70</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
None	-			-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
None	-			-
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	6,136.68	-	6,136.68
Balance - Beginning of Year	-	6,383.10	-	6,383.10
Balance - End of Year	<u>\$ -</u>	<u>\$ 12,519.78</u>	<u>\$ -</u>	<u>\$ 12,519.78</u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>				
Operating Loss	\$ (85,954.30)	\$ 3,136.28	\$ -	\$ (82,818.02)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided by (Used for) Operating Activities (Increase) Decrease in Accounts Receivable	129.60	3,000.40		3,130.00
Total Adjustments	<u>129.60</u>	<u>3,000.40</u>	<u>-</u>	<u>3,130.00</u>
Net Cash Used for Operating Activities	<u>\$ (85,824.70)</u>	<u>\$ 6,136.68</u>	<u>\$ -</u>	<u>\$ (79,688.02)</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fiduciary Funds**  
**Statement of Net Assets**  
**June 30, 2011**

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 972.03
Total Assets	\$ 972.03
 <b>LIABILITIES</b>	
Payroll Deductions & Withholdings	\$ 972.03
Total Liabilities	\$ 972.03
 <b>NET ASSETS</b>	
None	\$ -
Total Net Assets	-
Total Liabilities and Net Assets	\$ 972.03

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Galloway Community Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the School's accounting policies are described 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 master Teacher is appointed by the Board and is responsible for the administrative control of the school.

**B. Basis of Presentation, Measurement Focus and Basis of Accounting**

**Basis of Presentation**

The School's basic financial statements consist of Charter School statements (i.e. statement of net assets and a statement of activities) and fund financial statements, which provide a more detailed level of financial information.

*Charter School Financial Statements:* The statement of net assets and the statement of activities display information about the Charter School as a whole. These statements report the financial activities of the overall school, except for fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by property taxes, intergovernmental revenues, and other non-exchange transactions from business-type activities, generally financed in whole or in part with fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activity of the Charter School at year end. The Statement of Activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges and fees paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing, or draws from the general revenues of the Charter School.

*Fund Financial Statements:* During the year, the School Charter School segregates transactions related to certain School Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* - are presented. The New Jersey Department of Education ("Department") has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The Department believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

**Basis of Presentation - Continued**

*Governmental Fund Types*

General Fund – The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund – The Charter School accounts for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

*Proprietary Fund Type*

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business operations – where the intent of the District is that the costs of providing goods or services be financed or recovered primarily through user charges.

The District's Enterprise Funds are comprised of the Food Service Fund, which accounts for all revenues and expenses pertaining to the District's cafeteria operations and the Day Care and Before & After School Programs, which account for all revenues and expenses pertaining to the District's day care operations.

*Fiduciary Fund Types*

Trust and Agency Funds – The trust and agency funds are used to account for assets held by the Charter School on behalf of outside parties, including other governments or on behalf of other funds within the Charter School. Agency funds (Payroll and Student Activities Fund) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Expendable Trust Fund – An expendable trust fund is used to account for assets held under the terms of a formal trust agreement, whereby both principal and revenues maybe expended for specific purposes. Included in this category are contributions for specific purposes, awards or scholarships. Expendable Trust Funds include the Unemployment Compensation Fund. The Galloway Community Charter School did not have an expendable trust fund at year end.

Agency Funds (Payroll, Student Activity Funds) – Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and does not involve measurement of results of operations.

Non-Expendable Trust Fund - A Non-Expendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligation to maintain the trust principal. The Galloway Community Charter School did not have a non-expendable trust fund at year end.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus and Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The Charter School financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Charter School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Revenue from federal, state and other grants designated for payment of specific school Charter School expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Charter School applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

Annual appropriated budgets are prepared each year for the general and special revenue. The budgets are submitted to the State of New Jersey, Department of Education 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. All budget amendments must be approved by the School Board of Trustees.

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

**GALLOWAY COMMUNITY CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Budgets/Budgetary Control**

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. The following table presents a reconciliation of the differences between the budgetary basis and GAAP basis in the special revenue fund at June 30, 2011 and 2010.

	2011	2010
Total Revenues and Expenditures (Budgetary Basis)	\$ 255,609.07	\$ 297,134.79
Adjustments:		
Plus encumbrances at prior year		12,369.23
Less encumbrances at current year	(430.22)	
Total Revenues and Expenditures (GAAP Basis)	\$ 255,178.85	\$ 309,504.02

**D. Encumbrance Accounting**

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Equity**

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey charter schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey charter 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.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. 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.

Interfund Transactions

Transfers between governmental and business-type activities on the Charter School statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the Enterprise Fund. Repayments from funds responsible for particular expenditure/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories

Inventories, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Inventories in the Enterprise Fund are recorded at cost, computed on a first-in, first out method. In the fund based financial statements, commodities received from the U.S. Department of Agriculture are recorded as deferred revenue until consumed.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Equity - Continued**

Capital Assets

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by school Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

The Charter School does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

The Charter School accounts for compensated absences (e.g., unused sick, vacation leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits.

Charter School employees are granted varying amounts of sick leave in accordance with the Charter School's personnel policies.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The Charter School estimates its accrued compensated absences liability based on the accumulated sick days at the balance sheet date by those employees who are currently eligible to receive termination payments.

For the Charter School Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and Charter School presentations.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2011, no liability existed for compensation absences in the Food Service Fund.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Equity - Continued**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the Charter School-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Mortgage payments are recognized as a liability on the fund financial statements when due.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received in the Special Revenue Fund before they have been earned are recorded as deferred revenue.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Charter School, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classified governmental fund balances as follows;

- Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education, Superintendent or Business Administrator.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Equity - Continued**

Fund Balance Reserves - Continued

- Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the year end.

Nonexchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlement, and donations is recognized in the period in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year. When use is first permitted; matching requirements, in which the School Charter School must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the School Charter School on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes as an advance, interest and tuition.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (CONTINUED)**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Assets, Liabilities and Equity - Continued**

Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within control of management and are either unusual in nature or infrequent in occurrence.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Of the School District's bank balance of \$319,092.86 as of June 30, 2011, \$285,339.94 was uninsured and uncollateralized.

**Investments**

The Galloway Community Charter School had no investments in fiscal year ending June 30, 2011.

**NOTE 3 – RECEIVABLES**

Receivables at June 30, 2011, consisted of accounts, interfunds, and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>District Wide Financial Statements</u>
Federal & State Aid	\$ 263,871.36	\$ 366,584.94
Interfunds	94,008.21	-
Other	102,713.58	
Gross Receivables	<u>460,593.15</u>	<u>366,584.94</u>
Less: Allowance for Uncollectibles		
Total Receivables, Net	<u>\$ 460,593.15</u>	<u>\$ 366,584.94</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 4 – INTERFUND TRANSFERS AND BALANCES**

The following interfund balances remained on the fund financial statements at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 93,652.21	\$ 356.00
Special Revenue Fund	356.00	88,728.85
Food Service Fund		3,256.84
Daycare Program	547.00	
Before & After School Program		2,213.52
Total	<u>\$ 94,555.21</u>	<u>\$ 94,555.21</u>

Interfunds were created throughout the year due to short term borrowings over cash flow needs in various funds. In addition, the general fund made a permanent interfund transfer to the enterprise fund to cover deficits in the food service and before & after school programs.

