

# **GALLOWAY COMMUNITY CHARTER SCHOOL**

**For The Year Ended June 30, 2014**

## **GALLOWAY COMMUNITY CHARTER SCHOOL GALLOWAY, NEW JERSEY**

**Comprehensive Annual Financial Report  
for the Year Ended June 30, 2014**



# **Comprehensive Annual Financial Report**

**of the**

**GALLOWAY COMMUNITY CHARTER SCHOOL**

**GALLOWAY, NEW JERSEY**

**For the Year Ended June 30, 2014**

Prepared by

Galloway Community Charter School  
Finance Department



# TABLE OF CONTENTS

	<b>Page</b>
<b>INTRODUCTORY SECTION:</b>	
Letter of Transmittal	1-3
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors	6
<b>FINANCIAL SECTION:</b>	
<b>Independent Auditor's Report</b>	7-9
<b>Required Supplementary Information - Part I</b>	
Management Discussion and Analysis	10-17
Basic Financial Statements	
<b>A Charter School Financial Statements</b>	
A-1 Statement of Net Position	18
A-2 Statement of Activities	19
<b>B Fund Financial Statements:</b>	
Governmental Funds:	
B-1 Balance Sheet	20
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	21
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Proprietary Funds:	
B-4 Statement of Net Position	23
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	24
B-6 Statement of Cash Flows	25
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	26
B-8 Statement of Changes in Fiduciary Net Position	N/A
<b>Notes to the Financial Statements</b>	27-38

## TABLE OF CONTENTS

	<b>Page</b>
<b>Required Supplementary Information - Part II</b>	
C Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	39-41
C-2 Budgetary Comparison Schedule - Special Revenue Fund	42
<b>Notes to Required Supplementary Information</b>	
C-3 Budget to GAAP Reconciliation	43
<b>Other Supplementary Information</b>	
E Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures - Special Revenue Fund - Budgetary Basis	44
F Capital Projects Fund:	
F-1 Summary Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	N/A
F-2 Summary Statement of Project Expenditures	N/A
G Proprietary Funds: (See B-4 through B-6)	
H Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	45
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	46
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	47
I Long-Term Debt:	
I-1 Schedule of Mortgages	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

## TABLE OF CONTENTS

	<b>Page</b>
<b>STATISTICAL SECTION: (Unaudited)</b>	
<b>Financial Trends</b>	
J-1 Net Position by Component	48
J-2 Changes in Net Position	49-50
J-3 Fund Balance - Governmental Funds	51
J-4 Changes in Fund Balance - Governmental Funds	52
<b>Revenue Capacity</b>	
J-5 General Fund Other Local Revenue by Source	53
J-6 - J-9 N/A	
<b>Debt Capacity</b>	
J-10 N/A	
J-11-13 N/A	
<b>Demographic and Economic Information</b>	
J-14 Demographic and Economic Statistics	54
J-15 Principal Employers	55
<b>Operating information</b>	
J-16 Full-time Equivalent Charter School Employees by Function/Program	56
J-17 Operating Statistics	57
J-18 School Building Information	58
J-19 Schedule of Required Maintenance Expenditures by School Facility	59
J-20 Insurance Schedule	60
<b>SINGLE AUDIT SECTION:</b>	
K-1 Independent Auditor's Report - <i>Government Auditing Standards</i>	61-63
K-2 Independent Auditor's Report - Single Audit Act	64-65
K-3 Schedule of Expenditures of Federal Awards, Schedule A	66
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	67
K-5 Notes to the Schedules of Awards and Financial Assistance	68
K-6 Schedule of Findings and Questioned Costs	69-70
K-7 Summary Schedule of Prior Audit Findings	70

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **Single Audit Section**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



## *Galloway Community Charter School*

---

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

October 10, 2014

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, 2014 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 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 2013-2014 fiscal year with 223 students.

### **2) ECONOMIC CONDITIONS AND OUTLOOK:**

The average daily enrollment should increase each year due to the implementation of a vigorous marketing plan and the closing of an Atlantic County charter school in June, 2013. The intention of the school is to expand by a few classes to meet this increased demand. This will bring additional revenue to the school to further support the instructional program.

### **3) MAJOR INITIATIVES:**

During fiscal year ending 2014, the School continued to update and integrate technology in all areas of student development. The School also continued its three year partnership with Leadership Energies to foster student achievement.

### **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, 2014.

### **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) CASH MANAGEMENT:**

The investment policy of the School is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The School has adopted a cash management plan 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.

## **8) 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.

## **9) 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.

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.

## **10) ACKNOWLEDGMENTS:**

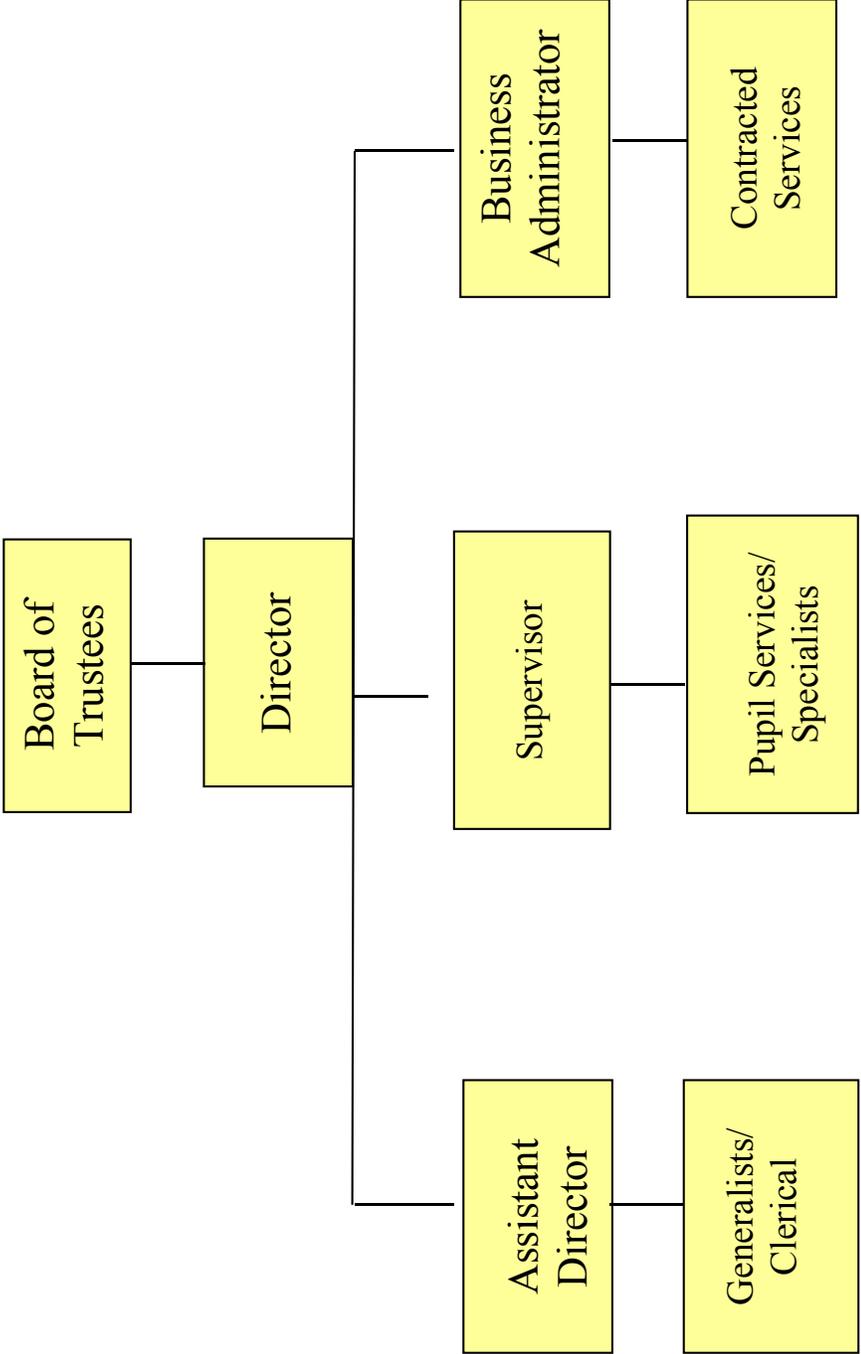
We would like to express our appreciation to the members of the Board of Trustees for their concern in providing fiscal accountability to the citizens of the sending districts of the Galloway Community Charter School and thereby contributing their full support to the development and maintenance of our financial operations.

Respectfully submitted,

Deborah A. Nataloni  
Director

Elizabeth Edwards  
Interim Board Secretary/Business Administrator

Galloway Community Charter School  
Organization Chart 2013-14



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

**Roster of Officials  
June 30, 2014**

**Members of the Board of Trustees**

Patrice Leatherberry, President

Lillian Cross, Vice President

Nancy Mills, Member

Stephanie Robinson, Member

Andrew Lopez, Member

Kevin Inman, Member

Melissa Bentley, Teacher Representative

Gail Marie Elliott, Teacher Representative

**Other Officials**

Deborah Nataloni, Director

Jessica Fisher, Assistant Director

Todd D'Anna, Business Administrator/ Board Secretary (July 1, 2013 through September 17, 2014)

Elizabeth Edwards, Interim Business Administrator/Board Secretary (approved August 5, 2014)

Alice Nicholson, Treasurer of School Monies

**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**

Fulton Bank of New Jersey  
Suite 250  
533 Fellowship rd.  
Mt. laurel, NJ 08054

## **Financial Section**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



# 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  
www.ford-scott.com

## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Galloway Community Charter School's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of state financial assistance as required by NJ OMB 04-04 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of and the schedule of state financial assistance as required by NJ OMB 04-04 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of state financial assistance as required by NJ OMB 04-04 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the Galloway Community Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Galloway Community Charter School's internal control over financial reporting and compliance.

