

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**of the**

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

**For the Fiscal Year Ended June 30, 2015**

**Prepared by**

**Galloway Community Charter School  
Finance Department**

**GALLOWAY COMMUNITY  
CHARTER SCHOOL**

**Galloway Community Charter School  
Galloway, New Jersey  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

GALLOWAY COMMUNITY CHARTER SCHOOL

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# **INTRODUCTORY SECTION**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**112 South New York Road**  
**Galloway, New Jersey 08205**

December 7, 2015

**Independent Trustee Philip Meshinsky**  
**Honorable President and**  
**Members of the Board of Trustees**  
Galloway Community Charter School  
County of Atlantic, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Galloway Community Charter School (Charter School) for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter 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 Charter School's organizational chart and a list of principal officials. The financial section includes under the new Governmental Accounting Standard Board Statement No. 34, the Report of Independent Accountants, the Management Discussion and Analysis, the basic financial statements, required supplementary information, and the combining and individual fund financial statements. The statistical sections include selected financial and demographic information, generally presented on a multi-year basis. The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** Galloway Community Charter School is an independent reporting entity within the criteria adopted by the GASB as established by GASB Pronouncement Number 14. All funds and account groups of the Charter School are included in this report. The Galloway Community Charter School Board of Trustees constitutes the Charter School's reporting entity.

**2. ECONOMIC CONDITION AND OUTLOOK/CESSATION OF ACADEMIC ACTIVITIES:** The State of New Jersey, Department of Education did not renew the Charter School's academic activities effective June 30, 2015.

**3. MAJOR INITIATIVES:**

During fiscal year 2015, the Charter School continued to update and integrate technology in all areas of student development. The Charter School also continued its three year partnership with Leadership Energies to foster student achievement.

**4. INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter 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 generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

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

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

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line-item basis. Open encumbrances at year-end are either cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

**6) ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statement", Note 1.

**7) DEBT ADMINISTRATION:** At June 30, 2015, the Charter School's outstanding debt included \$2,571,670 of a mortgage payable.

**8) CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 1. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

**10) OTHER INFORMATION:**

A) **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Donohue, Gironde, Doria & Tomkins, LLC CPA's, was recommended by the Board's Finance committee and approved by the Board. In addition to meeting the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and New Jersey OMB's Circular 04-04 and/or 15-08. The auditor's report on the basic financial statements and fund statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**11) ACKNOWLEDGMENTS:**

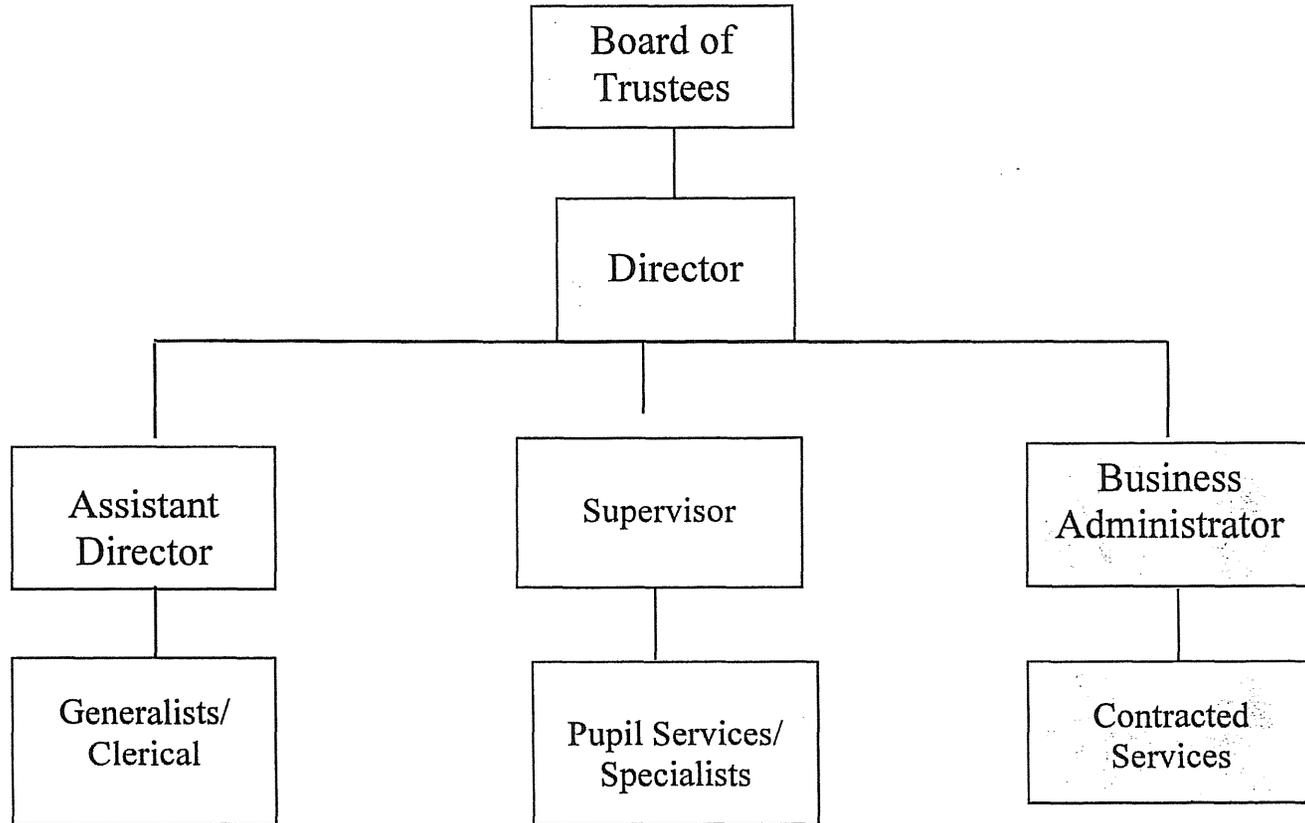
We would like to express our appreciation to the members of the Board for their concern in providing fiscal accountability to the citizens of the sending districts of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation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

Respectfully submitted,



Elizabeth Edwards  
Interim School Business Administrator/Board Secretary

Galloway Community Charter School  
Organization Chart



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

ROSTER OF OFFICIALS  
JUNE 30, 2015

**Members of the Board of Trustees**

Patrice Leatherberry, President

Lillian Cross, Vice President

Nancy Mills

Stephanie Robinson

Andrew Lopez

Kevin Inman

Melissa Bentley, Teacher Representative

Gail Marie Elliott, Teacher Representative

**Other Officials**

Deborah Nataloni, Director

Jessica Fisher, Assistant Director

Elizabeth Edwards, Interim Business Administrator/Board Secretary

Alice Nicholson, Treasurer of School Monies

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
Consultants and Advisors

**AUDIT FIRM**

Donohue, Gironda, Doria & Tomkins, LLC  
310 Broadway  
Bayonne, New Jersey 07002

**ATTORNEY**

Cooper Levinson  
1125 Atlantic Avenue  
Atlantic City, NJ 08401

**OFFICIAL DEPOSITORY**

Fulton Bank of New Jersey  
533 Fellowship Road  
Mount Laurel, NJ 08054

## **FINANCIAL SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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Robert A. Gironda, CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA  
Matthew A. Donohue, CPA

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey (the "Charter School"), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to 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; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Charter School, as of June 30, 2015, 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.

### ***Emphasis of Matter***

#### *Change in Accounting Policy*

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2015, the Charter School adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information on pages 11 through 21 and 64 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 Charter School's basic financial statements. The introductory section and other supplementary information such as, the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are also not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 fund financial statements, long-term debt schedules, and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the 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 Charter School's internal control over financial reporting and compliance.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
ROBERT G. DORIA  
Certified Public Accountant  
Public School Accountant  
License No. CS000778

Bayonne, New Jersey  
December 7, 2015

**REQUIRED SUPPLEMENTARY INFORMATION  
PART I**

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The discussion and analysis of the Galloway Community Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. 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.

**Financial Highlights**

Key financial highlights for fiscal year 2015 are as follows:

- Total net position is \$593,989. Net position for governmental activities is \$593,315. Net position of the business-type activity, which represents food service, is \$674. This reflects a decrease in net position in the amount of \$105,605, which is due to the implementation of GASB statement No. 68 (Accounting and Financial Reporting for Pension).
- General revenues accounted for \$3,637,914 in revenue or 89.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$436,806 or 10.7 percent to total revenues of \$4,074,720. General revenues including primarily government aid, were used to offset the net expenses after program revenues.
- The Charter School had \$3,844,214 in expenses; only \$436,806 of these expenses was offset by program specific charges for service, grants or contributions.
- The General Fund revenues and other financing sources exceeded expenditures of the School District by \$192,843.

A review of the fiscal year 2014 financial highlights are as follows:

- Total net position is \$699,594. Net position for governmental activities are \$697,324. Net position of the business-type activity, which represents food service, are \$2,270. This reflects an increase in net position in the amount of \$81,149.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

- General revenues accounted for \$3,613,271 in revenue or 98.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$59,358 or 1.6 percent to total revenues of \$3,672,629.
- The Charter School had \$3,570,493 in expenses; only \$59,358 of these expenses was offset by program specific charges for service, grants or contributions.
- The General Fund had \$3,613,271 in revenues and \$3,640,038 in expenditures. The General Fund's fund balance had a decrease of \$26,767 from 2013.

**Using the Basic Financial Statements**

This annual report consists of financial statements and notes to those statements. This report is organized to show the reader the Galloway Community Charter School as a financial whole, or as an entire operating entity.

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. For the Galloway Community Charter School, the General Fund is the most significant fund.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Reporting the Galloway Community Charter School as a Whole**

**Statement of Net Position and Statement of Activities**

While this report 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 asks the question, "How did we do financially during the fiscal year 2015?" The statement of net position and the statement of activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which takes into consideration all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net position and changes in those positions. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the Charter School's property tax base, current property tax laws in New Jersey, facility conditions, required educational programs, contractual obligations 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** – Most of the Charter School's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

**Business-Type Activity** – This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Fund Financial Statements**

Fund financial reports provide detail information about the Charter School's major funds. The Charter School uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Charter School's most significant funds. The Charter School's major governmental funds are the General Fund and Special Revenue Fund.

**Governmental Funds**

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. 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 determine whether there are more or less 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 the governmental funds is reconciled in the financial statements.

**The Galloway Community Charter School**

The perspective of the statement of net position is of the Charter School as a whole. Table 1 provides a summary of the Charter School's net position for 2015.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Total assets equal \$3,711,343. Total assets for Governmental Activities is \$3,710,669. Total assets for Business Type Activities is \$674. The totals for 2014 are presented for comparative purposes.