**NOTE 5 – INVENTORY**

The Charter School utilizes an outside provider, thus there is no inventory in the Food Service Enterprise Fund at June 30, 2011.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 589,545.00	\$ -	\$ -	\$ 589,545.00
Construction in Progress	-			-
Total capital assets not being depreciated	<u>589,545.00</u>	<u>-</u>	<u>-</u>	<u>589,545.00</u>
Capital assets being depreciated:				
Buildings	3,475,269.00		-	3,475,269.00
Building Improvements	173,009.00			173,009.00
Machinery and Equipment	205,787.00			205,787.00
Total capital assets being depreciated at historical cost	<u>3,854,065.00</u>	<u>-</u>	<u>-</u>	<u>3,854,065.00</u>
Less accumulated depreciation for:				
Buildings	(651,460.00)	(86,821.00)		(738,281.00)
Building Improvements	(81,338.00)	(7,387.00)		(88,725.00)
Machinery and Equipment	(142,358.00)	(12,772.00)		(155,130.00)
Total capital assets being depreciated, net of accumulated depreciation	<u>2,978,909.00</u>	<u>(106,980.00)</u>	<u>-</u>	<u>2,871,929.00</u>
Governmental activity capital assets, net	<u>\$ 3,568,454.00</u>	<u>\$ (106,980.00)</u>	<u>\$ -</u>	<u>\$ 3,461,474.00</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
None	\$	\$	\$	\$
Enterprise Fund capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 43,262.18
School Administrative Services	37,880.59
General and Business Administrative Services	25,837.23
	<u>\$ 106,980.00</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 7 – PENSION PLANS**

Substantially all of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Teachers' Pension and Annuity Fund** - The Teachers' Pension and Annuity Fund is a cost sharing contributory defined benefit pension plan which was established on January 1, 1955 under the provisions of N.J.S.A. 18A:66. The TPAF provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 18A:66.

The contribution requirements of plan members are determined by State statute. In accordance with Chapters 113, 114 and 115, P.L. 1997, plan members enrolled in the TPAF are required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets not longer exist.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Board of Education and all other related non-contributing employers. No normal or accrued liability contribution has been required over several preceding fiscal years.

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the PERS are required to contribute 5% of their annual covered salary. Effective July 1, 2007, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members were required to contribute 5.5% of their annual covered salary. For employees who were enrolled in the retirement system prior to July 1, 2007, the increase was effective with the payroll period that began immediately after July 1, 2007. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to normal rate when such surplus assets not longer exist.

The School District is billed annually for its normal contribution plus an accrued liability.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 7 – PENSION PLANS (CONTINUED)**

**Defined Contribution Retirement Program (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contribution amounts for each pay period are required to be transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The School District has no employees enrolled in the Defined Contribution Retirement Program (DCRP) during the fiscal year ended June 30, 2011.

**Vesting and Benefit Provisions** - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Contribution Requirements** - 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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF. The School District's contributions to TPAF for the years ending June 30, 2011, 2010 and 2009 were \$0, \$0, and \$0 respectively, and normally paid by the State of New Jersey on behalf of the board. The State of New Jersey did not make the required contributions for the last three years. The School District's contributions to PERS for the years ending June 30, 2011, 2010, 2009 were \$29,157.00, \$20,223.00, and \$12,114.00, respectively, equal to the required contributions for each year.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 7 – PENSION PLANS (CONTINUED)**

**Contribution Requirements (Continued)**

During the fiscal years ended June 30, 2011, 2010 and 2009, the State of New Jersey contributed \$123,069.00, \$108,280.00, and \$102,229.00, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$110,937.52, \$130,542.92, and \$123,445.00 during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

**NOTE 8 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Issues or Additions	Payments or Expenditures	Balance June 30, 2011	Amounts Due Within One Year
Mortgage Payable	\$ 3,497,786.70	\$	\$ 141,321.74	\$ 3,356,464.96	\$ 148,660.00
Capital Leases	36,453.20		27,821.60	8,631.60	8,631.60
Compensated Absences	54,582.03		21,498.07	33,083.96	
	<u>\$ 3,588,821.93</u>	<u>\$ -</u>	<u>\$ 190,641.41</u>	<u>\$ 3,398,180.52</u>	<u>\$ 157,291.60</u>

In August of 2006, the Charter School purchased the school building. A mortgage of \$3,956,500.00 was obtained with an interest rate of 5.05% for 240 months, ending October 2026. Payments are made monthly in the amount of \$26,374.00. Future debt service payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 148,660.00	\$ 167,828.00	\$ 316,488.00
2013	156,453.00	160,041.00	316,494.00
2014	164,654.00	151,839.00	316,493.00
2015 - 2019	962,151.00	620,315.00	1,582,466.00
2020 - 2024	1,242,195.00	340,272.00	1,582,467.00
2025 - 2026	671,285.00	40,840.00	712,125.00
	<u>\$ 3,345,398.00</u>	<u>\$ 1,481,135.00</u>	<u>\$ 4,826,533.00</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)**

Capital Leases

In June 2009, the School entered into a capital lease agreement for laptop computers. Under the lease, the School is required to make three annual payments of \$20,951.00. The annual payment is composed of an interest component and a principal component. At the end of the lease, the School has the option to purchase the computers for \$1.

In August 2009, the School entered into a capital lease agreement for laptop computers. Under the lease, the School is required to make three annual payments of \$4,225.48. The annual payment is composed of an interest component and a principal component. At the end of the lease, the School has the option to purchase the computers for \$1.

In August 2009, the School entered into a capital lease agreement for laptop computers. Under the lease, the School is required to make three annual payments of \$5,368.55. The annual payment is composed of an interest component and a principal component. At the end of the lease, the School has the option to purchase the computers for \$1.

The following is a schedule of the future minimum lease payments under these capital leases and the net minimum lease payments at June 30, 2011:

Fiscal Year Ending June 30	Total
2012	9,594.03
Total minimum lease payments	9,594.03
Less amount representing interest	962.43
Present value of lease payments	\$ 8,631.60

**NOTE 9 – RISK MANAGEMENT**

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Charter School maintains commercial insurance coverage for property and liability coverage. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory method". Under this plan, the Charter School is required to remit deductions directly to the New Jersey Commissioner of Labor. The Charter School no longer uses the "Benefit Reimbursement method" or makes deposits into the Unemployment Compensation Insurance Trust Fund.

**NOTE 10 – FEDERAL AND STATE GRANTS**

The District participates in a number of federal and state grant programs. The grant programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance would result in the disallowance of program expenditures.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (CONTINUED)**

**NOTE 11 – COMMITMENTS**

The District does not have an encumbrance policy for the fiscal year end to determine significant encumbrances. All encumbrances are classified as Assigned Fund Balance in the General Fund. Significant encumbrances at June 30<sup>th</sup> are as follows;

Fund	Amount
General Fund Encumbered Orders	\$ 31,987.82
	\$ 31,987.82

**NOTE 12 – POST-RETIREMENT BENEFITS**

The School District contributes to the New Jersey State Health Benefits Program (“the SHBP”), a cost sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program is found in the New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pension and Benefits 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.