*Ford, Scott & Associates, L.L.C.*

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

*Michael S. Garcia*

**Michael S. Garcia  
Certified Public Accountant  
Licensed Public School Accountant  
No. 2080**

**October 10, 2014**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
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, 2014. 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 an 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 (2013-2014) and the prior year (2012-2013) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

- In total, net position increased \$81,148.96, which represents a 13% increase from 2013 due to a increase in Charter School Aid and Federal and State aid.
- General revenues accounted for \$3,613,270.86 in revenue or 98.38% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$59,358.08 or 1.61% of total revenues of \$3,672,628.94.
- Total assets of governmental activities decreased by \$176,207.75, due in part to other receivables decreasing by \$79,152.00 and receivables from other governments decreasing by \$57,007.12.
- The Charter School had \$3,570,492.90 in expenses; only \$59,358.08 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily local and state aid) of \$3,613,270.86 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$3,613,270.86 in revenues and \$3,640,038.49 in expenditures. The General Fund's fund balance had a decrease of \$26,767.63 from 2013.

**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 Position 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, 2014  
UNAUDITED (CONTINUED)**

**Reporting the Charter School as a Whole**

Statement of Net Position 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 2014?" The Statement of Net Position 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 position 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 Position 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 Program enterprise funds is 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 Position 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, 2014  
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 Charter School as a Whole**

Recall that the Statement of Net Position 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 position for 2014 and 2013.

**Table 1  
Net Position**

	2014	2013
Assets		
Current and Other Assets	\$ 297,616.89	384,802.64
Capital Assets	3,242,871.00	3,331,893.00
Total Assets	3,540,487.89	3,716,695.64
Liabilities		
Long-Term Liabilities	2,812,328.24	3,013,956.49
Other Liabilities	30,835.46	91,551.00
Total Liabilities	2,843,163.70	3,105,507.49
Net Position		
Net Investment in Capital Assets	430,542.76	317,936.51
Restricted	5,593.33	57,617.00
Unrestricted	261,188.10	235,634.64
Total Net Position	\$ 697,324.19	611,188.15

The School's combined net position was \$611,188.15 on June 30, 2014. This was a increase of 14.09% from the prior year.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
UNAUDITED (CONTINUED)**

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

Table 2 shows changes in net position for years 2014 and 2013.

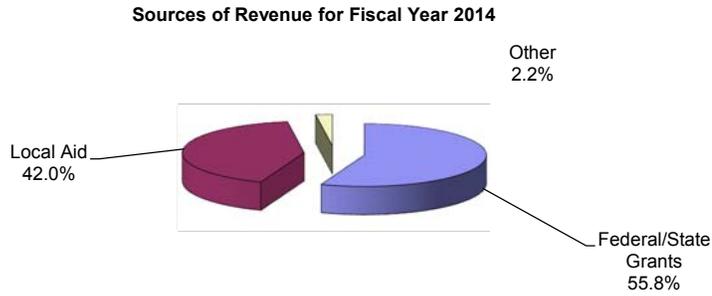
**Table 2  
Changes in Net Position**

	2014	2013
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 21,014.57	15,914.50
Operating Grants and Contributions	174,210.77	306,375.50
General Revenues:		
Local Aid	1,543,624.00	1,102,805.00
Grants and Entitlements	1,988,922.17	1,937,290.67
Other	80,727.88	10,310.35
Special Items and Transfers	-	(35,985.06)
<b>Total Revenues</b>	<b>3,808,499.39</b>	<b>3,336,710.96</b>
<b>Program Expenses</b>		
Instruction	1,770,117.24	1,781,186.69
Administrative Expenses	1,187,057.83	1,094,958.49
Support Services	613,317.83	491,893.98
Food Service	156,857.53	133,844.86
<b>Total Expenses</b>	<b>3,727,350.43</b>	<b>3,501,884.02</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 81,148.96</b>	<b>(165,173.06)</b>

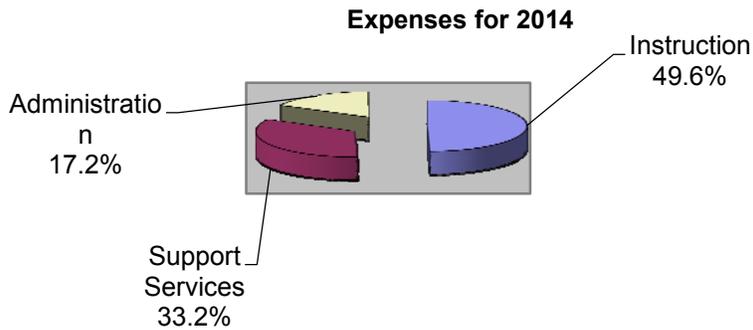
**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
UNAUDITED (CONTINUED)**

**Governmental Activities**

The School's total revenues were \$3,672,628.94 for the year ended June 30, 2014. Federal, state, and local grants accounted for 55.8% of revenue.



The total cost of all program and services was \$3,570,492.90. Instruction comprises 49.6% percent of School expenses.



**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
UNAUDITED (CONTINUED)**

**Business-Type Activities**

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

- Food service expenses exceeded revenues by \$4,987.08.
- Charges for food services represent \$21,014.57 of revenue. This represents amounts paid by patrons for daily food service.
- Federal and state reimbursement for meals, including payments for lunches and breakfast was \$114,852.69.

**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**

	<b>Total Cost of Services 2014</b>	<b>Net Cost of Services 2014</b>	<b>Total Cost of Services 2013</b>	<b>Net Cost of Services 2013</b>
General Instruction	\$ 1,770,117.24	1,714,149.96	1,781,186.69	1,594,196.69
Administrative Expenses	1,187,057.83	1,183,667.03	1,094,958.49	1,065,760.49
Support Services	613,317.83	613,317.83	491,893.98	491,893.98
Total Expenses	<u>\$ 3,570,492.90</u>	<u>3,511,134.82</u>	<u>3,368,039.16</u>	<u>3,151,851.16</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.

**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 \$3,616,446.41 and expenditures were \$3,683,396.57.

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, 2014, and the amount and percentage of increases and decreases in relation to prior year revenues.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
UNAUDITED (CONTINUED)**

<b>Revenue</b>		<b>2013-14 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2013</b>	<b>Percent of Increase (Decrease)</b>
Local Sources	\$	1,575,666.16	43.57%	\$ 462,550.81	29.89%
State Sources		1,988,922.17	55.00%	51,631.50	2.37%
Federal Sources		51,858.08	1.43%	(164,329.92)	-55.30%
Total	\$	<u>3,616,446.41</u>	100.00%	<u>\$ 349,852.39</u>	8.70%

The following schedule represents a summary of general fund and special revenue fund expenditures for the year ended June 30, 2014, and the percentage of increases and decreases in relation to prior year amounts.

<b>Expenditures</b>		<b>2013-14 Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease) from 2013</b>	<b>Percent of Increase (Decrease)</b>
Current expense:					
Instruction	\$	1,295,342.37	35.17%	\$ 55,341.83	4.46%
Administrative		1,387,920.93	37.68%	133,335.80	10.63%
Support Services		738,683.86	20.05%	56,557.43	8.29%
Capital Outlay		261,449.41	7.10%	(25,552.38)	-8.90%
Total	\$	<u>3,683,396.57</u>	100.00%	<u>\$ 219,682.68</u>	6.34%

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.

**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.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014  
UNAUDITED (CONTINUED)**

**Capital Assets**

At the end of the year 2014, the Charter School had \$3,242,871.00 invested in land, building, furniture and equipment. Table 4 shows year 2014 balances compared to 2013.

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

	2014	2013
Land	\$ 589,545.00	589,545.00
Building and Building Improvements	2,523,138.00	2,620,926.00
Machinery and Equipment	130,188.00	121,422.00
Total	\$ 3,242,871.00	3,331,893.00

Overall capital assets decreased \$89,022.00 from year 2014 to year 2013. The decrease in capital assets is due to a combination of new additions and depreciation. For more detailed information, please refer to the Notes to the Financial Statements.

**Long-Term Liabilities**

At June 30, 2014, the Charter School had \$2,8112,328.24 of outstanding debt. Of this amount, \$35,720.23 is for compensated absences, and \$2,776,608.01 of mortgage payable.

**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 Elizabeth Edwards, 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).