Table 1  
Net Position

	Governmental Activities 2015	Business-type Activities 2015	Total 2015	Total 2014
<u>Assets:</u>				
Current and Other Assets	\$ 594,749	\$ 674	\$ 595,423	\$ 299,887
Capital Assets, Net	3,115,920		3,115,920	3,242,871
Total Assets	3,710,669	674	3,711,343	3,542,758
<u>Deferred Outflows of Res.:</u>				
Pension Resources	81,887		81,887	
<u>Liabilities:</u>				
Current and Other Liabilities	367,341		367,341	30,836
Long-Term Liabilities	2,420,780		2,420,780	2,812,328
Net Pension Liabilities	387,997		387,997	
Total Liabilities	3,176,118		3,176,118	2,843,164
<u>Deferred Inflows of Res.:</u>				
Pension Resources	23,123		23,123	
<u>Net Position:</u>				
Invested in Capital Assets- Net of Related Debt	513,581		513,581	430,543
Restricted				99,310
Unrestricted	79,734	674	80,408	169,741
Total Net Position	\$ 593,315	\$ 674	\$ 593,989	\$ 699,594

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table 2 reflects the change in net position for fiscal year 2015 and 2014.

Table 2				
<u>Change in Net Position</u>				
	Governmental	Business-type	Total	Total
	Activities	Activities	2015	2014
	2015	2015	2015	2014
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$	\$ 16,017	\$ 16,017	\$ 21,015
Operating Grants(Local, State, Fed)	301,235	119,554	420,789	174,211
<b>Total Program Revenues</b>	<b>301,235</b>	<b>135,571</b>	<b>436,806</b>	<b>195,226</b>
General Revenues:				
Local Aid	1,567,688		1,567,688	1,543,624
State and Federal Aid and Grants	2,050,023		2,050,023	1,988,922
Special Items	203		203	60,728
Transfers		20,000	20,000	20,000
<b>Total General Revenues</b>	<b>3,617,914</b>	<b>20,000</b>	<b>3,637,914</b>	<b>3,613,274</b>
<b>Total Revenues</b>	<b>3,919,149</b>	<b>155,571</b>	<b>4,074,720</b>	<b>3,808,500</b>
<b>Function/Program Expenses:</b>				
Instruction	1,478,394		1,478,394	1,770,117
Administrative Services	1,687,697		1,687,697	1,187,058
Support Services	351,073		351,073	613,318
Unallocated Depreciation	122,468		122,468	
Interest on Long-Term Debt	47,415		47,415	
Food Service		157,167	157,167	156,858
<b>Total Expenses</b>	<b>3,687,047</b>	<b>157,167</b>	<b>3,844,214</b>	<b>3,727,351</b>
Increase (decrease) in Net Position	232,102	(1,596)	230,506	81,149
Net Position – beginning of the year	697,324	2,270	699,594	618,445
Prior Period Adj.–Net Pension Liab.	(336,111)		(336,111)	
Net Position – end of the year	\$ 593,315	674	\$ 593,989	\$699,594

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The total decrease in Net Position for Governmental Activities, including a Prior Period Adjustment for Net Pension Liability of \$336,111 required under GASB 68, is \$104,009. The total decrease in Net Position for Business-Type Activities is \$1,596. The total decrease in Net Position, including the Prior Period Adjustment for Net Pension Liability, is \$105,605.

**Governmental Activities**

The statement of activities reflects the cost of program services and the charges for services, grants and contributions offsetting those services. Table 3a, for Governmental Activities, indicates the total cost of services and the percentage cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

Table 3a.  
Governmental Activities

	<u>Total Cost of Service 2014-2015</u>	<u>Percent of Total</u>	<u>Total Cost of Service 2013 - 2014</u>	<u>Percent of Total</u>
Instruction	\$ 1,478,394	40.10%	\$ 1,770,117	49.57%
Administrative Services	1,687,697	45.78%	1,187,058	33.25%
Support Services	351,073	9.52%	613,318	17.18%
Unallocated Depreciation	122,468	3.32%		
Interest on Long-Term Debt	47,415	1.28%		
	<hr/>		<hr/>	
Total Expenses	<u>\$ 3,687,047</u>	<u>100.00%</u>	<u>\$ 3,570,493</u>	<u>100.00%</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 Charter School.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Business-Type Activity**

Table 3b.  
Business Activities

	Total Cost of <u>Service</u> <u>2014-2015</u>	Percent of <u>Total</u>	Total Cost of <u>Service</u> <u>2013-2014</u>	Percent of <u>Total</u>
<b>Revenue</b>				
Charges for Services	\$ 16,017	11.81%	\$ 21,018	86.38%
Operating Grants	<u>119,554</u>	<u>88.19%</u>	<u>114,853</u>	<u>13.62%</u>
<b>Total Revenue</b>	<b><u>\$135,571</u></b>	<b><u>100.00%</u></b>	<b><u>\$135,871</u></b>	<b><u>100.00%</u></b>
<b>Function/Program Expenses</b>				
Food Service – Operating	<u>\$157,167</u>	<u>100.00%</u>	<u>\$156,858</u>	<u>100.00%</u>
<b>Total Expenses</b>	<b><u>\$157,167</u></b>	<b><u>100.00%</u></b>	<b><u>\$156,858</u></b>	<b><u>100.00%</u></b>
Transfers	<u>\$ 20,000</u>		<u>\$16,000</u>	
Decrease in Net Position	<u>\$( 1,596)</u>		<u>\$(4,987)</u>	

The business-type activity of the Charter School is the food service operation. This program had revenues of \$135,571 and expenses of \$157,167 for fiscal year 2015. For fiscal year 2015 the food service operation realized a decrease in net position of \$1,596.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**The Charter School's Funds**

Information about the Charter School's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$3,918,946 and expenditures of \$3,763,159.

**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.

During the course of the fiscal 2015 year, the Charter School amended its General Fund budget as needed. The Charter School uses a program based budgeting model and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

A transfer of funds were needed to support special education tuitions, transportation, related services, legal costs and utilities.

For the General Fund, budget basis revenue was \$3,617,711, compared to the final budgeted estimates of \$3,295,959. This difference was primarily due to the State's On-Behalf TPAF Pension Contributions and the State's Reimbursed TPAF Social Security Contributions, which are non budgeted income and expense items.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2015, the Charter School has \$3,115,920 at cost invested in capital assets, for governmental activities. This amount represents a net decrease of \$126,951 over last year, which is primarily due to depreciation of assets. More detailed information about the Board's capital assets and depreciation is presented in Note 4 to the financial statements.

**Debt**

At June 30, 2015, the Charter School had no long-term debt payable from proprietary fund resources. Long-term liabilities include mortgage payable, compensated absences and capital lease obligations. More detailed information about the Board's long-term liabilities is presented in Note 5 to the financial statements.

**Net Pension Liability**

The Charter School has implemented GASB Statement No. 68 (Accounting and Financial Reporting for Pension) into the 2014/2015 CAFR Report. GASB No. 68 requires participating employers in pension plans to recognize their proportionate share of their collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions.

The information below was generated from the State of New Jersey (Department of Treasury) GASB No. 68 reports.

Adjustments have been made on the government-wide statement of activities to recognize prior year pension liability of \$336,111.

For the year ended June 30, 2015 the net pension liabilities for PERS and TPAF were as follows:

	<u>PERS Proportionate Share</u>		<u>TPAF Proportionate Share</u>	
	<u>Employer</u>	<u>Nonemployer</u>	<u>Employer</u>	<u>Nonemployer</u>
<u>Year Ending</u>	<u>School District</u>	<u>State of New Jersey</u>	<u>School District</u>	<u>State of New Jersey</u>
June 30, 2015	\$387,997	\$0	\$0	\$7,266,334

**GALLOWAY COMMUNITY CHARTER SCHOOL  
ATLANTIC COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The Charter School recognized PERS employer pension expense of \$29,249. Also, the Charter School reported deferred outflows of resources of \$81,887 and deferred inflows of resources of \$23,123. PERS pension deferred outflows of resources include changes in assumptions, changes in proportion and pension accounts payable. Deferred inflows of resources include the net differences between projected and actual investment earnings on pension plan investments. Lastly, the Charter School recognized an on-behalf pension expense of \$390,997, which was offset by an on-behalf TPAF pension contribution for the same amount.

**Plan of Dissolution**

The State of New Jersey, Department of Education (the "NJDOE") did not renew the Charter School's academic charter causing the Charter School to cease all academic activities effective June 30, 2015. The Board adopted and approved the Dissolution Plan as prescribed by the NJDOE and began the orderly wind down of its operations. The terms of the Plan call for the complete cessation of all academic activities.

In addition, an independent trustee was appointed by the Board to oversee the dissolution including, but not limited to, the collection of amounts due the Charter School, payment of outstanding liabilities and expenses owed by the Charter School, assistance with the final audit for the fiscal year ended June 30, 2015, and to issue a report on the Charter School's post June 30<sup>th</sup> dissolution activities.

The financial statements reflect all known adjustments to reflect the cessation of operations effective June 30, 2015. There may be adjustments that could result from the actual outcome of the dissolution that could affect the reported amounts of assets, liabilities, revenues and expenses.

**Contacting the Charter School's Financial Management**

The Management Discussion and Analysis of this financial report is designed to provide citizens, taxpayers and investors with a snapshot of the Charter School's finances. Also, to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Philip Meshinsky; Independent Trustee, 2204 Morris Avenue, Suite 206, Union, New Jersey 07083.

## **BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Net Position**  
**June 30, 2015**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Assets:			
Cash and cash equivalents	\$ 363,576	\$ 674	\$ 364,250
Receivables, net	231,173		231,173
Restricted assets:			
Restricted cash and cash equivalents			
Capital assets, net of depreciation	<u>3,115,920</u>		<u>3,115,920</u>
Total assets	<u>3,710,669</u>	<u>674</u>	<u>3,711,343</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension resources	<u>81,887</u>		<u>81,887</u>
<b>LIABILITIES</b>			
Accounts payable - General	2,692		2,692
Accounts payable related to pension	19,043		19,043
Cash Deficiency	24,897		24,897
Intergovernmental payable:			
Federal			
State	88,731		88,731
Other government	14,699		14,699
Accrued liability for insurance claims			
Deferred revenue			
Non-current liabilities:			
Due within one year	217,279		217,279
Due beyond one year	2,420,780		2,420,780
Net pension liability	<u>387,997</u>		<u>387,997</u>
Total liabilities	<u>3,176,118</u>		<u>3,176,118</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension resources	<u>23,123</u>		<u>23,123</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	513,581		513,581
Restricted for:			
Capital projects			
Debt Service			
Other Purposes			
Unrestricted	<u>79,734</u>	<u>674</u>	<u>80,408</u>
Total net position	<u>\$ 593,315</u>	<u>\$ 674</u>	<u>\$ 593,989</u>

See accompanying notes to financial statements.