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, C. 103 amended the law to eliminate the funding and payment of post-retirement medical benefits for retired state employees through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2010, there were 87,288 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126 which provides free health benefits for members PERS and the Alternative Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$126.3 million toward Chapter 126 benefits for 14,050 eligible retired members in Fiscal Year 2010.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 13 – FUND BALANCES**

Restrictions of funds balances of governmental funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used first when expenditures are made.

The District's major sources of special revenue funds is federal grant funding for the No Child Left Behind (NCLB) program and federal grants for special education.

Specific classifications of fund balance are summarized below;

Non-Spendable Fund Balance – The District had no non-spendable fund balance at June 30, 2011.

Restricted Fund Balance – The District had no restricted fund balance at June 30, 2011.

Committed Fund Balance – The District had no committed fund balance at June 30, 2011.

Assigned Fund Balance – At June 30, 2011, the District assigned fund balance in the general fund for other purposes of \$31,987.82. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District Officials.

Unassigned Fund Balance – At June 30, 2011, the District has a balance of \$436,119.05 of unassigned fund balance in the general fund.

**NOTE 14 – ECONOMIC DEPENDENCY**

The District receives support from the LEA in the form of local property taxes. A significant reduction in enrollment and the level of support, if this were to occur, would have an effect on the District's programs and activities.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2011 through December 5, 2011, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**General Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>REVENUES:</b>					
Charter School Aid:					
Local Share	\$ 1,292,854.00		\$ 1,292,854.00	\$ 1,230,315.61	\$ (62,538.39)
Total Local Sources	<u>1,292,854.00</u>	<u>-</u>	<u>1,292,854.00</u>	<u>1,230,315.61</u>	<u>(62,538.39)</u>
State Sources:					
Security Aid	43,213.00		43,213.00	42,350.78	(862.22)
Special Education Aid	60,089.00		60,089.00	57,604.14	(2,484.86)
Equalization Aid	1,399,761.00		1,399,761.00	1,340,830.48	(58,930.52)
NonPublic Aid	181,518.00		181,518.00	306,140.00	124,622.00
TPAF Social Security (Reimbursed- Non-Budgeted)			-	110,937.52	110,937.52
On-behalf TPAF Post Retirement Medical Contribution (Non-budgeted)			-	117,535.00	117,535.00
On-behalf TPAF NCGI Premiums (Non-budgeted)			-	5,534.00	5,534.00
Total State Sources	<u>1,684,581.00</u>	<u>-</u>	<u>1,581,279.00</u>	<u>1,980,931.92</u>	<u>296,350.92</u>
Other Sources:					
Interest on Investments			-	1,156.32	1,156.32
Other Miscellaneous Income			-	4,809.10	4,809.10
Total Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,965.42</u>	<u>5,965.42</u>
Total Revenues	<u>2,977,435.00</u>	<u>-</u>	<u>2,874,133.00</u>	<u>3,217,212.95</u>	<u>239,777.95</u>
<b>EXPENDITURES:</b>					
<b>GENERAL INSTRUCTION</b>					
Salaries of Teachers	1,350,858.00	(297,704.00)	1,053,154.00	1,052,783.04	370.96
Purchased Professional Educational Services	45,000.00	(12,717.00)	32,283.00	29,732.50	2,550.50
Other Purchased Services	8,500.00	3,433.00	11,933.00	10,216.10	1,716.90
General Supplies	88,290.00	(56,630.00)	31,660.00	23,578.07	8,081.93
Textbooks	25,000.00	(24,300.00)	700.00		700.00
TOTAL GENERAL INSTRUCTION	<u>1,517,648.00</u>	<u>(387,918.00)</u>	<u>1,129,730.00</u>	<u>1,116,309.71</u>	<u>13,420.29</u>
<b>ADMINISTRATIVE:</b>					
Salaries - Administrative	239,092.00	(36,492.00)	202,600.00	202,599.77	0.23
Salaries - Secretarial/Clerical	62,368.00	16,198.00	78,566.00	78,565.22	0.78
Benefit Costs	590,550.00	(134,429.00)	456,121.00	417,614.12	38,506.88
Purchased Professional Technical Services	158,975.00	(5,250.00)	153,725.00	148,099.52	5,625.48
Other Purchased Services	27,037.00	(20,102.00)	6,935.00	6,934.38	0.62
Mortgage Payment - Interest	174,635.00	537.00	175,172.00	175,171.54	0.46
Communication/Telephone	14,103.00	417.00	14,520.00	10,427.26	4,092.74
Supplies & Materials	35,500.00	(29,303.00)	6,197.00	5,482.39	714.61
Miscellaneous	10,000.00	(7,228.00)	2,772.00	325.00	2,447.00
TOTAL ADMINISTRATIVE EXPENSE	<u>1,312,260.00</u>	<u>(215,652.00)</u>	<u>1,096,608.00</u>	<u>1,045,219.20</u>	<u>51,388.80</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**General Fund**  
**Budgetary Comparison Schedule**  
**Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
<b>SUPPORT SERVICES:</b>					
Salaries - School Nurse	\$ 54,448.00	\$ (9,791.00)	\$ 44,657.00	\$ 44,656.96	\$ 0.04
Salaries	338,751.00	(237,382.00)	101,369.00	100,050.33	1,318.67
Purchased Professional and Technical Services	150,000.00	(86,885.00)	63,115.00	63,096.97	18.03
Other Purchased Services	125,920.00	(6,075.00)	119,845.00	90,461.15	29,383.85
Insurance, Liability	56,313.00	(10,365.00)	45,948.00	45,305.70	642.30
Supplies & Materials	11,250.00	(4,750.00)	6,500.00	3,738.70	2,761.30
Transportation - Other than Between Home and School	14,400.00	(8,465.00)	5,935.00	3,527.50	2,407.50
Energy Costs - Heat and Electricity	70,000.00	(18,979.00)	51,021.00	41,760.17	9,260.83
TPAF Social Security (Reimbursed- Non-Budgeted)	-	-	-	110,937.52	(110,937.52)
On-behalf TPAF Post Retirement Medical Contribution (Non-budgeted)	-	-	-	117,535.00	(117,535.00)
On-behalf TPAF NCGI Premiums (Non-budgeted)	-	-	-	5,534.00	(5,534.00)
<b>TOTAL SUPPORT SERVICES</b>	<u>821,082.00</u>	<u>(382,692.00)</u>	<u>438,390.00</u>	<u>626,604.00</u>	<u>(188,214.00)</u>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<u>3,650,990.00</u>	<u>(986,262.00)</u>	<u>2,664,728.00</u>	<u>2,788,132.91</u>	<u>(123,404.91)</u>
<b>CAPITAL OUTLAY</b>					
Instructional Equipment	111,197.00	(80,508.00)	30,689.00	30,688.97	0.03
Noninstructional Equipment	25,500.00	(25,500.00)	-	-	-
Construction Services	41,300.00	(41,300.00)	-	-	-
Lease Purchase - Principal	141,869.00	-	141,869.00	141,321.74	547.26
<b>TOTAL CAPITAL OUTLAY</b>	<u>319,866.00</u>	<u>(147,308.00)</u>	<u>172,558.00</u>	<u>172,010.71</u>	<u>547.29</u>
<b>TOTAL EXPENDITURES</b>	<u>3,970,856.00</u>	<u>(1,133,570.00)</u>	<u>2,837,286.00</u>	<u>2,960,143.62</u>	<u>(122,857.62)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(993,421.00)</u>	<u>1,133,570.00</u>	<u>36,847.00</u>	<u>257,069.33</u>	<u>116,920.33</u>
<b>Other Financing Sources:</b>					
Operating Transfers Out:					
Transfer to Enterprise Funds	-	(17,419.00)	(17,419.00)	(17,418.69)	(0.31)
<b>Total Other Financing Sources:</b>	<u>-</u>	<u>(17,419.00)</u>	<u>(17,419.00)</u>	<u>(17,418.69)</u>	<u>(0.31)</u>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<u>(993,421.00)</u>	<u>1,116,151.00</u>	<u>19,428.00</u>	<u>239,650.64</u>	<u>116,920.02</u>
<b>Fund Balance July 1</b>	<u>228,456.23</u>	<u>-</u>	<u>228,456.23</u>	<u>228,456.23</u>	<u>-</u>
<b>Fund Balance June 30</b>	<u>\$ (764,964.77)</u>	<u>\$ 1,116,151.00</u>	<u>\$ 247,884.23</u>	<u>\$ 468,106.87</u>	<u>\$ 116,920.02</u>
<b>Recapitulation:</b>					
Nonspendable Fund Balance					
None				\$ -	
Restricted Fund Balance:					
None				-	
Committed Fund Balance:					
None				-	
Assigned Fund Balance:					
Other Purposes				31,987.82	
Unassigned Fund Balance				436,119.05	
				<u>468,106.87</u>	
<b>Reconciliation to Governmental Funds Statements (GAAP):</b>					
Last State Aid Payment not recognized on GAAP Basis				-	
				<u>\$ 468,106.87</u>	