## **BASIC FINANCIAL STATEMENTS**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 154,871.87	\$ 3,578.41	\$ 158,450.28
Other receivables	72,308.00		72,308.00
Internal balances	20,000.00	(20,000.00)	-
Due from other governments	50,437.02	18,691.65	69,128.67
Capital Assets, net:			
Land	589,545.00		589,545.00
Depreciable assets, net of depreciation	2,653,326.00		2,653,326.00
Total Assets	<u>3,540,487.89</u>	<u>2,270.06</u>	<u>3,542,757.95</u>
<b>LIABILITIES</b>			
Accounts payable	26,730.00		26,730.00
Accrued interest	4,105.46		4,105.46
Due to Fiduciary Funds			-
Long term debt			
Due within one year	204,747.36		204,747.36
Due beyond one year	2,607,580.88		2,607,580.88
Total liabilities	<u>2,843,163.70</u>	<u>-</u>	<u>2,843,163.70</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	430,542.76	-	430,542.76
Restricted for:			
Other purposes	99,310.33		99,310.33
Unrestricted	167,471.10	2,270.06	169,741.16
Total net position	<u>\$ 697,324.19</u>	<u>\$ 2,270.06</u>	<u>\$ 699,594.25</u>

The accompanying notes are an integral part of these financial statements.

Galloway Community Charter School  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular	\$ 1,319,467.50	450,649.74		55,967.28	(1,714,149.96)		(1,714,149.96)
Support services:							
School administrative services	887,704.31	299,353.52		3,390.80	(1,183,667.03)		(1,183,667.03)
General and business administrative services	460,766.61	152,551.22			(613,317.83)		(613,317.83)
Unallocated benefits	777,597.48	(777,597.48)			-		-
Unallocated depreciation	124,957.00	(124,957.00)					
Total governmental activities	3,570,492.90	-		59,358.08	(3,511,134.82)		(3,511,134.82)
Business-type activities:							
Food Service	156,857.53		21,014.57	114,852.69		(20,990.27)	(20,990.27)
Total business-type activities	156,857.53		21,014.57	114,852.69		(20,990.27)	(20,990.27)
Total primary government	\$ 3,727,350.43		21,014.57	174,210.77	(3,511,134.82)	(20,990.27)	(3,532,125.09)
General revenues:							
Charter School Aid					1,543,624.00		1,543,624.00
Federal and State aid not restricted					1,988,922.17		1,988,922.17
Miscellaneous Income					24,542.16	3.19	24,545.35
Cancellation of prior year payables					56,182.53		56,182.53
Transfers					(16,000.00)	16,000.00	-
Total general revenues, special items, extraordinary items and transfers					3,597,270.86	16,003.19	3,613,274.05
Change in Net Position					86,136.04	(4,987.08)	81,148.96
Net Position—beginning					611,188.15	7,257.14	618,445.29
Net Position—ending					697,324.19	2,270.06	699,594.25

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 118,266.42	36,605.45	154,871.87
Due from other governments	12,718.69	37,718.33	50,437.02
Other receivables	64,808.00	7,500.00	72,308.00
Due from other funds	101,823.78	-	101,823.78
Total assets	297,616.89	81,823.78	379,440.67
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	26,730.00	-	26,730.00
Deferred revenue		-	
Due to other funds	-	81,823.78	81,823.78
Total liabilities	26,730.00	81,823.78	108,553.78
Fund Balances:			
Assigned to:			
Encumbrances	5,593.33	-	5,593.33
Subsequent year's expenditures	93,717.00		93,717.00
Unassigned:			
General fund	171,576.56		171,576.56
Total Fund balances	270,886.89	-	270,886.89
Total liabilities and fund balances	\$ 297,616.89	81,823.78	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,242,871.00
Interest on long-term debt in the statement of activities is accrued, regardless of when due	(4,105.46)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,812,328.24)</u>
Net assets of governmental activities	<u>697,324.19</u>

**Galloway Community Charter school**  
**Statement of Revenues, Expenditures, And Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Charter School Aid	\$ 1,543,624.00		1,543,624.00
Miscellaneous	24,542.16	7,500.00	32,042.16
State sources	1,988,922.17		1,988,922.17
Federal Sources		51,858.08	51,858.08
Total revenues	<u>3,557,088.33</u>	<u>59,358.08</u>	<u>3,616,446.41</u>
<b>EXPENDITURES</b>			
Current:			
Regular instruction	1,239,375.09	55,967.28	1,295,342.37
Support services and undistributed costs:			
School administrative services	1,384,530.13	3,390.80	1,387,920.93
General and business administrative services	461,145.69		461,145.69
On-behalf TPAF Pension Contributions	155,547.00		155,547.00
Reimbursed TPAF Social Security Contributions	121,991.17		121,991.17
Capital Outlay	261,449.41	-	261,449.41
Total expenditures	<u>3,624,038.49</u>	<u>59,358.08</u>	<u>3,683,396.57</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66,950.16)	-	(66,950.16)
Other Financing Sources/(Uses)			
Operating Transfers Out:			
Cancellation of prior year accounts payable	56,182.53		56,182.53
Transfer to Food Service Fund - Board Contribution	(16,000.00)		(16,000.00)
Total Other Financing Sources/(Uses)	40,182.53	-	40,182.53
Net change in fund balances	(26,767.63)	-	(26,767.63)
Fund balance—July 1	297,654.52		297,654.52
Fund balance—June 30	<u>\$ 270,886.89</u>		<u>270,886.89</u>

**Galloway Community Charter School  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2014**

**Total net change in fund balances - governmental funds (from B-2)** \$ (26,767.63)

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

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

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

	Depreciation expense	(124,957.00)	
	Capital outlays	<u>35,769.83</u>	(89,187.17)

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	201,314.34
--	----------	------------

In 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.

		297.42
--	--	--------

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 reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).

		479.08
--	--	--------

**Change in net position of governmental activities**

		<u>\$ 86,136.04</u>
--	--	---------------------

**Galloway Community Charter School**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<b>Business-type Activities - Enterprise Fund</b>	
	<b>Food Service</b>	<b>Total</b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,578.41	3,578.41
Intergovernmental Accounts Receivable	18,691.65	18,691.65
Total Current Assets	22,270.06	22,270.06
Total assets	22,270.06	22,270.06
 <b>LIABILITIES:</b>		
Current liabilities:		
Interfund payable	20,000.00	20,000.00
Total current liabilities	20,000.00	20,000.00
 <b>NET POSITION:</b>		
Unrestricted	2,270.06	2,270.06
Total net position	\$ 2,270.06	2,270.06

The accompanying notes are an integral part of these financial statements.

**Galloway Community Charter School**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$ 21,014.57	21,014.57
Total operating revenues	21,014.57	21,014.57
Operating expenses:		
Salaries	31,051.75	31,051.75
Cost of sales	125,805.78	125,805.78
Total Operating Expenses	156,857.53	156,857.53
Operating (loss)	(135,842.96)	(135,842.96)
Nonoperating revenues:		
State sources:		
State school lunch program	1,755.24	1,755.24
Federal sources:		
National school breakfast program	28,442.81	28,442.81
National school lunch program	84,654.64	84,654.64
Other sources		
Interest income	3.19	3.19
Total nonoperating revenues	114,855.88	114,855.88
Net loss	(20,987.08)	(20,987.08)
Operating transfers - general fund	16,000.00	16,000.00
Change in net position	(4,987.08)	(4,987.08)
Total net position—beginning	7,257.14	7,257.14
Total net position—ending	\$ 2,270.06	2,270.06

The accompanying notes are an integral part of these financial statements.

**Galloway Community Charter School  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 21,014.57	21,014.57
Cash payments to employees for services	(31,051.75)	(31,051.75)
Cash payments to suppliers for goods and services	(125,805.78)	(125,805.78)
Net cash (used) by operating activities	(135,842.96)	(135,842.96)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State Sources	1,521.11	1,521.11
Federal Sources	97,852.83	97,852.83
Operating subsidies and transfers from other funds	16,000.00	16,000.00
Net cash provided (used) by non-capital financing activities	115,373.94	115,373.94
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interfund Loan	20,000.00	20,000.00
Interest on investments	3.19	3.19
Net cash provided (used) by investing activities	20,003.19	20,003.19
Net increase in cash and cash equivalents	(465.83)	(465.83)
Balances—beginning of year	4,044.24	4,044.24
Balances—end of year	3,578.41	3,578.41
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>		
Operating (loss)	(135,842.96)	(135,842.96)
Net cash (used for) operating activities	\$ (135,842.96)	(135,842.96)

The accompanying notes are an integral part of these financial statements.

**Galloway Community Charter School  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 44,132.00
Total assets	<u>44,132.00</u>
<b>LIABILITIES</b>	
Payroll deductions and liabilities	43,577.79
Due to Student Groups	<u>554.21</u>
Total liabilities	<u>\$ 44,132.00</u>

The accompanying notes are an integral part of these financial statements.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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

The Galloway Community Charter School (“the School”) 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.

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 Galloway Community Charter School is a Charter School located in the County of Atlantic, State of New Jersey. As a Charter School, the school functions independently through a Board of Trustees. The board is comprised of seven members who are appointed to the Board. The purpose of the School is to educate students in grades K-8. The Galloway Community Charter School had an enrollment at June 30, 2014 of 223 students.