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Activities**  
**for the Fiscal Year ended June 30, 2015**

Functions/Programs	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$ 1,478,394	\$	\$ 301,235	\$
Support services:				
Administrative services	1,687,697			
Support services	351,073			
Unallocated depreciation	122,468			
Interest on Long Term Debt	47,415			
Total governmental activities	3,687,047	_____	301,235	_____
Business-type activities:				
Food service	157,167	16,017	119,554	
Total business-type activities	157,167	16,017	119,554	_____
<b>Total primary government</b>	<b>\$ 3,844,214</b>	<b>\$ 16,017</b>	<b>\$ 420,789</b>	<b>\$ _____</b>

General revenues:

Taxes:

Equalization/Local Levy - Local Aid

Federal and State aid not restricted

Special item - Appraisal of capital assets adjustments

Transfers

Total general revenues, special items, extraordinary items and transfers

Change in Net Position

Net Position - July 1 (as previously stated)

Prior Period Adjustment - Net Pension Liability - PERS

Net Position - July 1 (as restated)

Net Position - June 30

See accompanying notes to financial statements.

**Net (Expense) Revenue and  
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,177,159)	\$	\$ (1,177,159)
(1,687,697)		(1,687,697)
(351,073)		(351,073)
(122,468)		(122,468)
(47,415)		(47,415)
(3,385,812)		(3,385,812)
	(21,596)	(21,596)
	(21,596)	(21,596)
\$ (3,385,812)	\$ (21,596)	\$ (3,407,408)
1,567,688		1,567,688
2,050,023		2,050,023
203		203
3,617,914	20,000	3,637,914
	20,000	
232,102	(1,596)	230,506
697,324	2,270	699,594
(336,111)		(336,111)
361,213	2,270	363,483
\$ 593,315	\$ 674	\$ 593,989

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Governmental Fund Types		
	General	Special Revenue	Total Governmental Funds
<b>ASSETS:</b>			
Assets:			
Cash and cash equivalents	\$ 363,576	\$	\$ 363,576
Accounts receivable:			
Federal	5,136	27,589	32,725
State	531		531
Other government	195,225		195,225
Interfund	<u>2,692</u>		<u>2,692</u>
Total assets	<u>\$ 567,160</u>	<u>\$ 27,589</u>	<u>\$ 594,749</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Interfund payable - General Fund	\$	\$ 2,692	\$ 2,692
Cash Deficiency		24,897	24,897
Intergovernmental payable:			
Federal			
State	88,731		88,731
Other government	14,699		14,699
Accrued liability for insurance claims			
Deferred revenue			
Total liabilities	<u>103,430</u>	<u>27,589</u>	<u>131,019</u>
Fund balances:			
Unassigned	<u>463,730</u>		<u>463,730</u>
Total fund balances	<u>463,730</u>		<u>463,730</u>
Total liabilities and fund balances	<u>\$ 567,160</u>	<u>\$ 27,589</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$4,588,047 and the accumulated depreciation is \$1,472,127. (See Note 4)	3,115,920
Deferred outflows of pension resources	81,887
Accounts payable for pension	(19,043)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Note 5)	(2,638,059)
Net pension liability	(387,997)
Deferred inflows of pension resources	<u>(23,123)</u>
Net position of governmental activities	<u>\$ 593,315</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**for the Fiscal Year ended June 30, 2015**

	<u>Governmental Fund Types</u>		Total Governmental Funds
	<u>General</u>	<u>Special Revenue</u>	
<b>REVENUES:</b>			
Local sources:			
Equalization/Local Levy - Local Aid	\$ 1,567,688	\$	\$ 1,567,688
Miscellaneous			
Grants			
Total revenues-local sources	<u>1,567,688</u>		<u>1,567,688</u>
State sources	2,050,023		2,050,023
Federal sources		<u>301,235</u>	<u>301,235</u>
Total revenues	<u>3,617,711</u>	<u>301,235</u>	<u>3,918,946</u>
<b>EXPENDITURES:</b>			
Current expense:			
Instruction	1,177,159	301,235	1,478,394
Undistributed expenditures	2,032,992		2,032,992
Capital outlay	251,773		251,773
Special schools			
Debt service			
Claims paid			
Special services			
Total expenditures	<u>3,461,924</u>	<u>301,235</u>	<u>3,763,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,787</u>		<u>155,787</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds			
Operating transfers			
Capital leases (Nonbudgeted)	37,056		37,056
Cancellation of State Construction Grant receivable			
Total other financing sources (uses)	<u>37,056</u>		<u>37,056</u>
Net changes in fund balance	<u>192,843</u>		<u>192,843</u>
Fund balances, July 1	<u>270,887</u>		<u>270,887</u>
Fund balances, June 30	<u>\$ 463,730</u>	<u>\$</u>	<u>\$ 463,730</u>

See accompanying notes to financial statements.

**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 Fiscal Year ended June 30, 2015**

Total net change in fund balances - governmental funds (from B-2)	\$	192,843
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>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.</p>		
Depreciation Expense	\$ (122,468)	
Capital Outlays	<u>251,773</u>	129,305
<p>Repayment of bond principal and capital leases are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.</p>		
Issuance of Capital Leases	(37,056)	
Payments of Capital Leases Payable	<u>6,387</u>	-30,669
Debt interest		(47,415)
<p>In the statement of activities, certain operating expenses, such as compensated absences and pension liabilities are measured by the amount earned during the year. In the Governmental Funds, however, expenditures for these items are reported based on the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a decrease on this reconciliation. when the paid amount exceeds the earned amount, the difference is an addition to this reconciliation.</p>		
Compensated absences	0	
Additional PERS pension expense recognized	(12,165)	
Additional on-behalf TPAF pension expense	(390,997)	
Additional on-behalf TPAF pension contribution	<u>390,997</u>	(12,165)
Special item - Appraisal of capital assets adjustments		<u>203</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>232,102</u></b>

**PROPRIETARY FUNDS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities - Enterprise Funds
	<u>Food Service</u>
<b>ASSETS:</b>	
Assets:	
Cash and cash equivalents	\$ <u>674</u>
Total current assets	<u>674</u>
Total assets	\$ <u><u>674</u></u>
 <b>LIABILITIES AND NET POSITION:</b>	
Total liabilities	<u>                    </u>
<b>NET POSITION:</b>	
Unrestricted	<u>674</u>
Total net position	<u>674</u>
Total liabilities and net position	\$ <u><u>674</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**for the Fiscal Year ended June 30, 2015**

	Business-type Activities - Enterprise Fund
	Food Service
<b>OPERATING REVENUES:</b>	
Charges for Services	
Daily sales - reimbursable programs	\$ <u>16,017</u>
Total operating revenues	<u>16,017</u>
<b>OPERATING EXPENSES:</b>	
Labor costs	31,763
Costs of sales	<u>125,404</u>
Total operating expenses	<u>157,167</u>
Operating loss	<u>(141,150)</u>
<b>NON-OPERATING REVENUES:</b>	
State sources:	
State school lunch program	1,715
Federal sources:	
National school breakfast program	30,942
National school lunch program	<u>86,897</u>
Total non-operating revenues	<u>119,554</u>
Net income before operating transfers	(21,596)
Operating transfers:	
Operating transfers in - General fund	<u>20,000</u>
Change in net position	(1,596)
Total net position, July 1	<u>2,270</u>
Total net position, June 30	<u>\$ <u>674</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**for the Fiscal Year ended June 30, 2015**

	Business-type Activities - Enterprise Fund
	Food Service
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 16,017
Payments to employees	(31,763)
Payments to suppliers	(145,404)
Net cash (used for) operating activities	(161,150)
<b>Cash flows from noncapital financing activities:</b>	
State sources	1,715
Federal sources	136,531
Operating subsidies and transfers from other funds	20,000
Net cash provided by non-capital financing activities	158,246
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	_____
Net cash (used for) capital and related financing activities	_____
<b>Cash flows from investing activities:</b>	
Interest on investments	_____
Net cash provided by investing activities	_____
Net decrease in cash and cash equivalents	(2,904)
Cash and cash equivalents, July 1	3,578
Cash and cash equivalents, June 30	\$ 674
<b>Reconciliation of operating loss to net cash (used for) provided by operating activities:</b>	
Operating loss	\$ (141,150)
Adjustment to reconcile operating income to net cash (used for) provided by operating activities:	
Decrease in accounts payable	(20,000)
Total adjustments	(20,000)
Net cash (used for) operating activities	\$ (161,150)

**FIDUCIARY FUNDS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	<b>Agency</b>	
	Student Activity	Payroll
<b>ASSETS:</b>		
Cash and cash equivalents	\$ <u>3,003</u>	\$ <u>17,545</u>
Total assets	\$ <u><u>3,003</u></u>	\$ <u><u>17,545</u></u>
 <b>LIABILITIES AND NET POSITION:</b>		
Liabilities:		
Payroll deductions & withholdings	\$	\$ 17,545
Due to student groups	<u>3,003</u>	<u>                    </u>
Total liabilities	<u>3,003</u>	<u>17,545</u>
Net position		
Held in trust for unemployment claims and other purposes	<u>                    </u>	<u>                    </u>
Reserved for scholarships	<u>                    </u>	<u>                    </u>
Total liabilities and net position	\$ <u><u>3,003</u></u>	\$ <u><u>17,545</u></u>

**NOTES TO FINANCIAL STATEMENTS**

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

The financial statements of the Board of Trustees (Board) of Galloway Community Charter School (Charter School) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- The financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Board has elected to implement the general provisions of the Statement in the current year.

The more significant of the Board's accounting policies are described below.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 Charter School is to educate students in grades K-8.

**B. Basic Financial Statements - District -Wide Statements:**

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

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds.

In the district-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 Charter School's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The Charter School first utilizes restricted resources to finance qualifying activities.

The district-wide Statement of Activities reports both the gross and net cost of each of the Charter School's functions and business-type activities. The functions are also supported by general government revenues (property and certain intergovernmental revenues). 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 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 (local aid, intergovernmental revenues, interest income, etc.)

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

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basic Financial Statements - Fund Financial Statements:**

The financial transactions of the Charter 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 comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter 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 Charter School:

**General Fund** - The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance Capital Outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted Capital Outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basic Financial Statements - Fund Financial Statements (Continued):**

**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 Charter School:

**Enterprise Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Charter School's Enterprise Fund is comprised of the Food Service Fund.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported net position (net total position) is segregated into invested in capital assets, net of related debt, restricted for capital projects or unrestricted, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Food Service Fund:

Equipment	10 Years
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**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basic Financial Statements - Fund Financial Statements (Continued):**

**3. FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds 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.

**Agency Funds** - Agency Funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency Funds are custodial in nature and do not involve measurement of results of operations. Agency Funds include payroll and student activities funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 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 Charter School considers all governmental and business-type activities to be major.

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

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

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the district-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Measurement and Accounting Focus (continued):**

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All fiduciary trust funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use net position as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c. Agency funds are not involved in the measurement of results of operation; therefore, measurement focus is not applicable to them.