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	165,895.00	94,586.26	260,481.26	255,609.07	(4,872.19)
<b>Total Revenues</b>	<b>165,895.00</b>	<b>94,586.26</b>	<b>260,481.26</b>	<b>255,609.07</b>	<b>(4,872.19)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	157,791.00	(15,675.74)	142,115.26	142,115.26	-
Purchased Professional - Technical Services	-	-	-	-	-
Other Purchased Services (400-500 series)	1,048.00	2,861.00	3,909.00	3,909.00	-
General Supplies	1,559.00	9,150.00	10,709.00	10,709.00	-
Instructional Equipment	-	12,567.00	12,567.00	12,566.87	0.13
<b>Total Instruction</b>	<b>160,398.00</b>	<b>8,902.26</b>	<b>169,300.26</b>	<b>169,300.13</b>	<b>0.13</b>
Support Services:					
Salaries of Teachers	-	14,797.00	14,797.00	9,924.94	4,872.06
Personal Services - Employee Benefits	-	27,142.00	27,142.00	27,142.00	-
Purchased Professional - Technical Services	-	45,093.00	45,093.00	45,093.00	-
Other Purchased Services (400-500 series)	-	-	-	-	-
General Supplies	5,497.00	1,824.00	1,824.00	1,824.00	-
Other Objects	-	(3,172.00)	2,325.00	2,325.00	-
<b>Total Support Services</b>	<b>5,497.00</b>	<b>85,684.00</b>	<b>91,181.00</b>	<b>86,308.94</b>	<b>4,872.06</b>
Facilities Acquisition and Constr. Services:					
None	-	-	-	-	-
<b>Total Facilities Acquisition and Constr. Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Outflows</b>	<b>165,895.00</b>	<b>94,586.26</b>	<b>260,481.26</b>	<b>255,609.07</b>	<b>4,872.19</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budget to GAAP Reconciliation**  
**Note to RSI**  
**For the Year Ended June 30, 2011**

**Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures**

		<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 3,217,212.95	[C-2]	\$ 255,609.07
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized				(430.22)
	[B-2]	<u>\$ 3,217,212.95</u>	[B-2]	<u>\$ 255,178.85</u>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 2,960,143.62	[C-2]	\$ 255,609.07
Difference - 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.				(430.22)
	[B-2]	<u>\$ 2,960,143.62</u>	[B-2]	<u>\$ 255,178.85</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Year Ended June 30, 2011**

	IDEA Part B	IDEA Basic ARRA	Title I	REAP	Title IV	Title IIA	Title IID	Totals 2011
<b>REVENUES:</b>								
Local Sources	\$ -							\$ -
State Sources	64,198.00	23,403.26	133,026.00	26,913.81	1,834.00	5,929.00	305.00	255,609.07
Federal Sources	64,198.00	23,403.26	133,026.00	26,913.81	1,834.00	5,929.00	305.00	255,609.07
<b>Total Revenues</b>								
	50,311.00	10,949.26	80,855.00					142,115.26
<b>EXPENDITURES:</b>								
Instruction:								
Salaries of Teachers								
Purchased Professional - Technical Services								
Other Purchased Services (400-500 series)								
Supplies and Materials	3,825.00			5,050.00	1,834.00	3,604.00	305.00	3,909.00
Instructional Equipment				12,566.87				10,709.00
<b>Total Instruction</b>	54,136.00	10,949.26	80,855.00	17,616.87	1,834.00	3,604.00	305.00	169,300.13
Support Services:								
Salaries of Teachers								
Personal Services - Employee Benefits	10,062.00	628.00	16,171.00	9,296.94				9,924.94
Purchased Professional - Technical Services		909.00	36,000.00					27,142.00
Other Purchased Services (400-500 series)		9,093.00						45,093.00
Supplies and Materials		1,824.00						
Other Objects						2,325.00		1,824.00
<b>Total Support Services</b>	10,062.00	12,454.00	52,171.00	9,296.94		2,325.00		2,325.00
Facilities Acquisition and Constr. Services:								
None								
<b>Total Facilities Acquisition and Constr. Services</b>								
<b>Total Outflows</b>	64,198.00	23,403.26	133,026.00	26,913.81	1,834.00	5,929.00	305.00	255,609.07
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2011**