**B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS:**

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

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

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

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

- a. The School does allocate indirect costs such as depreciation expense, compensated absences, On-behalf TPAF Pension Contributions, and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School’s net position resulting from the current year’s activities. Fiduciary funds are not included in the government-wide statements.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

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

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School Districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the criteria are applied to proprietary funds.

The following fund types are used by the School:

**1. Governmental Funds:**

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

- a. **General fund** is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. The special revenue fund is specifically used to account for state and federal grant monies that have been allocated to the School.

**Fund Balances – Governmental Funds**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Trustees, the School's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Trustees.

Assigned – includes amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School's policy, amounts may be assigned by the Business Administrator.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

**2. Proprietary Funds:**

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

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs. The School operates a food service fund to provide a child nutrition program for the students of the school.

**3. Fiduciary Funds:**

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

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

All fund internal activity is eliminated when carried to the Government-wide statements.

**D. BASIS OF ACCOUNTING**

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

**1. Accrual:**

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

**2. Modified Accrual:**

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

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS**

**1. Cash and Cash Equivalents:**

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

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

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.

NJSA 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental units.

**2. Capital Assets:**

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

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Infrastructure Assets	50-65 years

Infrastructure assets include roads, parking lots, underground pipe, etc. The School includes all infrastructure assets as depreciable assets in the financial statements.

**3. Revenues:**

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes a municipality is required to remit to its school district the entire balance of taxes in the amount certified, prior to the end of the school year. The School records the entire approved Charter School Aid as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient. Program revenues are reported as reductions to expenses in the statement of activities.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**4. Expenditures:**

Expenses are recognized when the related fund liability is incurred.

**5. Compensated absences:**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. 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 School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as both an expenditure and a fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the District-wide Financial Statements as a Governmental Activity.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**6. Interfund Activity:**

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

**7. Budgets/Budgetary Control:**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval and there is no public vote on the budget. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2(g). Transfers of appropriations may be made by Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the Board.

Significant transfers approved by the Board of Trustees during the fiscal year were as follows:

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

Instruction - Salaries of Teachers	\$ 239,640.00
Administrative -	
Salaries - Administrative	23,741.00
Purchased Professional/Technical Services	72,250.00
Other Purchased Services	114,499.00
Support Services	
Salaries	52,883.00
Purchased Professional/Technical Services	21,320.00
Instructional Equipment	35,000.00

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payments for budgetary purposes only and 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.

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

**8. Use of Estimates**

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

**9. Allocation of Costs**

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

**F. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE**

In June 2012, GASB issued Statement No. 67 “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25”. This statement, which is effective for fiscal periods beginning after June 15, 2013, will not have any effect on the District’s financial reporting.

In June 2012, GASB issued Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”. This statement, which is effective for fiscal periods beginning after June 15, 2014, will have a significant effect on the District’s financial reporting.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

In January 2013, GASB issued Statement No. 69 "Government Combinations and Disposals of Government Operations". This statement, which is effective for fiscal periods beginning after December 15, 2013, will not have any effect on the District's financial reporting.

In November 2013, Governmental Accounting Standards Board (GASB) issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The impact of this statement on the net position of the entity is not presently determinable; but it is anticipated to be significant.

**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's bank balance of \$281,078.72 as of June 30, 2014, \$0 was uninsured and uncollateralized.

**Investments**

The Galloway Community Charter School had no investments in fiscal year ending June 30, 2014.

**NOTE 3 – INTERFUND TRANSFERS AND BALANCES**

The following interfund balances remained on the fund financial statements at June 30, 2014:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 101,823.78	
Special Revenue Fund	-	81,823.78
Food Service Fund	-	20,000.00
Total	<u>\$ 101,823.78</u>	<u>101,823.78</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. There was also a permanent interfund transfer from the proprietary funds to the general fund to closeout the Daycare and Before & After Programs.

**NOTE 4 – INVENTORY**

The Charter School utilizes an outside provider, thus there is no inventory in the Food Service Enterprise Fund at June 30, 2014.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, 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	322,954.00	35,935.00		358,889.00
Total capital assets being depreciated at historical cost	<u>3,971,232.00</u>	<u>35,935.00</u>	<u>-</u>	<u>4,007,167.00</u>
Less accumulated depreciation for:				
Buildings	(912,044.00)	(86,942.00)		(998,986.00)
Building Improvements	(115,308.00)	(10,845.00)		(126,153.00)
Machinery and Equipment	(201,532.00)	(27,170.00)		(228,702.00)
Total capital assets being depreciated, net of accumulated depreciation	<u>2,742,348.00</u>	<u>(89,022.00)</u>	<u>-</u>	<u>2,653,326.00</u>
Governmental activity capital assets, net	<u>\$ 3,331,893.00</u>	<u>\$ (89,022.00)</u>	<u>\$ -</u>	<u>\$ 3,242,871.00</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 66,077.26
School Administrative Services	40,623.52
General and Business Administrative Services	18,256.22
	<u>\$ 124,957.00</u>

No interest on debt was capitalized during the year and the amount of interest expense paid on long term debt was \$51,038.82.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 6 – PENSION PLANS**

Description of Plans

All required employees of the School are covered by either the Public Employees' Retirement System or the Teacher's Pension and Annuity Fund cost-sharing multiple-employer defined benefit pension plans which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate.

The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the reports can be accessed on the internet at [http://www.state.nj.us/treasury/pensions/annrpts\\_archive.htm](http://www.state.nj.us/treasury/pensions/annrpts_archive.htm).

*Teachers' Pension and Annuity Fund*

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

*Public Employees' Retirement System*

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school or public agency provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.78% and the PERS rate is 6.78% of covered payroll. The School's contributions to TPAF for the years ending June 30, 2014, 2013 and 2012 were \$58,927, \$97,491, and \$55,895 respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School's contributions to PERS for the years ending June 30, 2014, 2013 and 2012 were \$ 13,251.00, \$13,854, and \$31,347 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2014, 2013 and 2012, the State of New Jersey contributed \$96,620, \$110,239, and \$112,364, 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 \$122,991, \$107,220.67, and \$130,542.92, 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 statements and schedules as revenues and expenditures in accordance in GASB 27.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

**NOTE 7. POST-RETIREMENT BENEFITS**

The School 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, Chapter 384 and P.L. 1990 Chapter 6 required Teachers’ Pensions and Annuity Fund (TPAF) and the Public Employees’ Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007 c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for funding and payment of post-retirement medical benefits for retired State employees and educational employees. As of June 30, 2013, there were 100,134 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$173.8 million toward Chapter 126 benefits for 17,356 eligible retired members in Fiscal Year 2013. The State also makes on-behalf payment for Teachers Pension and Annuity program retirees for health benefits.

**NOTE 8 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Issues or Additions	Payments or Expenditures	Balance June 30, 2014	Amounts Due Within One Year
Mortgage Payable	\$ 2,977,757.19		201,149.18	2,776,608.01	204,747.36
Compensated Absences	36,199.31	11,610.00	12,089.08	35,720.23	
	<u>\$ 3,013,956.50</u>	<u>11,610.00</u>	<u>213,238.26</u>	<u>2,812,328.24</u>	<u>204,747.36</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. The mortgage interest rate will be reset at each fifth anniversary equal to the five-year US Treasury rate plus 25 basis points. The mortgage rate was reset for 60 months at 1.75%, effective September 1, 2011. Payments are made monthly in the amount of \$21,029.43. Future debt service payments are as follows:

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	204,747.36	47,605.80	252,353.16
2016	208,409.91	43,943.25	252,353.16
2017	212,137.93	40,215.23	252,353.16
2018	215,932.65	36,420.51	252,353.16
2019	219,795.28	32,557.88	252,353.16
2020 - 2024	1,159,377.70	102,388.10	1,261,765.80
2025 - 2027	556,207.18	11,587.44	567,794.62
	<u>\$ 2,776,608.01</u>	<u>\$ 314,718.21</u>	<u>\$ 3,091,326.22</u>

**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.

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 School 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 School 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.

**NOTE 11 – COMMITMENTS**

The School 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. There were no encumbrances at June 30, 2014.

**NOTE 12. COMPENSATED ABSENCES**

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

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014  
(CONTINUED)**

School employees are granted varying amounts of vacation and sick leave in accordance with the School's personnel policy. Upon termination, employees are paid for accrued sick time. Sick leave benefits provide for ordinary sick pay and is capped based on the various employee contracts.

In the district-wide Statement of Net position, the liabilities whose average maturities are greater than one year are reported in two components – the amount due within one year and the amount due in more than one year.

**NOTE 13 – ECONOMIC DEPENDENCY**

The School 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 School's programs and activities.