**Basis of Accounting**

In the district-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds, fiduciary trust funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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 if approved, are then voted on by the Board at their monthly meeting after a budget hearing takes place. 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 units are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Line-item transfers from an advertised appropriation account as defined under N.J.A.C. 6A:23A-2.3, which on a cumulative basis exceed ten percent of the amount included in the original budget, require county superintendent approval. Effective December 2004, line-item transfers to an advertised appropriation account identified as either general administration, school administration, central services and administrative information technology or other support services that, on a cumulative basis, exceed 10% of the amount included in the original budget require county superintendent approval.

Pursuant to N.J.S.A. 18A:22-8 and N.J.A.C. 6A:23A-2.3 appropriation of surplus or other unbudgeted or under budgeted revenue is allowed only between April 1 and June 30 and requires Regional Assistant Commissioner Approval. Six revenue categories identified under N.J.A.C. 6A:23A-2.3(c)) are excluded from this requirement.

Prior to April 1, a school board may petition the Commissioner for appropriation of surplus or other unbudgeted or under budgeted revenue (except for those exempted under N.J.A.C. 6A:23A-2.3(c)) an “emergent circumstance.” Such petition must be submitted by a two-thirds affirmative vote of the authorized membership of the Board and include the items listed and demonstrate the need pursuant to N.J.A.C. 6A:23A-2.3(b). During the fiscal year, the Board did not make any supplemental budgetary appropriations.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the Special Revenue Fund as noted in Exhibit C-3. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year end.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgets/Budgetary Control (continued):**

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

The following presents a reconciliation of the Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<u>2014 - 2015</u>
Total Revenues (Budgetary Basis)	\$ 293,988
Adjustments:	
Add: Prior Year Encumbrances	7,247
Less: Current Year Encumbrances	<u>(        0 )</u>
Total Revenues (GAAP Basis)	<u>\$ 301,235</u>

**F. Encumbrances:**

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the Special Revenue Fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end.

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

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Cash, Cash Equivalents and Investments:**

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

New Jersey School 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 Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

**H. Tuition Receivable:**

Tuition charges were established by Charter School based on budgeted costs. The charges are subject to adjustment when the final costs have been determined.

**I. Tuition Payable:**

Tuition charges for the fiscal years 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

**K. Short-Term Interfund Receivables/Payables:**

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**L. Fixed Assets:**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

**District-Wide Statements**

In the district-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fixed Assets (Continued):**

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50 years
Improvements	20 years
Machinery and Equipment	5 - 20 years

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the district-wide statements.

**M. Deferred Revenue:**

Deferred revenue in the Special Revenue Fund represents cash that has been received but not yet earned.

**N. Long-Term Debt:**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the district-wide or fund financial statements.

All long-term debt to be paid from governmental and business-type resources are reported as liabilities in the district-wide statement. The long-term debt consists primarily of accrued compensated absences, mortgage payable and obligations under capital leases.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The accounting for proprietary fund is the same in the fund statements as it is in the district-wide statements.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense of the Public Employees Retirement System (PERS) have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**P. Deferred Outflows of Resources:**

Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the Statement of Net Position. The only deferred outflow of resources reported is for pension resources.

**Q. Deferred Inflows of Resources:**

Increases in net position that relate to future periods are reported as deferred inflows of resources in a separate section of the Statement of Net Position. Related revenues are not recognized until a future event occurs. The only deferred inflow of resources reported is for pension resources.

**R. Equity Classifications:**

**District-Wide Statements**

Equity is classified as net position and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Equity Classifications (Continued):**

**Fund Statements**

Government fund equity is classified as fund balance. Under GASB No. 54, fund balance is further categorized as restricted, committed, assigned, or unassigned fund balance. Restrictions are created to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. The categories used are detailed below.

*Committed - Year-End Encumbrances* – This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts awarded for which the goods or services have not yet been received at June 30.

*Assigned* – This reserve was created to reflect management’s intended use of fund balance in the subsequent year’s budget.

*Unassigned* – This classification is used for all other fund balance.

Proprietary fund equity is classified the same as in the district-wide statements.

**S. Operating and Non-operating Revenue:**

Operating revenues for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include reimbursements by the State for school breakfast, lunch and food distribution programs.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. Expenditures/Expenses:**

In the district-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay
Proprietary Fund - By Operating and Non-operating	

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**NOTE 2. CASH AND CASH EQUIVALENTS AND DEPOSITS**

It is the Charter School's policy to only deposit and invest funds with financial institutions located in the State of New Jersey which are insured as a part of the Governmental Unit Deposit Protection Act (GUDPA).

Custodial credit risk is the risk that, in the event of a bank failure, the Charter School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized
- b. Collateralized with securities held by the pledging financial institution
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Charter School's name.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 2. CASH AND CASH EQUIVALENTS AND DEPOSITS (Continued)**

As of June 30, 2015, the Charter School's cash and cash equivalents are summarized as follows:

<u>Category</u>	<u>Amount</u>
Insured - FDIC	\$ 250,000
Insured - GUDPA	<u>134,798</u>
	<u>\$ 384,798</u>
Reconciliation to District-Wide Statement of Net Position:	
Unrestricted Cash	\$ 364,250
Restricted Cash	-0-
Fiduciary Funds (Not Included in District-Wide Statement)	<u>20,548</u>
	<u>\$ 384,798</u>

**NOTE 3. INTERFUND TRANSFERS AND BALANCES**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 2,692	-0-
Special Revenue	<u>-0-</u>	<u>2,692</u>
	<u>\$ 2,692</u>	<u>\$ 2,692</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 in the amount of \$20,000 to the Enterprise Fund to cover deficits in the food service.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4. CAPITAL ASSETS AND DEPRECIATION**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Board as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvements, 20 years; equipment, 3 to 20 years.

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance at July 1, 2014</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2015</u>
<b>Governmental Activities:</b>					
Land	\$ 589,545	\$	\$	\$	\$ 589,545
Land Improvements	-0-				-0-
Buildings & Improvements	3,648,278				3,648,278
Construction in Progress	-0-				-0-
Machinery & Equipment	<u>358,889</u>		<u>37,056</u>	<u>(45,721)</u>	<u>350,224</u>
Totals at Historical Cost	<u>4,596,712</u>		<u>37,056</u>	<u>(45,721)</u>	<u>4,588,047</u>
<b>Less Accumulated Deprec.</b>					
Buildings & Improv.	( 1,125,139)		(97,787)		(1,222,926)
Machinery & Equipment	<u>( 228,702)</u>		<u>(24,681)</u>	<u>4,182</u>	<u>( 249,201)</u>
Total Accumulated Deprec.	<u>( 1,353,841)</u>		<u>(122,468)</u>	<u>4,182</u>	<u>(1,472,127)</u>
<b>Governmental Activities</b>					
Capital Assets, Net	<u>\$ 3,242,871</u>	<u>\$</u>	<u>(\$85,412)</u>	<u>(\$41,539)</u>	<u>\$3,115,920</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5. LONG-TERM DEBT**

The Board's long-term debt is summarized as follows:

**Governmental Activities**

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>	<u>Amounts Due Within One Year</u>	<u>Long-Term Portion</u>
Compensated Absences	\$ 35,720			\$ 35,720	\$ -	\$ 35,720
Mortgage Payable	2,776,608		(204,938)	2,571,670	208,219	2,363,451
Capital Leases Payable		37,056	(6,387)	30,669	9,060	21,609
Total	<u>\$ 2,812,328</u>	<u>\$ 37,056</u>	<u>\$ (211,325)</u>	<u>\$ 2,638,059</u>	<u>\$ 217,279</u>	<u>\$ 2,420,780</u>

**A. Mortgage Payable:**

In August of 2006, the Charter School purchased the school building. A mortgage of \$3,956,000 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 208,219	43,943
2017	212,138	40,215
2018	215,933	36,421
2019	219,795	32,558
2020-2024	1,159,378	102,388
2025-2027	<u>556,207</u>	<u>11,587</u>
	<u>\$2,571,670</u>	<u>\$ 267,112</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5. LONG-TERM DEBT (Continued)**

**B. Capital Leases Payable:**

The Charter School is leasing computer and copier equipment totaling \$37,056 under capital leases. All capital leases are for a term of four or five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015.

<u>Year</u>	<u>Amount</u>
2016	\$ 9,060
2017	9,060
2018	9,060
2019	2,877
2018	<u>612</u>
Total Minimum Lease Payments	\$30,669
Less: Amount Representing Interest	<u>-0-</u>
Present Value of Net Minimum Lease Payments	<u>\$30,669</u>

**NOTE 6. PENSION PLANS**

**A. Description of Plans:**

All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund 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, P.O. Box 295, Trenton, New Jersey, 08625.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**B. Teachers' Pension and Annuity Fund (TPAF):**

The Teachers' Pension and Annuity Fund was established as of January 1, 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, by which the State of New Jersey is responsible to fund 100% of the employer contributions, excluding any local employer retirement incentive (ERI) contributions. 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.

**C. Public Employees' Retirement System (PERS):**

The Public Employees' Retirement System was established as of January 1, 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 of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

**D. Defined Contribution Retirement Program (DCRP):**

The Defined Contribution Retirement Program ("DCRP") is a single-employer defined contribution pension fund which was established on July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. Seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The Defined Contribution Retirement Program Board oversees the DCRP, which is administered for the Division of Pensions and Benefits by Prudential Financial. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et.seq.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**E. Vesting and Benefit Provisions:**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Service retirement benefits of 1/55th of the final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each service credit are available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**F. Contribution Requirements:**

The contribution policy is set by N.J.S.A. 43:15A for PERS and N.J.S.A. 18:66 for TPAF, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in fiscal year 2015. The phase-in of the additional incremental member contribution rate will take place in July of each subsequent fiscal year.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Charter School is a non-contributing employer of the TPAF.

P.L. 2010, c.1, effective May 21, 2010, required the State to resume making actuarially recommended contributions for the pension plans on a phased-in basis over a seven year period beginning in fiscal year 2012. For fiscal year 2015, the State's minimum required contribution was 4/7<sup>th</sup> of the full recommended amounts determined on the basis of the July 1, 2011 actuarial evaluation.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**F. Contribution Requirements (Continued):**

During the year ended June 30, 2015 the Charter School was required to contribute for PERS and the State of New Jersey was required to contribute for TPAF for normal pension contributions, non-contributory group life insurance (NCGI) and early retirement incentive (ERI) in the following amounts.

<u>PERS Contributed by the District</u>		<u>TPAF Paid on behalf of the District</u>	
<u>Pension</u>	<u>ERI</u>	<u>Pension</u>	<u>ERI</u>
\$ 17,084	\$ -	\$ 201,245	-

**G. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2015 the Charter School's net pension liability for PERS was \$387,997.