	<u>Agency Funds</u>	<u>Totals</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 972.03	\$ 972.03
Total Assets	<u>972.03</u>	<u>972.03</u>
<b>LIABILITIES</b>		
Payroll Deductions & Withholdings	\$ 972.03	\$ 972.03
Total Liabilities	<u>972.03</u>	<u>972.03</u>
<b>NET ASSETS</b>		
None		\$ -
Total Net Assets		<u>-</u>
Total Liabilities and Net Assets		<u>\$ 972.03</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Payroll Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance</u> <u>June 30, 2011</u>
<b>ASSETS:</b>							
Cash and Cash Equivalents	\$ 535.86	\$	1,893,793.98	\$	1,893,357.81	\$	972.03
<b>Total Assets</b>	<u>\$ 535.86</u>	<u>\$</u>	<u>1,893,793.98</u>	<u>\$</u>	<u>1,893,357.81</u>	<u>\$</u>	<u>972.03</u>
<b>LIABILITIES:</b>							
Payroll Deductions & Withholding	\$ 535.86	\$	1,893,793.98	\$	1,893,357.81	\$	972.03
<b>Total Liabilities</b>	<u>\$ 535.86</u>	<u>\$</u>	<u>1,893,793.98</u>	<u>\$</u>	<u>1,893,357.81</u>	<u>\$</u>	<u>972.03</u>

# **Statistical Section**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Net Assets by Component,**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-1

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 116,693.00	\$ 131,706.00	\$ 133,186.00	\$ 188,405.00	\$ 322,114.00	\$ 34,214.10	\$ 96,377.44
Restricted	3,037.00	4,848.00	14,093.00	20,917.00	74,114.00	3,605.00	17,765.37
Unrestricted	138,982.00	223,953.00	392,589.00	540,199.00	201,546.00	170,269.20	403,035.09
<b>Total governmental activities net assets</b>	<b>\$ 258,712.00</b>	<b>\$ 360,507.00</b>	<b>\$ 539,868.00</b>	<b>\$ 749,521.00</b>	<b>\$ 597,774.00</b>	<b>\$ 208,088.30</b>	<b>\$ 517,177.90</b>
<b>Business-type activities</b>							
Unrestricted	(9,088.00)	(5,275.00)	12,780.00	(6,592.00)	(48,647.00)	(1,704.12)	7,596.42
<b>Total business-type activities net assets</b>	<b>\$ (9,088.00)</b>	<b>\$ (5,275.00)</b>	<b>\$ 12,780.00</b>	<b>\$ (6,592.00)</b>	<b>\$ (48,647.00)</b>	<b>\$ (1,704.12)</b>	<b>\$ 7,596.42</b>
<b>District-wide</b>							
Invested in capital assets, net of related debt	\$ 116,693.00	\$ 131,706.00	\$ 133,186.00	\$ 188,405.00	\$ 322,114.00	\$ 34,214.10	\$ 96,377.44
Restricted	3,037.00	4,848.00	14,093.00	20,917.00	74,114.00	3,605.00	17,765.37
Unrestricted	129,894.00	218,678.00	405,369.00	533,607.00	152,899.00	168,565.08	410,631.51
<b>Total district net assets</b>	<b>\$ 249,624.00</b>	<b>\$ 355,232.00</b>	<b>\$ 552,648.00</b>	<b>\$ 742,929.00</b>	<b>\$ 549,127.00</b>	<b>\$ 206,384.18</b>	<b>\$ 524,774.32</b>

Source: CAFR Schedule A-1

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Changes in Net Assets,**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>							
Governmental activities:							
Instruction:							
Regular							
Administrative Services							
Support Services:							
General administrative services	521,987.00	493,309.00	191,997.00	146,878.00	339,892.00	854,761.62	1,632,663.31
School administrative services	452,052.00	685,143.00	865,562.00	1,129,300.00	1,278,953.00	1,129,785.78	733,048.26
Interest on long-term debt			150,462.00	195,261.00	188,960.00		780,171.94
Unallocated depreciation							
Total governmental activities expenses	<u>2,299,124.00</u>	<u>2,608,231.00</u>	<u>2,870,295.00</u>	<u>3,269,912.00</u>	<u>3,779,282.00</u>	<u>2,015,234.62</u>	<u>3,145,883.51</u>
Business-type activities:							
Food service	96,446.00	99,362.00	120,990.00	155,817.00	165,091.00	136,742.51	117,066.29
Before / After Care	68,826.00	38,277.00	33,923.00	45,346.00	62,379.00	53,873.78	22,659.96
Daycare	27,206.00				20,891.00	23,850.36	
Total business-type activities expenses	<u>192,478.00</u>	<u>137,639.00</u>	<u>154,913.00</u>	<u>201,163.00</u>	<u>248,361.00</u>	<u>214,466.65</u>	<u>139,726.25</u>
Total district expenses	<u>\$ 2,491,602.00</u>	<u>\$ 2,745,870.00</u>	<u>\$ 3,025,208.00</u>	<u>\$ 3,471,075.00</u>	<u>\$ 4,027,643.00</u>	<u>\$ 4,214,248.67</u>	<u>\$ 3,285,609.76</u>
<b>Program Revenues</b>							
Governmental activities:							
Operating grants and contributions	\$ 68,609.00	\$ 235,304.00	\$ 356,338.00	\$ 234,104.00	\$ 196,845.00	\$ -	\$ -
Capital grants and contributions							
Total governmental activities program revenues	<u>68,609.00</u>	<u>235,304.00</u>	<u>356,338.00</u>	<u>234,104.00</u>	<u>196,845.00</u>	<u>-</u>	<u>-</u>
Business-type activities:							
Charges for services:							
Food service	30,485.00	28,792.00	42,655.00	50,083.00	42,321.00	32,786.30	31,111.99
Before / After Care	61,793.00	38,652.00	42,367.00	52,426.00	45,076.00	37,077.96	25,796.24
Daycare	27,206.00				19,843.00	31,828.31	74,699.87
Operating grants and contributions	48,642.00	52,369.00	64,773.00	75,716.00	85,971.00	82,831.59	
Total business-type activities program revenue	<u>168,126.00</u>	<u>119,813.00</u>	<u>149,795.00</u>	<u>178,225.00</u>	<u>193,211.00</u>	<u>184,524.16</u>	<u>131,608.10</u>
Total district program revenue	<u>\$ 236,735.00</u>	<u>\$ 355,117.00</u>	<u>\$ 506,133.00</u>	<u>\$ 412,329.00</u>	<u>\$ 390,056.00</u>	<u>\$ 184,524.16</u>	<u>\$ 131,608.10</u>
<b>Net (Expense)/Revenue</b>							
Governmental activities	\$ (2,230,515.00)	\$ (2,372,927.00)	\$ (2,513,957.00)	\$ (3,035,808.00)	\$ (3,582,437.00)	\$ (3,999,782.02)	\$ (3,145,883.51)
Business-type activities	(24,352.00)	(17,826.00)	(5,118.00)	(22,938.00)	(55,150.00)	(29,942.49)	(8,118.15)
Total district-wide net expense	<u>\$ (2,254,867.00)</u>	<u>\$ (2,390,753.00)</u>	<u>\$ (2,519,075.00)</u>	<u>\$ (3,058,746.00)</u>	<u>\$ (3,637,587.00)</u>	<u>\$ (4,029,724.51)</u>	<u>\$ (3,154,001.66)</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Changes in Net Assets,**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Charter School Aid	\$ 1,935,179.00	\$ 2,139,708.00	\$ 2,308,805.00	\$ 2,737,847.00	\$ 3,027,467.00	\$ 1,533,141.73	\$ 1,230,315.61
Unrestricted grants and contributions	264,952.00	305,598.00	369,189.00	467,612.00	367,986.00	2,471,376.56	2,236,110.77
Fundraising	7,942.00	849.00	6,542.00	-	-	-	-
Miscellaneous income	127,167.00	49,928.00	31,308.00	42,910.00	45,237.00	14,527.54	5,965.42
Special - Fixed Asset Appraisal	(12,000.00)	(21,361.00)	(22,525.00)	(2,908.00)	(10,000.00)	(332,239.00)	(17,418.69)
Transfers	2,323,240.00	2,474,722.00	2,693,319.00	3,245,461.00	3,430,690.00	3,609,922.00	3,454,973.11
<b>Total governmental activities</b>							
Business-type activities:							
Investment earnings	12,000.00	278.00	648.00	658.00	3,095.00	-	-
Transfers	12,000.00	21,361.00	22,525.00	2,908.00	10,000.00	76,884.83	17,418.69
Total business-type activities	\$ 2,335,240.00	\$ 2,496,361.00	\$ 2,716,492.00	\$ 3,249,027.00	\$ 3,443,785.00	\$ 3,686,806.83	\$ 3,472,391.80
<b>Changes in Net Assets</b>							
Governmental activities	\$ 92,725.00	\$ 101,795.00	\$ 179,362.00	\$ 209,653.00	\$ (151,747.00)	\$ (389,860.02)	\$ 309,089.60
Business-type activities	(12,352.00)	3,813.00	18,055.00	(19,372.00)	(42,055.00)	46,942.34	9,300.54
<b>Total district</b>	\$ 80,373.00	\$ 105,608.00	\$ 197,417.00	\$ 190,281.00	\$ (193,802.00)	\$ (342,917.68)	\$ 318,390.14