**NOTE 14. FUND BALANCE APPROPRIATED**

General Fund – Of the \$270,886.52 General Fund fund balance, at June 30, 2014, \$93,717.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2015, \$5,593.33 has been reserved for encumbrances, and \$171,576.56 is classified and Unassigned.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2014 through October 10, 2014, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the School that would require disclosure.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **BUDGETARY COMPARISON SCHEDULES**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Charter School Aid	\$ 2,646,622.00	(1,102,998.00)	1,543,624.00	1,543,624.00	-
Miscellaneous	-	-	-	24,542.16	24,542.16
<b>Total - Local Sources</b>	<b>2,646,622.00</b>	<b>(1,102,998.00)</b>	<b>1,543,624.00</b>	<b>1,568,166.16</b>	<b>24,542.16</b>
State Sources:					
Security Aid	56,311.00	20,472.00	76,783.00	76,783.00	-
Special Education Aid	84,467.00	23,327.00	107,794.00	107,794.00	-
Equalization Aid	1,514,231.00	1,514,231.00	1,514,231.00	1,514,231.00	-
Nonpublic Aid	28,156.00	15,580.00	43,736.00	12,576.00	(31,160.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	-	-	-	121,991.17	121,991.17
On-behalf TPAF Pension Contributions (Non-budgeted)	-	-	-	155,547.00	155,547.00
<b>Total - State Sources</b>	<b>1,689,934.00</b>	<b>1,573,610.00</b>	<b>1,742,544.00</b>	<b>1,988,922.17</b>	<b>246,378.17</b>
<b>Total Revenues</b>	<b>\$ 2,815,556.00</b>	<b>470,612.00</b>	<b>3,286,168.00</b>	<b>3,557,088.33</b>	<b>270,920.33</b>
<b>EXPENDITURES:</b>					
Current Expense:					
Instruction:					
Salaries of Teachers	946,199.00	239,640.00	1,185,839.00	1,183,017.67	2,821.33
Purchased Professional Technical Services	-	-	-	-	-
Other Purchased Services	18,900.00	(16,900.00)	2,000.00	1,956.00	44.00
General Supplies	62,220.00	(7,480.00)	54,740.00	54,401.42	338.58
Textbooks	2,500.00	(2,500.00)	-	-	-
Other Objects	-	-	-	-	-
<b>Total Instruction</b>	<b>1,029,819.00</b>	<b>212,760.00</b>	<b>1,242,579.00</b>	<b>1,239,375.09</b>	<b>3,203.91</b>

Galloway Community Charter School  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2014

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Administrative costs:</b>					
Salaries - administrative	352,573.00	23,741.00	376,314.00	357,480.10	18,833.90
Salaries of Secretarial/Clerical Assistants	145,148.00	(19,859.00)	125,289.00	125,138.17	150.83
Benefits	482,000.00	19,000.00	501,000.00	500,059.31	940.69
Purchased professional/technical services	153,590.00	72,250.00	225,840.00	213,939.87	11,900.13
Other Purchased Services	13,217.00	114,499.00	127,716.00	121,613.54	6,102.46
Mortgage Interest	57,012.00	(5,000.00)	52,012.00	51,038.82	973.18
Communications/Telephone	12,495.00	(4,000.00)	8,495.00	5,673.00	2,822.00
Supplies and Materials	5,500.00	3,500.00	9,000.00	8,277.15	722.85
Miscellaneous Expenditures	3,500.00	(2,000.00)	1,500.00	1,310.17	189.83
<b>Total Administrative Costs</b>	<b>1,225,035.00</b>	<b>202,131.00</b>	<b>1,427,166.00</b>	<b>1,384,530.13</b>	<b>42,635.87</b>
<b>Support Services:</b>					
Salaries	163,807.00	52,883.00	216,690.00	216,321.25	368.75
Purchased Professional and Technical Services	45,000.00	21,320.00	66,320.00	66,320.00	-
Other Purchased Services	64,648.00	15,570.00	80,218.00	80,216.65	1.35
Insurance	47,740.00	(1,510.00)	46,230.00	46,025.78	204.22
Supplies and Materials	7,000.00	(1,500.00)	5,500.00	5,000.87	499.13
Transportation - Other than to/from school	4,800.00	(2,077.00)	2,723.00	2,559.00	164.00
Energy Costs - Heat and Electricity	60,000.00	(12,000.00)	48,000.00	44,702.14	3,297.86
<b>Total Support Services</b>	<b>392,995.00</b>	<b>72,686.00</b>	<b>465,681.00</b>	<b>461,145.69</b>	<b>4,535.31</b>
Reimbursed TPAF Social Security Contributions (non-budgeted)				121,991.17	(121,991.17)
On-behalf TPAF Pension Contributions (Non-budgeted)				155,547.00	(155,547.00)
<b>Total On-behalf Contributions</b>				<b>277,538.17</b>	<b>(277,538.17)</b>
<b>Total Current Expense</b>	<b>2,647,849.00</b>	<b>487,577.00</b>	<b>3,135,426.00</b>	<b>3,362,589.08</b>	<b>(227,163.08)</b>

**Galloway Community Charter School  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2014**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Capital Outlay:</b>					
Instructional Equipment	5,000.00	35,000.00	40,000.00	39,674.62	325.38
Noninstructional Equipment	5,000.00	6,500.00	11,500.00	11,296.00	204.00
Purchase Land/Improvements	10,000.00	-	10,000.00	9,164.45	835.55
Lease Purchase - Principal	195,324.00	6,000.00	201,324.00	201,314.34	9.66
Total Equipment	215,324.00	47,500.00	262,824.00	261,449.41	1,374.59
<b>Total Capital Outlay</b>	<b>215,324.00</b>	<b>47,500.00</b>	<b>262,824.00</b>	<b>261,449.41</b>	<b>1,374.59</b>
<b>Total Expenditures</b>	<b>2,863,173.00</b>	<b>535,077.00</b>	<b>3,398,250.00</b>	<b>3,624,038.49</b>	<b>(225,788.49)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,617.00)	(64,465.00)	(112,082.00)	(66,950.16)	45,131.84
Other Financing Sources/(Uses)					
Operating transfers out:					
Cancellation of prior year payables	(20,000.00)		(16,000.00)	56,182.53	56,182.53
Transfer to Food Service Fund - Board Contribution		4,000.00		(16,000.00)	-
Total Other Financing Sources/(Uses)	(20,000.00)	4,000.00	(16,000.00)	40,182.53	56,182.53
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(67,617.00)	(60,465.00)	(128,082.00)	(26,767.63)	45,131.84
Fund Balances, July 1	297,654.52		297,654.52	297,654.52	-
Fund Balances, June 30	\$ 230,037.52	(60,465.00)	169,572.52	270,886.89	45,131.84
<b>Recapitulation:</b>					
<b>Assigned to:</b>					
Designated for Subsequent Year's Expenditures				93,717.00	
Year end Encumbrances				5,593.33	
Unassigned				171,576.56	
Fund Balance per Governmental Funds (GAAP)				270,886.89	

**Galloway Community Charter School  
Budgetary Comparison Schedule  
Special Revenue Fund  
For the Year Ended June 30, 2014**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 7,500.00	-	7,500.00	7,500.00	-
State Sources			-	-	-
Federal Sources	196,108.00		196,108.00	59,105.33	(137,002.67)
Total - Local Sources	203,608.00	-	203,608.00	66,605.33	(137,002.67)
<b>Total Revenues</b>	<b>203,608.00</b>	<b>-</b>	<b>203,608.00</b>	<b>66,605.33</b>	<b>(137,002.67)</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	89,513.00		89,513.00	34,327.53	55,185.47
Purchased Professional Technical Services	21,387.00		21,387.00	21,387.00	-
Supplies and Materials	8,729.00		8,729.00	7,500.00	1,229.00
<b>Total instruction</b>	<b>119,629.00</b>	<b>-</b>	<b>119,629.00</b>	<b>63,214.53</b>	<b>56,414.47</b>
<b>Support Services</b>					
Personal Services - Employee Benefits	20,587.00		20,587.00	-	20,587.00
Purchased Services	60,001.00		60,001.00	-	60,001.00
Supplies	3,391.00		3,391.00	3,390.80	0.20
<b>Total support services</b>	<b>83,979.00</b>	<b>-</b>	<b>83,979.00</b>	<b>3,390.80</b>	<b>80,588.20</b>
<b>Capital Outlay</b>					
Instructional Equipment			-		-
Non-instructional Equipment			-		-
	-	-	-	-	-
<b>Total expenditures</b>	<b>203,608.00</b>	<b>-</b>	<b>203,608.00</b>	<b>66,605.33</b>	<b>137,002.67</b>
Excess of Revenues Over Expenditures	\$ -	-	-	-	-

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Galloway Community Charter School  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Notes to Required Supplementary Information  
 For the Year Ended June 30, 2014

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

	General Fund	Special Revenue Fund
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 3,557,088.33	\$ 59,105.33
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
Prior year		
Current year		(7,247.25)
Total revenues reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>3,557,088.33</u>	<u>51,858.08</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	3,624,038.49	66,605.33
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Prior year		
Current year		(7,247.25)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,624,038.49</u>	<u>\$ 59,358.08</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **SPECIAL REVENUE FUND DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

Galloway Community Charter School  
 Special Revenue Fund  
 Combining Schedule of Revenue and Expenditures  
 Budgetary Basis  
 For the Year Ended June 30, 2014

	Title I Part A	Title IIA	Rutgers	I.D.E.A. Part - B Basic	I.D.E.A. Preschool	R.E.A.P.	Total Federal Funds
<b>REVENUES:</b>							
Local Sources	\$ 4,830.40	3,390.80	7,500.00	29,497.13	-	21,387.00	7,500.00
Federal Sources							59,105.33
<b>Total revenues</b>	<b>4,830.40</b>	<b>3,390.80</b>	<b>7,500.00</b>	<b>29,497.13</b>	<b>-</b>	<b>21,387.00</b>	<b>66,605.33</b>
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of teachers	4,830.40			29,497.13		21,387.00	34,327.53
Purchased Professional/Technical Services			7,500.00				21,387.00
General supplies							7,500.00
<b>Total instruction</b>	<b>4,830.40</b>	<b>-</b>	<b>7,500.00</b>	<b>29,497.13</b>	<b>-</b>	<b>21,387.00</b>	<b>63,214.53</b>
Support services:							
Salaries							-
Personal services- employee benefits							-
Purchased professional-educational service							-
Purchased professional/technical service		3,390.80					3,390.80
Supplies and materials							-
<b>Total support services</b>	<b>-</b>	<b>3,390.80</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,390.80</b>
Capital Outlay							
Instructional Equipment							-
Non-instructional Equipment							-
<b>Total capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total expenditures</b>	<b>4,830.40</b>	<b>3,390.80</b>	<b>7,500.00</b>	<b>29,497.13</b>	<b>-</b>	<b>21,387.00</b>	<b>66,605.33</b>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **FIDUCIARY FUNDS DETAIL STATEMENTS**

Fiduciary funds are used to account for gifts and bequests to the Charter School for a specific purpose.

Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the school.

**Payroll Agency Fund** - This agency fund is used to account for the payroll transactions of the Charter School.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School  
Fiduciary Fund  
Combining Statement of Fiduciary Net Assets  
June 30, 2014**

	<u>Agency Funds</u>	<u>Total</u>
ASSETS:		
Cash and cash equivalents	\$ 44,132.00	\$ 44,132.00
Interfund Receivable	-	-
Total Assets	<u>44,132.00</u>	<u>44,132.00</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Payroll deductions and liabilities	43,577.79	43,577.79
Due to student groups	554.21	554.21
Total Liabilities	<u>44,132.00</u>	<u>44,132.00</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Student Activity Agency Fund**  
**Schedule of Receipts and Disbursements**  
**As of June 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Student Activities	\$ 1,267.39	3,590.88	4,304.06	554.21
Total	\$ <u>1,267.39</u>	<u>3,590.88</u>	<u>4,304.06</u>	<u>554.21</u>

**Galloway Community Charter School  
Payroll Agency Fund  
Schedule of Receipts and Disbursements  
For the Year Ended June 30, 2014**

	Balance 1/1/2013	Additions	Deletions	Balance 6/30/2014
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 20,222.29	2,096,306.95	2,072,951.45	43,577.79
Interfund Receivable	1,300.02		1,300.02	-
<b>Total assets</b>	<u>21,522.31</u>	<u>2,096,306.95</u>	<u>2,074,251.47</u>	<u>43,577.79</u>
<b>LIABILITIES:</b>				
Payroll deductions and withholdings	21,522.31	2,096,306.95	2,074,251.47	43,577.79
<b>Total liabilities</b>	<u>\$ 21,522.31</u>	<u>2,096,306.95</u>	<u>2,074,251.47</u>	<u>43,577.79</u>

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **Statistical Section**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**Galloway Community Charter School  
Net Position by Component,  
Last Ten Fiscal Years  
Unaudited**

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets	\$ 116,693.00	131,706.00	133,186.00	188,405.00	322,114.00	34,214.10	96,377.44	265,693.44	317,936.51	430,542.76
Restricted	3,037.00	4,848.00	14,093.00	20,917.00	74,114.00	3,605.00	17,765.37	356,841.35	57,617.00	99,310.33
Unrestricted	138,982.00	223,953.00	392,589.00	540,199.00	201,546.00	170,269.20	403,035.09	182,930.77	235,634.64	167,471.10
Total governmental activities net position	<u>258,712.00</u>	<u>360,507.00</u>	<u>539,868.00</u>	<u>749,521.00</u>	<u>597,774.00</u>	<u>208,088.30</u>	<u>517,177.90</u>	<u>805,465.56</u>	<u>611,188.15</u>	<u>697,324.19</u>
<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	(17,736.52)	7,257.14	2,270.06
Total business-type activities net assets	<u>(9,088.00)</u>	<u>(5,275.00)</u>	<u>12,780.00</u>	<u>(6,592.00)</u>	<u>(48,647.00)</u>	<u>(1,704.12)</u>	<u>7,596.42</u>	<u>(17,736.52)</u>	<u>7,257.14</u>	<u>2,270.06</u>
<b>District-wide</b>										
Net investment in capital assets	116,693.00	131,706.00	133,186.00	188,405.00	322,114.00	34,214.10	96,377.44	265,693.44	317,936.51	430,542.76
Restricted	3,037.00	4,848.00	14,093.00	20,917.00	74,114.00	3,605.00	17,765.37	356,841.35	57,617.00	99,310.33
Unrestricted	129,894.00	218,678.00	405,369.00	533,607.00	152,899.00	168,565.08	410,631.51	165,194.25	242,891.78	169,741.16
Total district net position	<u>\$ 249,624.00</u>	<u>355,232.00</u>	<u>552,648.00</u>	<u>742,929.00</u>	<u>549,127.00</u>	<u>206,384.18</u>	<u>524,774.32</u>	<u>787,729.04</u>	<u>618,445.29</u>	<u>699,594.25</u>

Source: CAFR Schedule A-1

**Galloway Community Charter School  
Changes in Net Position, Last Ten Fiscal Years  
Unaudited**

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<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	733,048.26	890,633.89	1,094,549.49	1,187,057.83
School administrative services	452,052.00	685,143.00	865,562.00	1,129,300.00	1,278,953.00	1,129,785.78	780,171.94	625,887.99	497,081.67	613,317.83
Interest on Long Term Debt			150,462.00	195,261.00	188,960.00					
Total governmental activities expenses	2,299,124.00	2,608,231.00	2,870,295.00	3,269,912.00	3,779,282.00	3,999,782.02	3,145,883.51	3,178,886.93	3,372,149.85	3,570,492.90
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	102,311.26	133,844.46	156,857.53
Before/After Care	68,826.00	38,277.00	33,923.00	45,346.00	62,379.00	53,873.78				
Daycare	27,206.00				20,891.00	23,850.36	22,659.96	36,636.83		
Total business-type activities expense	192,478.00	137,639.00	154,913.00	201,163.00	248,361.00	214,466.65	139,726.25	138,948.09	133,844.46	156,857.53
Total district expenses	2,491,602.00	2,745,870.00	3,025,208.00	3,471,075.00	4,027,643.00	4,214,248.67	3,285,609.76	3,317,835.02	3,505,984.31	3,727,350.43
<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	-	-	271,793.34	216,188.00	59,358.08
Total governmental activities program revenues	68,609.00	235,304.00	356,338.00	234,104.00	196,845.00	-	-	271,793.34	216,188.00	59,358.08

**Galloway Community Charter School  
Changes in Net Position, Last Ten Fiscal Years  
Unaudited**

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Business-type activities:</b>										
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	14,458.80	15,914.50	21,014.57
Before/After Care	61,793.00	38,652.00	42,367.00	52,426.00	45,076.00	37,077.96	25,796.24	33,064.10	-	-
Daycare	27,206.00				19,843.00	31,828.31	74,699.87	66,092.25	90,187.50	114,852.69
Operating grants and contributions	48,642.00	52,369.00	64,773.00	75,716.00	85,971.00	82,851.59	131,608.10	113,615.15	106,102.00	135,867.26
Total business-type activities program revenues	168,126.00	119,813.00	149,795.00	178,225.00	193,211.00	184,524.16	318,608.10	385,408.49	322,290.00	495,225.34
Total district program revenues	<u>236,735.00</u>	<u>355,117.00</u>	<u>506,133.00</u>	<u>412,329.00</u>	<u>390,066.00</u>	<u>184,524.16</u>	<u>131,608.10</u>	<u>385,408.49</u>	<u>322,290.00</u>	<u>495,225.34</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)	(3,989,782.02)	(3,145,883.51)	(2,907,093.59)	(3,155,961.85)	(3,511,134.82)
Business-type activities	(24,352.00)	(17,826.00)	(5,118.00)	(22,938.00)	(55,150.00)	(29,942.49)	(8,118.15)	(25,332.94)	(27,742.46)	(20,990.27)
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>	<u>(2,932,426.53)</u>	<u>(3,183,704.31)</u>	<u>(3,532,125.09)</u>
<b>General Revenues and Other Changes in Net Position</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	1,134,274.00	1,102,805.00	1,543,624.00
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	2,041,925.22	1,937,290.67	1,988,922.17
Fundraising	7,942.00	849.00	6,542.00							
Miscellaneous income	127,167.00	49,828.00	31,308.00	42,910.00	45,237.00	14,527.54	5,965.42	19,182.03	10,310.35	24,542.16
Other	(12,000.00)	(21,361.00)	(22,525.00)	(2,908.00)	(10,000.00)	(332,239.00)	(17,418.69)	(62,230.57)	(26,491.01)	56,182.53
Transfers	2,323,240.00	2,474,622.00	2,693,319.00	3,245,461.00	3,430,690.00	3,609,922.00	3,454,973.11	3,195,381.25	2,961,684.44	3,597,270.86
Total governmental activities										
Business-type activities:										
Investment earnings	-	278.00	648.00	658.00	3,095.00	-	-	-	-	3.19
Other										
Transfers	12,000.00	21,361.00	22,525.00	2,908.00	10,000.00	76,884.83	17,418.69	62,230.57	16,000.00	16,000.00
Total business-type activities	12,000.00	21,639.00	23,173.00	3,566.00	13,095.00	76,884.83	17,418.69	62,230.57	16,000.00	16,000.00
Total district-wide	<u>2,335,240.00</u>	<u>2,496,261.00</u>	<u>2,716,492.00</u>	<u>3,249,027.00</u>	<u>3,443,785.00</u>	<u>3,686,806.83</u>	<u>3,472,391.80</u>	<u>3,195,381.25</u>	<u>3,014,420.96</u>	<u>3,613,274.05</u>
<b>Change in Net Position</b>										
Governmental activities	92,725.00	101,695.00	179,362.00	209,653.00	(151,747.00)	(389,860.02)	309,089.60	288,287.66	(194,277.41)	86,136.04
Business-type activities	(12,352.00)	3,813.00	18,055.00	(19,372.00)	(42,055.00)	46,942.34	9,300.54	(25,332.94)	24,994.06	(4,987.08)
Total district	<u>\$ 80,373.00</u>	<u>105,508.00</u>	<u>197,417.00</u>	<u>190,281.00</u>	<u>(193,802.00)</u>	<u>(342,917.68)</u>	<u>318,390.14</u>	<u>262,954.72</u>	<u>(169,283.35)</u>	<u>81,148.96</u>