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Charter School's PERS proportion was 0.0021%, which was an increase of 0.0003% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Charter School recognized PERS pension expense of \$29,249. At June 30, 2015, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**G. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and accrual experience	\$ -	\$ -
Changes in assumptions	12,201	-
Net differences between projected and actual investment earnings on pension plan investments		23,123
Changes in proportion	50,643	-
District contributions subsequent to measurement date	19,043	
Total	\$ 81,887	\$ 23,123

\$19,043 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	
June 30, 2015	\$ 5,772
June 30, 2016	5,772
June 30, 2017	5,772
June 30, 2018	5,772
June 30, 2019	5,772
Thereafter	10,861
	\$ 39,721

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**G. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

*Actuarial Assumptions*

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.01%
Salary increases: 2012-2021	2.15 – 4.40%
Thereafter	3.15 - 5.40% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projections Scale AA. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**G. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

*Discount Rate*

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**G. PERS Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

*Sensitivity of the Charter School's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Charter School's proportionate share of the net pension liability as of June 30, 2014, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
District's proportionate share of PERS net pension liability	\$ 488,114	\$ 387,997	\$ 303,925

*Pension Plan fiduciary net position*

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

*Payable to the pension plan*

At June 30, 2015 the Charter School reported accounts payable to the PERS of \$19,043 for the required actuarially determined contribution to PERS for the year ended June 30, 2015.

**H. TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At June 30, 2015 the State's net pension liability for TPAF associated with the Charter School was \$7,266,334. For the year ended June 30, 2015, the Charter School recognized an on-behalf TPAF pension expense of \$390,997, offset by an on-behalf TPAF pension contribution for the same amount.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**H. TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Charter School's TPAF proportion was 0.0136%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

*Actuarial Assumptions*

The total TPAF pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total TPAF pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases: 2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from base year of 2000 until valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**H. TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6. PENSION PLANS (Continued)**

**H. TPAF Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):**

*Discount Rate*

The discount rate used to measure the total pension liability for TPAF was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blend discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Pension Plan fiduciary net position*

Detailed information about the pension plans' fiduciary net position are available in the separately issued financial reports. These reports may be accessed via the New Jersey Division of Pension and Benefits website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**I. Reimbursed TPAF Social Security Contributions:**

In accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the Charter School during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the supplementary information schedules as a revenue and expenditure in accordance with GASB 27.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7. POST-RETIREMENT BENEFITS**

Public Laws 1987, c. 384 and Public Laws 1990, c.6 required TPAF and 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. Public Law 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with, P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits 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 \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

**NOTE 8. OTHER POST-RETIREMENT BENEFITS**

The Charter School participates in the State Health Benefits Program (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 was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf](http://www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf).

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8. OTHER POST-RETIREMENT BENEFITS (Continued)**

The State sets the contribution rate based on a pay as you go basis and not on the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' postretirement benefits on behalf of the Charter School for the year ended June 30, 2015, was \$123,469, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the Charter School was not determined or made available by the State of New Jersey.

Chapter 78, P.L. 2011, effective October 2011, established new employee contribution requirements towards the cost of employer provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. For those employed on or after June 28, 2011, the 4-year phase-in does not apply and contributions based on the full percentage rate of contribution are required.

Under Chapter 78 certain future retirees eligible for employer-paid health care coverage at retirement will also be required to pay a percentage of the cost of their medical coverage determined on the basis of their annual retirement benefit.

*Funded Status and Funding Progress*

As of June 30, 2014, the most recent actuarial valuation date, the State had a \$16.4 billion unfunded actuarial accrued liability for other postemployment benefits (OPEB) for local and \$40.6 billion for educational employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events. Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8. OTHER POST-RETIREMENT BENEFITS (Continued)**

reporting purposes does not explicitly incorporate the potential effects of legal contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

*Actuarial Methods and Assumptions*

In the June 30, 2014, actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included 4.50% for investment rate of return for the OPEB.

**NOTE 9. COMPENSATED ABSENCES**

The Charter 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.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter 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 liability for vested compensated absences of the governmental fund types is recorded in long-term liabilities. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

**NOTE 10. 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 disaster.

**A. Property and Liability Insurance:**

The Charter School maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 11. FUND BALANCE APPROPRIATED**

The General Fund fund balance as reported in the fund financial statements at June 30, 2015 is \$463,730 and is unreserved and undesignated.

**NOTE 12. CONTINGENT LIABILITIES**

The Board is not involved in any claims or lawsuits incidental to its operations. In the opinion of the administration and legal counsel, there are no other matters which will have a material adverse effect on the financial position of the Charter School.

**NOTE 13. PRIOR PERIOD ADJUSTMENT**

The Charter School made a prior period adjustment in the District-Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The amount of this adjustment was \$336,111.

**NOTE 14. CESSATION OF ACADEMIC ACTIVITIES**

The State of New Jersey, Department of Education (the “NJDOE”) did not renew the Charter School’s academic charter causing the Charter School to cease all academic activities effective June 30, 2015. The Board adopted and approved the Dissolution Plan as prescribed by the NJDOE and began the orderly wind down of its operations. The terms of the Plan call for the complete cessation of all academic activities.

In addition, an independent trustee was appointed by the Board to oversee the dissolution including, but not limited to, the collection of amounts due the Charter School, payment of out-standing liabilities and expenses owed by the Charter School, assistance with the final audit for the fiscal year ended June 30, 2015, and to issue a report on the Charter School’s post June 30<sup>th</sup> dissolution activities.

The financial statements reflect all known adjustments to reflect the cessation of operations effective June 30, 2015. There may be adjustments that could result from the actual outcome of the dissolution that could affect the reported amounts of assets, liabilities, revenues and expenses.

**REQUIRED SUPPLEMENTARY INFORMATION  
PART II**

**BUDGETARY COMPARISON SCHEDULES**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2015**

	<u>Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>					
Local sources:					
Equalization/Local Levy - Local aid	\$ 1,555,436	\$	\$ 1,555,436	\$ 1,567,688	\$ 12,252
Miscellaneous					
<b>Total revenues - local sources</b>	<u>1,555,436</u>		<u>1,555,436</u>	<u>1,567,688</u>	<u>12,252</u>
State sources:					
Equalization/Local Levy State aid	1,538,088		1,538,088	1,560,023	21,935
Special education aid	118,924		118,924	86,166	(32,758)
Bilingual education					
Security aid	83,511		83,511	82,082	(1,429)
Other unrestricted state aid					
On-Behalf TPAF Pension Contributions (Non-budgeted)				201,245	201,245
Reimbursed TPAF Social Security Contributions (Non-budgeted)				120,507	120,507
<b>Total - State sources</b>	<u>1,740,523</u>		<u>1,740,523</u>	<u>2,050,023</u>	<u>309,500</u>
<b>Total revenues</b>	<u>\$ 3,295,959</u>	<u>\$</u>	<u>\$ 3,295,959</u>	<u>\$ 3,617,711</u>	<u>\$ 321,752</u>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE:</b>					
Instruction:					
Salaries of teachers	\$ 1,289,128	\$ (81,948)	\$ 1,207,180	\$ 1,137,207	\$ 69,973
Other salaries for instruction					
Purchased prof/tech services					
Other purchased services	5,000		5,000	1,618	3,382
General instructional supplies	63,240		63,240	38,334	24,906
Textbooks	5,000		5,000		
Miscellaneous expense					
<b>Total instruction</b>	<u>1,362,368</u>	<u>(81,948)</u>	<u>1,280,420</u>	<u>1,177,159</u>	<u>98,261</u>
Administrative:					
Salaries - administrative	424,531	(3,418)	421,113	400,040	21,073
Salaries - sec/clerical	124,589	4,918	129,507	129,507	
Total benefits cost	558,144	(31,491)	526,653	498,235	28,418
Purchased prof/tech services	229,240	8,613	237,853	204,749	33,104
Other purchased services	101,217	18,321	119,538	61,831	57,707
Communication and telephone	12,496	54	12,550	5,299	7,251
Supplies and materials	6,500	58	6,558	6,284	274
Miscellaneous expense	3,500		3,500	420	3,080
Mortgage payments - interest	57,012	(6,672)	50,340	47,415	2,925
<b>Total administrative</b>	<u>1,517,229</u>	<u>(9,617)</u>	<u>1,507,612</u>	<u>1,353,780</u>	<u>153,832</u>
Support services:					
Salaries - support services	62,845	57,948	120,793	100,722	20,071
Purchased prof/tech services		5,215	5,215	4,077	1,138
Other purchased services	90,341	11,692	102,033	102,033	
Insurance	52,514	8,396	60,910	60,910	
Operation & maintenance - supplies	7,000		7,000	4,699	2,301
Energy costs	50,000		50,000	42,769	7,231
Miscellaneous	20,000	(8,396)	11,604	39,280	-27,676
Transportation - other than to/fr school	4,800		4,800	2,970	1,830
<b>Total support services</b>	<u>287,500</u>	<u>74,855</u>	<u>362,355</u>	<u>357,460</u>	<u>4,895</u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the Fiscal Year ended June 30, 2015**

	<u>Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
(Continued from prior page)					
On-Behalf TPAF Pension Contributions (Non-budgeted)				201,245	(201,245)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				<u>120,507</u>	<u>(120,507)</u>
TOTAL EXPENDITURES - CURRENT EXPENSE	<u>3,167,097</u>	<u>-16,710</u>	<u>3,150,387</u>	<u>3,210,151</u>	<u>-64,764</u>
CAPITAL OUTLAY:					
Undistributed expenditures:					
Instructional equipment	\$ 7,500	\$ (2)	\$ 7,498	\$ 289	\$ 7,209
Purchase land/improvements	5,000	(2,942)	2,058	-2,500	4,558
Mortgage payments - principal	195,324	9,614	204,938	204,938	
Non instructional equipment	<u>5,000</u>	<u>10,040</u>	<u>15,040</u>	<u>11,990</u>	<u>3,050</u>
Total equipment	<u>212,824</u>	<u>16,710</u>	<u>229,534</u>	<u>214,717</u>	<u>14,817</u>
Assets acquired under capital leases (Non-budgeted)				<u>37,056</u>	<u>(37,056)</u>
TOTAL CAPITAL OUTLAY	<u>212,824</u>	<u>16,710</u>	<u>229,534</u>	<u>251,773</u>	<u>-22,239</u>
Total expenditures	<u>\$ 3,379,921</u>	<u>\$</u>	<u>\$ 3,379,921</u>	<u>\$ 3,461,924</u>	<u>\$ -87,003</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (83,962)	\$	\$ (83,962)	\$ 155,787	\$ 239,749
Other financial sources (uses):					
Operating transfers out:					
Transfer to Capital Projects					
Capital leases (Non-budgeted)				<u>37,056</u>	<u>37,056</u>
Excess (deficiency) of revenues and other financial sources over (under) expenditures and other financing uses	(83,962)		(83,962)	192,843	276,805
Fund balances, July 1	<u>270,887</u>		<u>270,887</u>	<u>270,887</u>	
Fund balances, June 30	<u>\$ 186,925</u>	<u>\$</u>	<u>\$ 186,925</u>	<u>\$ 463,730</u>	<u>\$ 276,805</u>
<b>Recapitulation</b>					
Unassigned fund balance				<u>\$ 463,730</u>	
				463,730	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis					
Fund Balance per Governmental Funds (GAAP)				<u>\$ 463,730</u>	