Source: CAFR Schedule A-2

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fund Balances, Governmental Funds,**  
**Last Seven Fiscal Years**  
*(modified accrual basis of accounting)*

Exhibit J-3

	Fiscal Year Ending June 30,						
	2005	2006	2007	2008	2009	2010	2011
General Fund							
Reserved	\$ 3,037.00	\$ 4,848.00	\$ 14,093.00	\$ 20,917.00	\$ 74,114.00	\$ 3,605.00	\$ 31,987.82
Unreserved	138,982.00	223,953.00	392,589.00	540,199.00	182,506.00	224,851.23	436,119.05
Total general fund	\$ 142,019.00	\$ 228,801.00	\$ 406,682.00	\$ 561,116.00	\$ 256,620.00	\$ 228,456.23	\$ 468,106.87
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:							
Special revenue fund							
Capital projects fund							
Permanent fund							
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Source: CAFR Schedule B-1

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**

Exhibit J-4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Charter School Aid										
Fundraising			\$ 1,406,266	\$ 1,935,179	\$ 2,139,708	\$ 2,308,805	\$ 2,737,847	\$ 3,027,467	\$ 1,533,142	\$ 1,230,316
Miscellaneous		N/A	5,699	7,942	849	6,542	-	-	-	-
State sources			30,928	127,167	49,928	31,308	42,910	45,237	14,528	5,965
Federal sources			214,487	273,072	310,825	560,866	539,508	367,986	2,174,242	1,980,932
Total revenue			116,596	60,489	230,077	164,661	162,208	196,845	287,135	255,179
			1,773,976	2,403,849	2,731,387	3,072,182	3,482,473	3,637,535	4,019,046	3,472,392
<b>Expenditures</b>										
Instruction:										
Regular instruction			790,409	1,147,436	1,274,621	1,379,999	1,450,274	1,539,224	1,553,253	1,285,180
Administrative Expenses									1,179,501	1,045,219
Support Services:									1,028,531	712,913
School administrative services			394,659	391,472	608,329	710,486	1,091,975	1,207,867		
General administrative services			444,261	618,649	628,109	398,929	381,182	601,755		
Unallocated employee benefits			49,082	87,535	107,735	104,580	227,001	225,674		
Capital outlay			140,332	65,412	4,450	237,370	174,699	357,511	209,213	172,011
Debt service						40,412				
Total Expenditures			1,818,743	2,310,504	2,623,244	2,871,776	3,325,131	3,932,031	3,970,498	3,215,322
Excess (Deficiency) of revenues over (under) expenditures			(44,767)	93,345	108,143	200,406	157,342	(294,496)	48,549	257,069
<b>Other Financing Sources (Uses)</b>										
Transfer In										
Transfer Out										
Total other financing sources (uses)				(12,000)	(21,361)	(22,525)	(2,908)	(10,000)	(76,885)	(17,419)
Net change in fund balances			\$ (44,767)	\$ 81,345	\$ 86,782	\$ 177,881	\$ 154,434	\$ (304,496)	\$ (28,336)	\$ 239,651

Source: CAFR Schedule B-2

**GALLOWAY COMMUNITY CHARTER SCHOOL  
Demographic and Economic Statistics,  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Fiscal Year Ended June 30,</u>	<u>* Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2002	33,401	\$ 1,097,256,251	\$ 32,851	4.0%
2003	34,055	1,145,031,265	33,623	4.9%
2004	34,686	1,202,598,306	34,671	5.2%
2005	35,446	1,269,888,396	35,826	4.5%
2006	35,879	1,334,483,526	37,194	5.6%
2007	35,958	1,386,288,774	38,553	5.2%
2008	36,378	1,452,318,894	39,923	5.4%
2009	36,578	1,432,248,168	39,156	10.7%
2010	Not Available	Not Available	Not Available	10.8%
2011	Not Available	Not Available	Not Available	Not Available

\* Population is for Galloway Township

Source: U.S. Department of Commerce, Bureau of Economic Analysis,  
Regional Economic Information system: New Jersey Department of Labor,  
Bureau of Labor Force Statistics: U.S. Bureau of Census, Population Division

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Principal Employers,**  
**Current Year and Ten Years Ago**

**Exhibit J-15**

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
		1				
		2				
		3				
		4				
		5				
		6				
		7				
		8				
		9				
		10				
Totals	-		0.00%	-		0.00%

Information Not Available

Source:

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Full-time Equivalent Charter School Employees by Function/Program,**  
**Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Instruction:										
Regular instruction				29.00	28.00	28.00	28.00	28.00	25.00	16.00
Special education instruction				4.00	5.00	5.00	5.00	5.00	4.00	3.00
Support Services:										
General administrative services				1.00	1.00	1.00	1.00	1.00	1.00	1.00
School administrative services				1.00	1.00	1.00	1.00	1.00	1.00	1.00
Business administrative services				0.40	0.40	0.40	0.50	0.50	0.50	0.50
Food Service				1.50	1.50	1.50	1.50	1.50	1.00	1.00
Child Care				2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Total</b>	-	-	-	<u>38.90</u>	<u>38.90</u>	<u>38.90</u>	<u>39.00</u>	<u>39.00</u>	<u>34.50</u>	<u>24.50</u>