Source: CAFR Schedule A-2

**Galloway Community Charter School  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
Unaudited**

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Assigned	\$ -	-	-	-	-	-	31,987.82	356,841.35	57,617.00	99,310.33
Unassigned	3,037.00	4,848.00	14,093.00	20,917.00	74,114.00	3,605.00	436,119.05	226,654.62	240,037.52	171,576.56
Reserved	138,982.00	223,953.00	392,569.00	540,199.00	182,506.00	224,851.23	-	-	-	-
Unreserved	142,019.00	228,801.00	406,682.00	561,116.00	256,620.00	228,456.23	468,106.87	583,495.97	297,654.52	270,886.89
Total general fund										
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ -	-	-	-	-	-	-	-	-	-

Beginning with fiscal year ended June 30, 2011 the District was required to comply with GASB 54, which required a change in the method of presentation of fund balances.

Source: CAFR Schedule B-1

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Charter School Aid	\$ 1,935,179.00	2,139,708.00	2,308,805.00	2,737,847.00	3,027,467.00	1,533,142.00	1,230,316.00	1,134,274.00	1,102,805.00	1,543,624.00
Fundraising	7,942.00	849.00	6,542.00	-	-	-	-	-	-	-
Miscellaneous	127,167.00	49,928.00	31,308.00	42,910.00	45,237.00	14,528.00	5,965.00	19,182.00	10,310.35	32,042.16
State sources	273,072.00	310,825.00	560,866.00	539,508.00	367,986.00	2,174,242.00	1,980,932.00	2,105,111.00	1,937,290.67	1,988,922.17
Federal sources	60,489.00	230,077.00	164,661.00	162,208.00	196,845.00	297,135.00	255,179.00	208,607.00	216,188.00	51,858.08
Total revenue	<u>2,403,849.00</u>	<u>2,731,387.00</u>	<u>3,072,182.00</u>	<u>3,482,473.00</u>	<u>3,637,535.00</u>	<u>4,019,047.00</u>	<u>3,472,392.00</u>	<u>3,467,174.00</u>	<u>3,266,594.02</u>	<u>3,616,446.41</u>
<b>Expenditures</b>										
Instruction										
Regular Instruction	1,147,436.00	1,274,621.00	1,379,999.00	1,450,274.00	1,539,224.00	1,553,253.00	1,285,180.00	1,153,707.00	1,240,000.54	1,295,342.37
Administrative Expenses										
Support Services:										
School Administrative services	391,472.00	608,329.00	710,486.00	1,091,975.00	1,207,867.00	1,179,501.00	1,045,219.00	1,112,675.00	1,254,585.13	1,387,920.93
General administrative services	618,649.00	628,109.00	398,929.00	381,182.00	601,755.00	1,028,531.00	712,913.00	759,210.00	682,126.43	738,683.86
Unallocated employee benefits	87,535.00	107,735.00	104,580.00	227,001.00	225,674.00	-	-	-	-	-
Capital outlay	65,412.00	4,450.00	237,370.00	174,699.00	357,511.00	209,213.00	172,011.00	326,193.00	287,001.79	261,449.41
Debt Service			40,412.00							
Total expenditures	<u>2,310,504.00</u>	<u>2,623,244.00</u>	<u>2,871,776.00</u>	<u>3,325,131.00</u>	<u>3,932,031.00</u>	<u>3,970,498.00</u>	<u>3,215,323.00</u>	<u>3,351,785.00</u>	<u>3,463,713.89</u>	<u>3,683,396.57</u>
Excess (Deficiency) of revenues over (under) expenditures	93,345.00	108,143.00	200,406.00	157,342.00	(294,496.00)	48,549.00	257,069.00	115,389.00	(197,119.87)	(66,950.16)
<b>Other Financing sources (uses)</b>										
Other										
Transfers out	(12,000.00)	(21,361.00)	(22,525.00)	(2,908.00)	(10,000.00)	(76,885.00)	(17,419.00)	-	(26,491.01)	56,182.53
Total other financing sources (uses)	<u>(12,000.00)</u>	<u>(21,361.00)</u>	<u>(22,525.00)</u>	<u>(2,908.00)</u>	<u>(10,000.00)</u>	<u>(76,885.00)</u>	<u>(17,419.00)</u>	<u>-</u>	<u>(26,491.01)</u>	<u>(16,000.00)</u>
Net change in fund balances	\$ 81,345.00	86,782.00	177,881.00	154,434.00	(304,496.00)	(28,336.00)	239,650.00	115,389.00	(285,841.45)	(26,767.63)

Source: CAFR Schedule B-2

**Galloway Community Charter School**  
**General Fund Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
*Unaudited*

Fiscal Year Ended June 30,	Fundraising	Interest on Investments	Misc.	Total
2005	\$ 7,942.00		127,167.00	135,109.00
2006	849.00		49,928.00	50,777.00
2007	6,542.00		31,308.00	37,850.00
2008			42,910.00	42,910.00
2009			45,409.00	45,409.00
2010		532.72	13,994.82	14,527.54
2011		1,156.32	4,809.10	5,965.42
2012		627.49	15,554.54	16,182.03
2013			10,310.35	10,310.35
2014			24,542.16	24,542.16

Source: District Records

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

**Exhibit J-14**

Fiscal Year Ended June 30,	* Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2005	35,446	1,283,960,458	36,223	4.5%
2006	35,879	1,354,504,008	37,752	5.6%
2007	35,958	1,394,702,946	38,787	5.2%
2008	36,378	1,444,534,002	39,709	5.4%
2009	36,578	1,437,113,042	39,289	10.7%
2010	37,364	1,483,761,804	39,711	10.8%
2011	37,322	1,537,181,214	41,187	11.5%
2012	37,318	1,571,050,482	42,099	11.5%
2013	37,646	1,584,858,954	42,099	12.2%
2014	37,646	1,584,858,954	42,099	10.8%

\* 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	2014			2005		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Information Not Available		1				
		2				
		3				
		4				
		5				
		6				
		7				
		8				
		9				
		10				
Totals	-		0.00%	-		0.00%

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>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Instruction:										
Regular instruction	29.00	28.00	28.00	28.00	28.00	25.00	16.00	17.00	17.00	17.00
Special education instruction	4.00	5.00	5.00	5.00	5.00	4.00	3.00	5.00	5.00	5.00
Support Services:										
General administrative services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00	5.00	4.00
School administrative services	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	1.50	1.00
Business administrative services	0.40	0.40	0.40	0.50	0.50	0.50	0.50	1.00	1.00	1.00
Food Service	1.50	1.50	1.50	1.50	1.50	1.00	1.00	1.00	-	-
Child Care	2.00	2.00	2.00	2.00	2.00	2.00	2.00	-	-	-
<b>Total</b>	<b>38.90</b>	<b>38.90</b>	<b>38.90</b>	<b>39.00</b>	<b>39.00</b>	<b>34.50</b>	<b>24.50</b>	<b>26.50</b>	<b>29.50</b>	<b>28.00</b>

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				
2005	260	2,491,602	9,583	#DIV/0!	36	13:1	261	249	#DIV/0!	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%	
2012	159	3,140,178	19,750	42.11%	22	7.2:1	164	155	-23.00%	94.51%	
2013	192	3,247,526	16,914	-14.36%	22	8.7:1	194	185	18.41%	95.07%	
2014	223	3,624,038	16,251	-3.92%	22	10.3:1	227	217	16.89%	95.59%	

Source: District records, ASSA and Schedule J-2

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

Exhibit J-18

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>District Buildings</b>										
<b>Elementary (Grades PreK-8)</b>										
Galloway Community Charter School										
Square Feet			24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Capacity (students)			535	535	535	535	535	535	535	535
Enrollment			287	293	292	272	213	213	192	223