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
**for the Fiscal Year ended June 30, 2015**

	<u>Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>					
State sources	\$	\$	\$	\$	\$
Federal sources	293,988		293,988	293,988	
Local sources	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	\$ <u>293,988</u>	\$ <u>          </u>	\$ <u>293,988</u>	\$ <u>293,988</u>	\$ <u>          </u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of teachers	\$ 150,858	\$	\$ 150,858	\$ 150,858	\$
Purchased prof. & tech. services	109,087		109,087	109,087	
General supplies and equipment	34,043		34,043	34,043	
Textbooks	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total instruction	<u>293,988</u>	<u>          </u>	<u>293,988</u>	<u>293,988</u>	<u>          </u>
Support services:					
Salaries of other professional staff					
Salaries of secretarial & clerical asst.					
Personal services-employee benefits					
Instructional equipment	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total support services	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>293,988</u>	<u>          </u>	<u>293,988</u>	<u>293,988</u>	<u>          </u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Note to RSI**  
**for the Fiscal Year ended June 30, 2015**

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources /Inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 3,617,711	[C-2]	\$ 293,988
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				7,247
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.				
State Aid Payment recognized for budgetary purposes, not recognized for GAAP statements		<u>0</u>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ <u>3,617,711</u>	[B-2]	\$ <u>301,235</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 3,461,924	[C-2]	\$ 293,988
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				<u>7,247</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]	\$ <u>3,461,924</u>	[B-2]	\$ <u>301,235</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
PART III**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS**  
**as of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0020723313%	0.0017586409%
District's proportionate share of the net pension liability	\$ 387,997	\$ 336,111
District's covered-employee payroll	\$ N/A	\$ N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	52.08%	48.72%

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Schedule of Charter School Contributions - PERS**  
**for the Fiscal Year ended June 30, 2015 and June 30, 2014**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,084	\$ 366,185
Contributions in relation to the contractually required contribution	\$ <u>17,084</u>	\$ <u>366,185</u>
Contribution deficiency (excess)	<u>0</u>	<u>\$ 0.00</u>
District's covered-employee payroll	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF**  
**as of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0135954665%	0.0146302584%
District's proportionate share of the net pension liability	\$ -	\$ -
District's covered-employee payroll	\$ N/A	\$ N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Required Supplementary Information**  
**Notes to the Required Supplementary Information**  
**for the Fiscal Year ended June 30, 2015 and June 30, 2014**

*Changes in benefit terms* : None

*Changes in assumptions* : The discount rate changed from the rate as of June 30, 2013 to the rate as of June 30, 2014, in accordance with GASB Statement No. 68

*Method and assumptions used in calculations of employer's actuarially determined contributions* : The actuarially determined contributions are calculated as of July 1 preceding the fiscal year in which the contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine rates in the schedule of employer contributions.

*Contributions* : Contributions reported on Exhibit L-2 represent actual contributions by the Charter School including contributions to the Non-Contributory Group Insurance Premium Fund

	<u>PERS</u>	<u>TPAF</u>
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, open	Level Dollar, open
Remaining amortization period	30 years	30 years
Asset valuation method	Five-year average of market values	20% of the difference between the expected Actuarial Value and market value is recognized each year
Inflation	3.01%	2.50%
Projected salary increase		
2012-2021	2.15 - 4.40% based on age	Varies based on experience
Thereafter	3.15 - 5.40% based on age	Varies based on experience
Projected COLAs	N/A*	N/A*
Investment rate of return	7.90%	7.90%

\* Pursuant to the provisions of Chapter 78, P.L. 2011, cost of living adjustment (COLA) increases were suspended for all current and future retirees of all retirement systems.

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL LEVEL SCHEDULES**

Not Applicable

**SPECIAL REVENUE FUND**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Special Revenue Fund**  
**Combining Schedule of Revenues and Expenditures - Budgetary Basis**  
**for the Fiscal Year ended June 30, 2015**

	<u>Rutgers</u> <u>Grant</u>	<u>Title I</u> <u>Part A</u>	<u>Title II</u> <u>Part A</u>	<u>IDEA-Part</u> <u>B - Basic</u> <u>Reg. Prog.</u>	<u>IDEA-Part</u> <u>Pre-</u> <u>School</u>	<u>2015</u>
<b>REVENUES:</b>						
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	61,200	149,468	4,145	76,662	2,513	293,988
Local sources	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 61,200</u>	<u>\$ 149,468</u>	<u>\$ 4,145</u>	<u>\$ 76,662</u>	<u>\$ 2,513</u>	<u>\$ 293,988</u>
<b>EXPENDITURES:</b>						
Instruction:						
Salaries of teachers	\$ 61,200	\$ 79,658	\$ -	\$ 10,000	\$ -	\$ 150,858
Purchased prof. & tech. services	<u>          </u>	37,051	4,145	66,662	1,229	109,087
General supplies and equipment	<u>          </u>	32,759	<u>          </u>	<u>          </u>	1,284	34,043
Textbooks	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total instruction	<u>61,200</u>	<u>149,468</u>	<u>4,145</u>	<u>76,662</u>	<u>2,513</u>	<u>293,988</u>
Support services:						
Salaries of other professional staff	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Salaries of secretarial & clerical asst.	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Personal services-employee benefits	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Instructional equipment	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total support services	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 61,200</u>	<u>\$ 149,468</u>	<u>\$ 4,145</u>	<u>\$ 76,662</u>	<u>\$ 2,513</u>	<u>\$ 293,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**PROPRIETARY FUNDS**

**ENTERPRISE FUNDS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Enterprise Fund**  
**Statement of Net Position**  
**June 30, 2015**

		<u>Food Service Fund</u>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$	674
Accounts receivable:		
Federal		<u>          </u>
Total current assets		<u>674</u>
Total assets	\$	<u><u>674</u></u>
<b>LIABILITIES AND NET POSITION:</b>		
Current liabilities:		
Interfund payable	\$	<u>          </u>
Total current liabilities		<u>0</u>
Net position:		
Unrestricted		674
Reserve for encumbrances		<u>          </u>
Total net position		<u>674</u>
Total liabilities and net position	\$	<u><u>674</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Enterprise Fund**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**for the Fiscal Year ended June 30, 2015**

	<u>Food Service Fund</u>
<b>OPERATING REVENUES:</b>	
Local sources:	
Daily sales-reimbursable programs:	
School lunch program and adult sales	\$ <u>16,017</u>
Total-daily sales-reimbursable programs	16,017
Total operating revenue	<u>16,017</u>
<b>OPERATING EXPENSES:</b>	
Labor costs	31,763
Cost of sales	<u>125,404</u>
Total operating expenses	<u>157,167</u>
Operating loss	<u>(141,150)</u>
Non-operating revenues:	
State sources:	
State school lunch program	1,715
Federal sources:	
National school breakfast program	30,942
National school lunch program	86,897
Interest Income	
Total non-operating revenues	<u>119,554</u>
Net income before operating transfers	(21,596)
Operating transfers:	
Operating transfers in - General fund	<u>20,000</u>
Change in net position	(1,596)
Net position - July 1	<u>2,270</u>
Net position - June 30	\$ <u><u>674</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Enterprise Fund**  
**Statement of Cash Flows**  
**for the Fiscal Year ended June 30, 2015**

	<u>Food Service Fund</u>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 16,017
Payments to employees	(31,763)
Payments to suppliers	(145,404)
Net cash (used for) operating activities	<u>(161,150)</u>
<b>Cash flows from non-capital financing activities:</b>	
State sources	1,715
Federal sources	136,531
Operating subsidies and transfers from other funds	20,000
Net cash provided by non-capital financing activities	<u>158,246</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	<u>                    </u>
Net cash (used for) capital and related financing activities	<u>                    </u>
<b>Cash flows from investing activities:</b>	
Interest on investments	<u>                    </u>
Net cash provided by investing activities	<u>                    </u>
Net decrease in cash and cash equivalents	(2,904)
Balances - July 1	<u>3,578</u>
Balances - June 30	\$ <u><u>674</u></u>
<b>Reconciliation of operating income to net cash (used for) provided by operating activities:</b>	
Operating loss	\$ <u>(141,150)</u>
Adjustment to reconcile operating income to net cash (used for) provided by operating activities:	
Decrease in accounts payable	<u>(20,000)</u>
Total adjustments	<u>(20,000)</u>
Net cash (used for) operating activities	\$ <u><u>(161,150)</u></u>

**FIDUCIARY FUNDS**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fiduciary Fund**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2015**

	<b>Agency</b>		<b>Total</b>
	Student Activity	Payroll	2015
<b>ASSETS:</b>			
Cash and cash equivalents	\$ <u>3,003</u>	\$ <u>17,545</u>	\$ <u>20,548</u>
Total assets	\$ <u><u>3,003</u></u>	\$ <u><u>17,545</u></u>	\$ <u><u>20,548</u></u>
 <b>LIABILITIES AND NET POSITION:</b>			
Liabilities:			
Payroll deductions & withholdings	\$	\$ 17,545	\$ 17,545
Due to student groups	<u>3,003</u>	<u>          </u>	<u>3,003</u>
Total liabilities	<u>3,003</u>	<u>17,545</u>	<u>20,548</u>
Net position			
Held in trust for unemployment claims and other purposes	<u>          </u>	<u>          </u>	<u>          </u>
Reserved for scholarships	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and net position	\$ <u><u>3,003</u></u>	\$ <u><u>17,545</u></u>	\$ <u><u>20,548</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fiduciary Fund**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2015**

	<u>Balance,</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2015</u>
Student activities	\$ <u>554</u>	\$ <u>2,449</u>	\$ _____	\$ <u>3,003</u>
Total	\$ <u><u>554</u></u>	\$ <u><u>2,449</u></u>	\$ <u><u>_____</u></u>	\$ <u><u>3,003</u></u>

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Fiduciary Fund**  
**Payroll Agency Fund Schedule of Receipts and Disbursements**  
**for the Fiscal Year ended June 30, 2015**

	<u>Balance,</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2015</u>
<b>PAYROLL AGENCY FUND:</b>				
Gross payroll, deductions and withholdings (Payroll Agency Account)	\$ 35,545	\$ 897,007	\$ (915,793)	\$ 16,759
Accrued salaries and wages (Net Payroll Account)	7,778	1,369,679	(1,377,071)	386
FSA account	<u>400</u>	<u>                    </u>	<u>                    </u>	<u>400</u>
Total payroll agency fund	<u>\$ 43,723</u>	<u>\$ 2,266,686</u>	<u>\$ (2,292,864)</u>	<u>\$ 17,545</u>

**LONG-TERM DEBT**

**GALLOWAY COMMUNITY CHARTER SCHOOL**  
**Long Term Debt**  
**Schedule of Obligations Under Capital Leases**  
**for the Fiscal Year ended June 30, 2015**