Source: District Personnel Records

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Operating Statistics,**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
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	5.90%	31	11:1		258	243	-1.15%	94.19%
2007	287	2,874,746	10,017	-1.30%	31	11:1		287	274	11.24%	95.47%
2008	292	3,590,322	12,296	22.75%	33	8.85:1		293	277	2.09%	94.54%
2009	292	3,074,651	10,530	-14.36%	33	8.5:1		292	258	-0.34%	88.36%
2010	272	3,673,363	13,505	28.26%	29	8.8:1		272	256	-6.71%	93.98%
2011	213	2,960,144	13,897	2.91%	19	11.2:1		213	200	-21.81%	93.90%

Source: District records, ASSA and Schedule J-2

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
 School Building Information,  
 Last Ten Fiscal Years

Exhibit J-18

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b><u>District Buildings</u></b>										
<b><u>Elementary (Grades PreK-8)</u></b>										
Galloway Community Charter School						24,000	24,000	24,000	24,000	24,000
Square Feet						535	535	535	535	535
Capacity (students)						287	293	292	272	213
Enrollment										
			Information Not Available							

**Number of Schools at June 30, 2011**

- Elementary - 1
- Middle -
- Other -

Source: District Records, ASSA

GALLOWAY COMMUNITY CHARTER SCHOOL  
 General Fund  
 Schedule of Required Maintenance Expenditures by School Facility,  
 Last Ten Fiscal Years  
 (Unaudited)

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project # (s)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Galloway Community Charter School							\$ 46,381	\$ 41,851	\$ 121,660	\$ 121,660	\$ 121,660
Total School Facilities							46,381	41,851	121,660	121,660	121,660
Other Facilities											
Grand Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,381	\$ 41,851	\$ 121,660	\$ 121,660	\$ 121,660

Source: District Records

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2011**  
*(Unaudited)*

**Exhibit J-20**

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Property Limits:		
Building and Personal Property	\$ 4,278,000	\$ 1,000
Blanket Extra	250,000	
Valuable Papers	50,000	
Computers	275,000	
Environmental	1,000,000	
General Liability	6,000,000	
Business Auto	6,000,000	
Workers Compensation	2,000,000	
School Board E & O	3,000,000	5,000
Surety Bonds		
Blanket	50,000	
Board Secretary	50,000	
Board Treasurer	50,000	

Source: District Records

# **Single Audit Section**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538  
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## 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 STANDARDS

The Honorable President and  
Members of the Board of Trustees  
Galloway Community Charter School  
County of Atlantic  
Galloway, 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 Galloway Community Charter School in the County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated December 5, 2011. 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 Galloway Community Charter School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider be material weaknesses, as defined above.

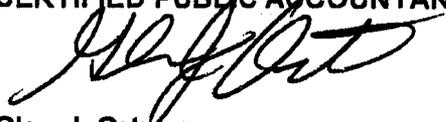
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted certain matters that we reported to the Board of Trustees of the Galloway Community Charter School in a separate report entitled, *Auditor's Management Report on Administrative Findings – Financial Compliance and Performance* dated December 5, 2011.

This report is intended for the information of the management of the Galloway Community Charter School, the New Jersey State Department of Education (the cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**Glen J. Ortman**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 853**

**December 5, 2011**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**K-2 REPORT ON COMPLIANCE WITH REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND NEW JERSEY OMB CIRCULAR 04-04**

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

## Compliance

We have audited the compliance of the Galloway Community Charter School in the County of Atlantic, State of New Jersey with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011. The Galloway Community Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Galloway Community Charter School's management. Our responsibility is to express an opinion on Galloway Community Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, OMB 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*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Galloway Community Charter School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Galloway Community Charter School's compliance with those requirements.

In our opinion Galloway Community Charter School, in the County of Atlantic, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Galloway Community Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered Galloway Community Charter School's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Galloway Community Charter School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the management of the Galloway Community Charter School, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**



**Glen J. Ortman**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 853**

**December 5, 2011**

GALLOWAY COMMUNITY CHARTER SCHOOL  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

Federal CFDA Number	Grant or State-Project Number	Grant Period	Award Amount	Balance at June 30, 2010	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Deferred Revenue	Accounts Receivable	Due to Grantor
<b>U.S. Department of Education</b>												
<b>Passed-Through State Department of Education</b>												
Special Revenue Fund:												
Title I, Part A Cluster:												
84.010	NCLB742006	9/1/2005	\$ 93,509.00	\$ 17,429.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,429.00	\$ -	\$ -
84.010	NCLB742007	9/1/2006	106,905.00	8,491.00	-	-	-	-	-	8,491.00	-	-
84.010	NCLB742009	9/1/2008	124,302.00	2,240.00	-	-	-	-	-	1.00	-	2,239.00
84.010	NCLB742010	9/1/2009	123,788.00	(43,241.00)	-	43,241.00	(133,026.00)	-	-	5,345.00	(58,922.00)	-
84.010	NCLB742011	9/1/2010	138,371.00	(12,370.00)	-	12,370.00	(133,026.00)	-	-	31,266.00	(58,922.00)	2,239.00
84.539	NCLB001010	7/1/2009	48,662.00	(27,451.00)	-	135,060.00	(133,026.00)	-	-	-	-	-
Special Education Cluster (IDEA):												
84.027	FT001006	9/1/2005	52,409.00	5,617.00	-	-	-	-	-	5,617.00	-	-
84.027	FT001008	9/1/2008	64,586.00	1.00	-	-	-	-	-	-	-	-
84.027	FT001001	9/1/2009	61,846.00	(15,128.00)	-	15,128.00	(64,198.00)	-	-	296.00	(26,502.00)	1.00
84.027	FT001001	9/1/2010	64,198.00	236.00	-	35,696.00	(64,198.00)	-	-	296.00	(26,502.00)	-
84.391	PS001009	9/1/2005	1,668.00	-	-	-	-	-	-	-	-	-
84.391	FT001001	9/1/2009	76,870.00	(14,567.79)	-	22,822.79	(23,403.26)	-	-	6,093.00	(15,168.26)	1.00
84.391	FT001001	9/1/2010	76,870.00	(23,671.79)	-	75,656.79	(67,607.26)	-	-	-	-	-
No Child Left Behind (NCLB):												
84.281A	NCLB001009	9/1/2008	7,632.00	-	-	-	-	-	-	5.00	(5.00)	-
84.281A	NCLB001010	9/1/2009	6,467.00	(2,197.00)	-	2,197.00	(5,928.00)	-	-	300.00	(3,904.00)	-
84.281A	NCLB001011	9/1/2010	6,239.00	(1,233.00)	-	1,233.00	(305.00)	-	-	-	-	-
84.281D	NCLB001011	9/1/2009	305.00	1,556.00	-	1,834.00	(1,834.00)	(1,556.00)	-	-	-	-
84.010A	NCLB001010	9/1/2009	1,394.00	55.00	-	-	-	-	-	55.00	-	-
84.010A	NCLB742006	9/1/2005	639.00	232.00	-	-	-	-	-	232.00	-	-
84.356A	NCLB742007	9/1/2006	31,786.00	-	-	-	-	-	-	4,872.19	(4,872.00)	-
84.356A	S356A107632	7/1/2010	31,786.00	-	-	26,914.00	(26,913.81)	-	-	-	-	-
Total Special Revenue Fund												
Total Special Revenue Fund												
Total Special Revenue Fund												
<b>U.S. Department of Agriculture</b>												
<b>Passed-through State Department of Education</b>												
Enterprise Fund:												
Child Nutrition Cluster:												
10.555	N/A	6/30/2011	56,653.20	(4,049.48)	-	56,653.20	(56,653.20)	-	-	-	-	-
10.555	N/A	6/30/2010	59,341.25	(4,049.48)	-	-	-	-	-	-	-	-
10.553	N/A	7/1/2010	16,757.44	(1,422.42)	-	16,749.46	(16,757.44)	-	-	-	-	-
10.553	N/A	7/1/2009	17,868.06	(5,471.90)	-	1,427.42	(1,427.42)	-	-	-	-	-
10.556	N/A	7/1/2009	1,913.64	(122.84)	-	78,862.54	(73,110.64)	-	-	-	-	-
10.556	N/A	7/1/2009	1,913.64	(122.84)	-	122.84	-	-	-	-	122.84	-
Total Enterprise Fund												
Total Enterprise Fund												
Total Enterprise Fund												
<b>Total Federal Financial Awards</b>												
<b>Total Federal Financial Awards</b>												
<b>Total Federal Financial Awards</b>												