**Number of Schools at June 30, 2014**

- 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)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Galloway Community Charter School				46,381.00	41,851.00	121,660.00	121,660.00	121,660.00	125,967.00	84,520.15	92,810.14
Total School Facilities				46,381.00	41,851.00	121,660.00	121,660.00	121,660.00	125,967.00	84,520.15	92,810.14
Other Facilities											
Grand Total		\$ -	-	46,381.00	41,851.00	121,660.00	121,660.00	121,660.00	125,967.00	84,520.15	92,810.14

Source: District Records

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Insurance Schedule**  
**For the Fiscal Year Ended June 30, 2014**  
*(Unaudited)*

**Exhibit J-20**

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
NJSBAIG	<b>Property Coverage</b>		
	Blanket Real and Personal Property	\$ 500,000,000	\$ 1,000
	Blanket Extra Expense	50,000,000	1,000
	Blanket Valuable Papers and Records	10,000,000	1,000
	<b>Liability Coverage</b>		
	Combined Single Limit for Bodily Injury & Property Damage	6,000,000	
	Sexual Abuse	6,000,000	
	Sexual Abuse Pool Annual Aggregate	17,000,000	
	Bodily injury for Products & Completed Operations	6,000,000	
	Personal & Advertising Injury per Occurrence/ Annual Aggregate	600,000	
	Premises medical Payments - Each Accident	10,000	
	Premises medical Payments - Each Person	5,000	
	Terrorism per Occurance / Annual Aggregate	1,000,000	
	Employee benefits Program liability	6,000,000	1,000
	<b>Crime</b>		
	Employee Dishonesty Including Faithful Performance	50,000	
	Theft, Disappearance & Destruction	10,000	
	Forgery or Alterations	25,000	
	Computer Fraud	50,000	
	Crime Deductible - Per Occurance		500
	<b>Auto Coverages</b>		
	Combined bodily Injury/Property Damage	6,000,000	
	<b>Public Official Bond</b>		
	Treasurer of School Monies	135,000	
	Workmen's Compensation	Statutory	

Source: District Records

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

## **Single Audit Section**

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



# 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

www.ford-scott.com

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the Galloway Community Charter School, County of Atlantic, State of New Jersey, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated October 10, 2014. 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 presented by the Division of Finance, Department of Education, State of New Jersey.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Galloway Community Charter School's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Galloway Community Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Galloway Community Charter School's basic 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 basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

### **Purpose of this Report**

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

*Ford, Scott & Associates, L.L.C.*

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

*Michael S. Garcia*

**Michael S. Garcia  
Certified Public Accountant  
Licensed Public School Accountant  
No. 2080**

**October 10, 2014**



# 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  
www.ford-scott.com

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the Galloway Community Charter School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of the Galloway Community Charter School's major federal and state programs for the year ended June 30, 2014. The Galloway Community Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Galloway Community Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 04-04. Those standards, OMB Circular A-133 and NJ OMB 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Galloway Community Charter School's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the Galloway Community Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.

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

Management of the Galloway Community Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Galloway Community Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB 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 federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133 and Expenditures of State Financial Assistance Required by NJ OMB 04-04**

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 as of and for the year ended June 30, 2014, and have issued our report thereon dated October 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by OMB Circular A-133 and NJ Circular 04-04 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Ford, Scott & Associates, L.L.C.*

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

*Michael S. Garcia*

**Michael S. Garcia  
Certified Public Accountant  
Licensed Public School Accountant  
No. 2080**

**October 10, 2014**

**Galloway Community Charter School**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2013	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue June 30, 2014	Due to Grantor
<b>U. S. Department of Agriculture</b>									
<b>Passed-through State Department of Education:</b>									
Enterprise Fund:									
10.555		7/1/13-6/30/14	84,654.64	\$ -	70,863.60	(84,654.64)	(13,791.04)	-	-
10.555		7/1/12-6/30/13	67,537.01	(2,376.59)	2,376.59	-	-	-	-
10.553		7/1/13-6/30/14	28,442.81		23,828.02	(28,442.81)	(4,614.79)	-	-
10.553		7/1/12-6/30/13	21,193.88	(784.62)	784.62	-	-	-	-
				<u>(3,161.21)</u>	<u>97,852.83</u>	<u>(113,097.45)</u>	<u>(18,405.83)</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Agriculture									
<b>U.S. Department of Education</b>									
<b>Passed-through State Department of Education:</b>									
Special Revenue Fund:									
84.027		9/1/13-8/31/14	49,224.00						
84.027		9/1/12-8/31/13	48,581.00	(14,431.00)	14,431.00	(29,497.13)	(29,497.13)	-	-
84.173		9/1/13-8/31/14	1,229.00						
84.173		9/1/12-8/31/13	1,312.00	(1,312.00)	1,312.00	(4,830.40)	(4,830.40)	-	-
84.010		9/1/13-8/31/14	120,877.00						
84.010		9/1/12-8/31/13	115,490.00	(29,990.00)	29,990.00	(3,390.80)	(3,390.80)	-	-
84.367		9/1/13-8/31/14	3,391.00	-					
84.367		9/1/12-8/31/13	2,581.00	(2,581.00)	2,581.00	-	-	-	-
84.395		9/1/12-8/31/13	9,693.00	(9,693.00)	9,693.00	-	-	-	-
				<u>(58,007.00)</u>	<u>58,007.00</u>	<u>(37,718.33)</u>	<u>(37,718.33)</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education									
<b>U.S. Department of Education</b>									
Special Revenue Fund:									
84.358		9/1/11-8/31/12	29,050.00	(4,000.00)	4,000.00	-	-	-	-
84.358		9/1/12-8/31/13	26,531.00	(26,531.00)	26,531.00	-	-	-	-
84.358		9/1/13-8/31/14	21,387.00		21,387.00	(21,387.00)	-	-	-
				<u>(30,531.00)</u>	<u>51,918.00</u>	<u>(21,387.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education									
				<u>\$ (91,699.21)</u>	<u>207,777.83</u>	<u>(172,202.78)</u>	<u>(56,124.16)</u>	<u>-</u>	<u>-</u>
Total Federal Financial Awards									

**Galloway Community Charter School**  
**Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2014**

State Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2013	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Deferred Revenue June 30, 2014	Due to Grantor	Cumulative Expenditures (Memorandum Only)
<b>State Department of Education</b>											
<b>Passed-through Local Districts:</b>											
General Fund:											
Equalization Aid		495-034-5120-078	7/1/13-6/30/14	\$ 1,514,231.00		1,514,231.00	(1,514,231.00)				1,514,231.00
Special Education Aid		495-034-5120-089	7/1/13-6/30/14	107,794.00		107,794.00	(107,794.00)				107,794.00
Security Aid		495-034-5120-084	7/1/13-6/30/14	76,783.00		76,783.00	(76,783.00)				76,783.00
Nonpublic		495-034-5120-014	7/1/13-6/30/14	12,576.00		12,576.00	(12,576.00)				12,576.00
TPAF Social Security		495-034-5120-014	7/1/12-6/30/13	16,132.00	(5,377.00)	5,377.00		-			16,132.00
TPAF Social Security		495-034-5095-051	7/1/13-6/30/14	121,991.17	(12,358.58)	115,005.73	(121,991.17)	(6,985.44)			121,991.17
TPAF Social Security		495-034-5095-051	7/1/12-6/30/13	107,220.67	(17,735.58)	12,358.58	(1,833,375.17)	-			107,220.67
Total General Fund						1,844,125.31	(1,833,375.17)	(6,985.44)			1,956,727.84
<b>State Department of Agriculture</b>											
Enterprise Fund:											
National School Lunch Program (State Share)		100-034-5120-067	7/1/13-6/30/14	1,755.24	(51.69)	1,469.42	(1,755.24)	(285.82)			1,755.24
National School Lunch Program (State Share)		100-034-5120-067	7/1/12-6/30/13	1,456.59		51.69		-			1,456.59
Total Enterprise Fund						1,521.11	(1,755.24)	(285.82)			3,211.83
Total State Financial Assistance					\$ (17,787.27)	1,845,646.42	(1,835,130.41)	(7,271.26)			1,959,939.67

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF  
AWARDS AND FINANCIAL ASSISTANCE  
JUNE 30, 2014**

**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 \$(7,247) 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	\$	1,833,375.17	155,547.00	1,988,922.17
Special Revenue Fund	37,718.33			37,718.33
Enterprise Fund	113,097.45	1,755.24		114,852.69
Total Financial Assistance	\$ <u>150,815.78</u>	<u>1,835,130.41</u>	<u>155,547.00</u>	<u>2,141,493.19</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.

**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, 2014  
(CONTINUED)**

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

**Finding 2014-1**

**Criteria:**

The General Ledger should be reconciled to the supporting detail on a monthly basis.

**Condition:**

The balances in the General Ledger were not in agreement with the supporting detail for several balance sheet accounts.

**Effect:**

The monthly reports received by the Board of Trustees was not accurate.

**Cause:**

The Business Administrator was unaware that there were differences between the General Ledger and the detail supporting documentation.

**Recommendation:**

The General Ledger should be reconciled with the supporting detail on a monthly basis.

***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.