<u>Series</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2014</u>	<u>Issued Current Year</u>	<u>Retired/Paid Current Year</u>	<u>Amount Outstanding June 30, 2015</u>
Ricoh Copiers	\$ 32,976	\$	\$ 32,976	\$ 6,183	\$ 26,793
Pitney Bowes Machine	4,080	<u>                    </u>	<u>4,080</u>	<u>204</u>	<u>3,876</u>
		<u>\$</u>	<u>\$ 37,056</u>	<u>\$ 6,387</u>	<u>\$ 30,669</u>

**STATISTICAL SECTION  
(Unaudited)**

**Galloway Community Charter School**  
**Net Position by Component**  
**Last Four Fiscal Years**

*(accrual basis of accounting)*

**Unaudited**

	Fiscal Year Ending June 30,			
	2012	2013	2014	2015
Governmental activities				
Invested in capital assets, net of related debt	\$ 265,693	\$ 317,936	\$ 430,543	\$ 513,581
Restricted	356,841	57,617	99,310	
Unrestricted	182,931	235,635	167,471	79,734
Total governmental activities net position	<u>\$ 805,465</u>	<u>\$ 611,188</u>	<u>\$ 697,324</u>	<u>\$ 593,315</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	(17,737)	7,257	2,270	674
Total business-type activities net position	<u>\$ (17,737)</u>	<u>\$ 7,257</u>	<u>\$ 2,270</u>	<u>\$ 674</u>
District-wide				
Invested in capital assets, net of related debt	\$ 265,693	\$ 317,936	\$ 430,543	\$ 513,581
Restricted	356,841	57,617	99,310	-
Unrestricted	165,194	242,892	169,741	80,408
Total district net position	<u>\$ 787,728</u>	<u>\$ 618,445</u>	<u>\$ 699,594</u>	<u>\$ 593,989</u>

Source: CAFR Schedule A-1

**Galloway Community Charter School**  
**Changes in Net Position**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*  
**Unaudited**

**Exhibit J-2**

	Fiscal Year Ending June 30,			
	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities				
Instruction				
Regular	\$ 1,662,365	\$ 1,780,519	\$ 1,770,117	\$ 1,478,394
Support Services:				
Administrative Services	890,634	1,094,549	1,187,058	1,687,697
Support Services	625,888	497,082	613,318	351,073
Unallocated Depreciation				122,468
Interest on Long Term Debt				47,415
Total governmental activities expenses	3,178,887	3,372,150	3,570,493	3,687,047
Business-type activities:				
Food service	102,311	133,844	156,858	157,167
Daycare	36,637	-	-	-
Total business-type activities expense	138,948	133,844	156,858	157,167
Total district expenses	\$ 3,317,835	\$ 3,505,994	\$ 3,727,351	\$ 3,844,214
<b>Program Revenues</b>				
Governmental activities:				
Operating grants and contributions	\$ 271,793	\$ 216,188	\$ 59,358	\$ 301,235
Total governmental activities program revenues	271,793	216,188	59,358	301,235
Business-type activities:				
Charges for services				
Food service	14,459	15,914	21,015	16,017
Daycare	33,064	-	-	-
Operating grants and contributions	66,092	90,188	114,853	119,554
Total business type activities program revenues	113,615	106,102	135,868	135,571
Total district program revenues	\$ 385,408	\$ 322,290	\$ 195,226	\$ 436,806
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (2,907,094)	\$ (3,155,962)	\$ (3,511,135)	\$ (3,385,812)
Business-type activities	(25,333)	(27,742)	(20,990)	(21,596)
Total district-wide net expense	\$ (2,932,427)	\$ (3,183,704)	\$ (3,532,125)	\$ (3,407,408)
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Charter School Aid	\$ 1,134,274	\$ 1,102,805	\$ 1,543,624	\$ 1,567,688
Unrestricted grants and contributions	2,041,925	1,937,291	1,988,922	2,050,023
Miscellaneous income	19,182	10,310	24,542	-
Other		(26,491)	56,183	203
Transfers		(62,231)	(16,000)	-
Total governmental activities	3,195,381	2,961,684	3,597,271	3,617,914
Business-type activities:				
Other	-	(9,494)	3	-
Transfers	-	62,231	16,000	20,000
Total business-type activities	-	52,737	16,003	20,000
Total district-wide	\$ 3,195,381	\$ 3,014,421	\$ 3,613,274	\$ 3,637,914
<b>Change in Net Position</b>				
Governmental activities	\$ 288,287	\$ (194,278)	\$ 86,136	\$ 232,102
Business-type activities	(25,333)	24,995	(4,987)	(1,596)
Total district	\$ 262,954	\$ (169,283)	\$ 81,149	\$ 230,506

Source: CAFR Schedule A-2

**Galloway Community Charter School  
Fund Balances - Governmental Funds  
Last Four Fiscal Years  
(modified accrual basis of accounting)  
Unaudited**

	Fiscal Year Ending June 30,			2015
	2012	2013	2014	
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	356,841	57,617	99,310	-
Unassigned	226,655	240,038	171,577	463,730
Total general fund	<u>\$ 583,496</u>	<u>\$ 297,655</u>	<u>\$ 270,887</u>	<u>\$ 463,730</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unassigned, reported in:				
Special revenue fund	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: CAFR Schedule B-1

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>				
Equalization/Local Levy -Local Aid	\$ 2,139,708	\$ 2,308,805	\$ 2,737,847	\$ 3,027,467
Fundraising	849	6,542	-	-
Miscellaneous	49,928	31,308	42,910	45,237
State sources	310,825	560,866	539,508	367,986
Federal sources	230,077	164,661	162,208	196,845
Total revenue	<u>2,731,387</u>	<u>3,072,182</u>	<u>3,482,473</u>	<u>3,637,535</u>
<b>Expenditures</b>				
Current expense:				
Instruction	1,274,621	1,379,999	1,450,274	1,539,224
Undistributed expenditures	-	-	-	-
Administrative Expenses				
Support Services	1,344,173	1,213,995	1,700,158	2,035,296
Capital Outlay	4,450	237,370	174,699	357,511
Debt service	-	40,412	-	-
Total expenditures	<u>2,623,244</u>	<u>2,871,776</u>	<u>3,325,131</u>	<u>3,932,031</u>
Excess (Deficiency) of revenues over (under) expenditures	108,143	200,406	157,342	(294,496)
<b>Other Financing sources (uses)</b>				
Capital leases (non-budgeted)	-	-	-	-
Other	-	-	-	-
Transfers out	(21,361)	(22,525)	(2,908)	(10,000)
Total other financing sources (uses)	<u>(21,361)</u>	<u>(22,525)</u>	<u>(2,908)</u>	<u>(10,000)</u>
Net change in fund balances	<u>\$ 86,782</u>	<u>\$ 177,881</u>	<u>\$ 154,434</u>	<u>\$ (304,496)</u>

Source: CAFR Schedule B-2

Exhibit J-4

2010	2011	2012	2013	2014	2015
\$ 1,533,142	\$ 1,230,316	\$ 1,134,274	\$ 1,102,805	\$ 1,543,624	\$ 1,567,688
-	-	-	-	-	-
14,528	5,965	19,182	10,310	32,042	61,200
2,174,242	1,980,932	2,105,111	1,937,291	1,988,922	2,050,023
297,135	255,179	208,607	216,188	51,858	240,035
<u>4,019,047</u>	<u>3,472,392</u>	<u>3,467,174</u>	<u>3,266,594</u>	<u>3,616,446</u>	<u>3,918,946</u>
1,553,253	1,285,180	1,153,707	1,240,001	1,295,342	1,478,394
-	-	-	-	-	2,032,992
1,179,501	1,045,219	1,112,675	1,254,585	1,387,921	-
1,028,531	712,913	759,210	682,126	738,684	-
209,213	172,011	326,193	287,002	261,449	251,773
-	-	-	-	-	-
<u>3,970,498</u>	<u>3,215,323</u>	<u>3,351,785</u>	<u>3,463,714</u>	<u>3,683,396</u>	<u>3,763,159</u>
48,549	257,069	115,389	(197,120)	(66,950)	155,787
-	-	-	-	-	-
-	-	-	(26,491)	56,183	37,056
(76,885)	(17,419)	-	(62,231)	(16,000)	-
<u>(76,885)</u>	<u>(17,419)</u>	<u>-</u>	<u>(88,722)</u>	<u>40,183</u>	<u>37,056</u>
<u>\$ (28,336)</u>	<u>\$ 239,650</u>	<u>\$ 115,389</u>	<u>\$ (285,842)</u>	<u>\$ (26,767)</u>	<u>\$ 192,843</u>

Exhibit J-5

GALLOWAY COMMUNITY CHARTER SCHOOL  
 GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
 LAST TEN FISCAL YEARS  
 UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Fundraising</u>	<u>Interest on</u> <u>Investments</u>	<u>Misc.</u>	<u>Total</u>
2006	849	-	49,928	50,777
2007	6,542	-	31,308	37,850
2008	-	-	42,910	42,910
2009	-	-	45,409	45,409
2010	-	533	13,995	14,528
2011	-	1,156	4,809	5,965
2012	-	627	15,555	16,182
2013	-	-	10,310	10,310
2014	-	-	24,542	24,542
2015	-	-	-	-

Source: Charter School Records

**Galloway Community Charter School  
Full-time Equivalent District Employees by Function/Program  
Last Ten Fiscal Years  
Unaudited**

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										*
Regular	28	28	28	28	25	16	17	17	17	
Supplemental (Special Education)	5	5	5	5	4	3	5	5	5	
Support Services										
General administrative services	1	1	1	1	1	1				
School administrative services	1	1	1	1	1	1	2	5	4	
Business administrative services	0.4	0.4	0.5	0.5	0.5	0.5	1.5	1.5	1	
Food Service	1.5	1.5	1.5	1.5	1	1	1	1	1	
Child Care	2	2	2	2	2	2				
Total	<u>38.9</u>	<u>38.9</u>	<u>39</u>	<u>39</u>	<u>34.5</u>	<u>24.5</u>	<u>26.5</u>	<u>29.5</u>	<u>28</u>	<u>0</u>

\* 2015 numbers were unavailable

Source: New Jersey SMART Staff Report

**Galloway Community Charter School  
Operating Statistics  
Last Ten Fiscal Years  
Unaudited**

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2006	257	2,608,231	10,149	5.90%	31.0	11:1		258	243	-1.15%	94.19%	
2007	287	2,874,746	10,017	-1.30%	200.9	11:1		287	274	11.24%	95.47%	
2008	292	3,590,322	12,296	22.75%	210.1	8.85:1		293	277	2.09%	94.54%	
2009	292	3,074,651	10,530	-14.36%	206.9	8.5:1		292	258	-0.34%	88.36%	
2010	272	3,673,363	13,505	28.26%	203.4	8.8:1		272	256	-6.85%	93.98%	
2011	213	2,960,144	13,897	2.91%	198.1	11.2:1		213	200	-21.69%	93.90%	
2012	159	3,140,178	19,750	42.11%	196.7	7.2:1		164	155	-23.00%	94.51%	
2013	192	3,247,526	16,914	-14.36%	199.8	8.7:1		194	185	18.29%	95.07%	
2014	223	3,624,038	16,251	-3.92%	202.8	10.3:1		227	217	17.01%	95.59%	
2015	*											

Sources: Charter School records

Note: Enrollment based on annual October district count and includes Special Education placements.