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 Year Ended June 30, 2011**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2010		Cash Received	Budgetary Expenditures	Adjustments/ Repayment of Prior Year Balances	Balance at June 30, 2011		Memo	
				Deferred Revenues (Accts Rec)	Due to Grantor				Deferred Revenue	Accounts Receivable		Due to Grantor
<b>State Department of Education</b>												
<b>General Fund:</b>												
State Aid Public Cluster:												
Equalization Aid												
Special Education Aid												
Security Aid												
Total State Aid Public Cluster			\$ 1,347,884.00	\$ -	\$ -	\$ 1,340,830.48	\$ (1,340,830.48)	\$ -	\$ -	\$ -	\$ -	\$ 1,340,830.48
		7/1/10 to 6/30/11	57,607.00			57,604.14	(57,604.14)					57,604.14
		7/1/10 to 6/30/11	42,350.00			42,350.78	(42,350.78)					42,350.78
						1,440,785.40	(1,440,785.40)					1,440,785.40
Non-Public	N/A		306,251.00			181,407.00	(306,251.00)					306,251.00
TPAF Social Security Reimbursement			130,507.71	(6,624.29)		6,594.46	(29,883)					110,937.52
TPAF Social Security Reimbursement			110,937.52	(6,624.29)		105,872.25	(110,937.52)					110,937.52
Total General Fund			\$ 50,771.00	\$ (22,165.00)	\$ 17.00	\$ 1,734,459.11	\$ (1,857,973.92)	\$ -	\$ (130,139.10)	\$ -	\$ -	\$ 1,857,973.92
Special Revenue Fund:												
Dissemination			50,000.00		17.00				(22,165.00)	17.00		50,771.00
IDEAL												49,963.00
Total Special Revenue Fund			\$ 50,000.00	\$ -	\$ 17.00	\$ -	\$ -	\$ -	\$ (22,165.00)	\$ 17.00	\$ -	\$ 100,734.00
Enterprise Fund:												
Child Nutrition Cluster:												
State School Breakfast Program			1,106.40	(87.40)		87.40						-
State School Lunch Program			2,572.24	(176.42)		176.42						-
State School Lunch Program			1,289.23	(263.82)		1,289.23	(1,289.23)					1,289.23
Total Child Nutrition Cluster			\$ 5,067.87	\$ (527.64)	\$ -	\$ 2,733.05	\$ (1,289.23)	\$ -	\$ -	\$ -	\$ -	\$ 4,476.65
Enterprise Fund												
Total Enterprise Fund			\$ -	\$ (263.82)	\$ -	\$ 1,553.05	\$ (1,289.23)	\$ -	\$ -	\$ -	\$ -	\$ 1,289.23
<b>Total State Financial Assistance</b>			\$ (29,053.11)	\$ -	\$ 17.00	\$ 1,736,012.16	\$ (1,859,263.15)	\$ -	\$ (152,304.10)	\$ 17.00	\$ -	\$ 1,960,017.15

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF  
AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2011**

**Note 1: General**

The accompanying schedules of expenditures of financial assistance present the activity of all federal and state financial assistance programs of The Galloway Community Charter School. The Charter School is defined in Note 1(A) of the School's basic financial statements. All federal and state financial assistance 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 and state financial assistance.

**Note 2: Basis of Accounting**

The accompanying schedules of financial assistance are presented using 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 Notes 1(C) and 1(D) to the Charter School's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 3: Relationship to Basic Financial Statements**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$430.22) for the special revenue fund. See the Notes to the Required Supplementary Information 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 basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>TPAF Pension</u>	<u>Total</u>
General Fund	\$	\$ 1,980,931.92	\$ (123,069.00)	\$ 1,857,862.92
Special Revenue Fund	255,178.85			255,178.85
Enterprise Fund	<u>73,410.64</u>	<u>1,289.23</u>		<u>74,699.87</u>
Total Financial Assistance	<u>\$ 328,589.49</u>	<u>\$ 1,982,221.15</u>	<u>\$ (123,069.00)</u>	<u>\$ 2,187,741.64</u>

The On-Behalf Pension Contributions made for the Charter School by the State of New Jersey are recognized as revenue in the basic financial statements, but are not considered in the major program determination.

GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF  
AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2011  
(CONTINUED)

**Note 4: Relationship to Federal and State Financial Reports**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
K-6 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING JUNE 30, 2011**

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified Opinion issued on the Basic  
Financial Statements, dated December 5, 2011.

Internal control over financial reporting:

- 1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- 2) Significant deficiencies identified? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards – No Federal Single Audit is required**

**State Awards**

Dollar threshold used to distinguish between type A and type B programs: \$300,000

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

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

Internal Control over major programs:

- 1) Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- 2) Significant deficiencies identified? \_\_\_\_\_ Yes   X   None reported
- Any audit findings disclosed that are required to be reported in  
accordance with NJOMB Circular Letter 04-04 \_\_\_\_\_ Yes   X   No

Identification of major programs:

**GMIS Number(s)**

11-495-034-5120-078  
11-495-034-5120-089  
11-495-034-5120-084

**Name of State Program**

**State Aid Public Cluster –**

Equalization Aid  
Special Education Aid  
Security Aid

**GALLOWAY COMMUNITY CHARTER SCHOOL  
K-6 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDING JUNE 30, 2011  
(CONTINUED)**

***Section II – Financial Statement Findings***

In accordance with *Government Auditing Standards*, our audit disclosed no findings relating to the financial statements that are required to be reported under this section. However, we did note immaterial findings that are reported in the Management Report on Administrative Findings.

***Section III – Federal Awards and State Financial Assistance Findings and Questioned Costs***

**FEDERAL AWARDS**

Our audit disclosed no matters to be reported.

**STATE AWARDS**

Our audit disclosed no matters to be reported.

**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year findings.