- a Operating expenditures equal total expenditures less special revenue, debt service and capital outlay; Exhibit B-2.
- b Teaching staff includes full-time and part-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

\* 2015 not available

**Galloway Community Charter School  
School Building Information  
Last Ten Fiscal Years  
Unaudited**

<u>District Building</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>Elementary</u></b>										
Galloway Community Charter School										
Square Feet		24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000 *
Functional Capacity (students)		535	535	535	535	535	535	535	535	535
Enrollment		287	293	292	272	213	213	192	223	

**Source:** Charter School records, October Enrollment Reports not including Special Education Placements. Functional Capacity based on LRFP.

\* 2015 numbers not available

**GALLOWAY COMMUNITY CHARTER SCHOOL  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST FIVE FISCAL YEARS  
UNAUDITED**

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

<u>School Facilities</u>	<u>Project # (s)</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Charter School	N/A	*	\$ 92,810	\$ 84,520	\$ 125,967	\$ 121,660
Total School Facilities		-	92,810	84,520	125,967	121,660
Other Facilities						
Grand Total		\$ -	\$ 92,810	\$ 84,520	\$ 125,967	\$ 121,660

\* 2015 numbers not available

**GALLOWAY COMMUNITY CHARTER SCHOOL  
INSURANCE SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

	Coverage	Deductible
Property Coverage - NJSBAIG		
Blanket Real and Personal Property	*	*
Blanket Extra Expense		
Blanket Valuable Papers and Records		
Liability Coverage		
Combined Single Limit for Bodily Injury & Property Dam.		
Sexual Abuse		
Sexual Abuse Pool Annual Aggregate		
Bodily Injury for Products & Completed Operations		
Personal & Advertising Injury		
Premises Medical Payments - Each Accident		
Premises Medical Payments - Each Person		
Terrorism per Occurance / Annual Aggregate		
Employee Benefits Program Liability		
Crime		
Employee Dishonesty Including Faithful Performance		
Theft, Disappearance & Destruction		
Forgery or Alterations		
Computer Fraud		
Crime Deductible - Per Occurance		
Auto Coverages		
Combined Bodily Injury / Property Damage		
Public Official Bond		
Treasurer of School Monies		
Workmen's Compensation		

Source: District Records

\* 2015 amounts not available

**SINGLE AUDIT SECTION**

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

*Certified Public Accountants*

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Robert A. Gironda, CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA  
Matthew A. Donohue, CPA

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdcpas.com](mailto:dgd@dgdcpas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA

**EXHIBIT K-1**

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Galloway Community Charter School, in the County of Atlantic, State of New Jersey, (the "Charter School") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated December 7, 2015.

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

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

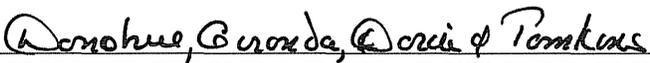
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
ROBERT G. DORIA  
Certified Public Accountant  
Public School Accountant  
License No. CS000778

Bayonne, New Jersey  
December 7, 2015

**DONOHUE, GIRONDA, DORIA & TOMKINS, LLC**  
*Certified Public Accountants*

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Robert A. Gironda, CPA  
Robert G. Doria, CPA (N.J. & N.Y.)  
Frederick J. Tomkins, CPA, RMA  
Matthew A. Donohue, CPA

310 Broadway  
Bayonne, NJ 07002  
(201) 437-9000  
Fax: (201) 437-1432  
E-Mail: [dgd@dgdepas.com](mailto:dgd@dgdepas.com)

Linda P. Kish, CPA, RMA  
Mark W. Bednarz, CPA, RMA  
Jason R. Gironda, CPA

**EXHIBIT K-2**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY  
NEW JERSEY OMB CIRCULAR 15-08**

Independent Trustee Philip Meshinsky  
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 State Program**

We have audited the Galloway Community Charter School, in the County of Atlantic, State of New Jersey's (the "Charter School") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2015. The Charter School's major state programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

***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 Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the

United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and *New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the 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 state program. However, our audit does not provide a legal determination of the Charter School's compliance.

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

In our opinion, the 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 state programs for the year ended June 30, 2015.

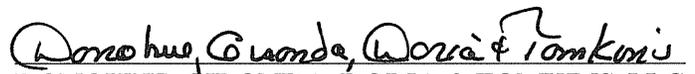
### **Report on Internal Control Over Compliance**

Management of the 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 Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04 and/or 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
ROBERT G. DORIA  
Certified Public Accountant  
Public School Accountant  
License No. CS000778

Bayonne, New Jersey  
December 7, 2015

GALLOWAY COMMUNITY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2014
				FROM	TO	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<b>PASSED-THROUGH STATE</b>						
<b>DEPARTMENT OF EDUCATION:</b>						
Special Revenue Fund:						
Title I-A, Grants to Local Ed. Agencies						
Title I-A, Grants to Local Ed. Agencies	84.010A	N/A	120,877	07/01/13	06/30/14	\$ (4,830)
Title I-A, Grants to Local Ed. Agencies	84.010A	N/A	149,468	07/01/14	06/30/15	
Total Title I-A, Grants to Local Ed. Agencies						(4,830)
Title II-A, Improv. Teacher Quality						
Title II-A, Improv. Teacher Quality	84.367A	N/A	3,391	07/01/13	06/30/14	(3,391)
Title II-A, Improv. Teacher Quality	84.367A	N/A	4,145	07/01/14	06/30/15	
Total Title II-A, Improv. Teacher Quality						(3,391)
Special Education Cluster (IDEA)						
IDEA Pre-School	84.027	N/A	2,513	07/01/14	06/30/15	
IDEA B Flow-Through Entitlements	84.027	N/A	49,224	07/01/13	06/30/14	(29,497)
IDEA B Flow-Through Entitlements	84.027	N/A	76,662	07/01/14	06/30/15	
Total Special Education Cluster (IDEA)						(29,497)
Rutgers Grant	84.395	N/A	61,200	07/01/14	06/30/15	
Total Special Revenue Fund						(37,718)
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<b>PASSED-THROUGH STATE</b>						
<b>DEPARTMENT OF EDUCATION:</b>						
Enterprise Fund:						
Child Nutrition Cluster						
National School Lunch Program	10.555	N/A	84,655	07/01/13	06/30/14	(13,791)
National School Lunch Program	10.555	N/A	86,897	07/01/14	06/30/15	
National School Breakfast Program	10.553	N/A	28,443	07/01/13	06/30/14	(4,615)
National School Breakfast Program	10.553	N/A	30,942	07/01/14	06/30/15	
Total Child Nutrition Cluster						(18,406)
Total Enterprise Fund						(18,406)
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>						\$ (56,124)

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

EXHIBIT K-3  
SCHEDULE A

CARRYOVER (WALKOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDI- TURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015		
					ACCOUNTS RECEIVABLE	DEFERRED REVENUE	DUE TO GRANTOR
\$	\$ 4,830	\$	\$	\$	\$	\$	\$
	131,237	149,468			(18,231)		
	136,067	149,468			(18,231)		
	3,391						
	4,145	4,145					
	7,536	4,145					
	2,513	2,513					
	29,497						
	74,104	76,662			(2,558)		
	106,114	79,175			(2,558)		
	54,400	61,200			(6,800)		
	304,117	293,988			(27,589)		
	13,791						
	86,897	86,897					
	4,615						
	30,942	30,942					
	136,245	117,839					
	136,245	117,839					
\$	\$ 440,362	\$ 411,827	\$	\$	\$ (27,589)	\$	\$

GALLOWAY COMMUNITY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	PROGRAM OR AWARD AMOUNT	GRANT PERIOD		BALANCE AT JUNE 30, 2014			CARRYOVER/ (WALKOVER) AMOUNT
			FROM	TO	BUDGETARY RECEIVABLE	DEFERRED REVENUE (ACCTS. REC.)	DUE TO GRANTOR	
<b>STATE DEPARTMENT OF EDUCATION</b>								
General Fund:								
Special Education Aid	15-495-034-5120-089	86,166	7/01/14	6/30/15				
Equalization Aid	15-495-034-5120-014	1,560,023	7/01/14	6/30/15				
Security Aid	15-495-034-5120-084	82,082	7/01/14	6/30/15				
Reimbursed TPAF Social Security Contributions	14-495-034-5120-098	121,991	7/01/14	6/30/15		(6,985)		
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	120,507	7/01/14	6/30/15				
On Behalf TPAF Pension Contributions	15-495-034-5095-006	201,245	7/01/14	6/30/15				
Total General Fund						(6,985)		
<b>STATE DEPARTMENT OF AGRICULTURE</b>								
Enterprise Fund:								
National School Lunch Program (State Share)	14-100-010-3350-023	1,755	7/01/13	6/30/14		(286)		
National School Lunch Program (State Share)	15-100-010-3350-023	1,715	7/01/14	6/30/15				
Total Enterprise Fund						(286)		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>					\$	\$ (7,271)	\$	\$
Less:								
On Behalf TPAF Pension Contributions								
<b>TOTAL STATE FINANCIAL ASSISTANCE SUBJECT TO SINGLE AUDIT</b>								

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

EXHIBIT K-4  
SCHEDULE B

CASH RECEIVED	BUDGETARY EXPENDITURES	ADJUSTMENTS	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015			MEMO	
				(ACCOUNTS RECEIVABLE)	DEFERRED REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
86,166	86,166							86,166
1,560,023	1,560,023							1,560,023
82,082	82,082							82,082
6,985								
119,976	120,507			(531)				120,507
201,245	201,245							201,245
<u>2,056,477</u>	<u>2,050,023</u>			<u>(531)</u>				<u>2,050,023</u>
286								
1,715	1,715							1,715
<u>2,001</u>	<u>1,715</u>							<u>1,715</u>
<u>\$ 2,058,478</u>	<u>\$ 2,051,738</u>	<u>\$</u>	<u>\$</u>	<u>\$ (531)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,051,738</u>
	(201,245)							
	<u>\$ 1,850,493</u>							

**GALLOWAY COMMUNITY CHARTER SCHOOL  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
AWARDS AND FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 - GENERAL**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include federal and state award activity of the Galloway Community Charter School. The Charter School is defined in Note 1 (A) to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**NOTE 2 - BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the 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 when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-4.2.

**GALLOWAY COMMUNITY CHARTER SCHOOL  
 NOTES TO THE SCHEDULES OF EXPENDITURES OF  
 AWARDS AND FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$0) for the general fund and \$7,247 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Charter School’s basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$2,050,023	\$2,050,023
Special Revenue Fund	<u>240,035</u>	<u>                    </u>	<u>240,035</u>
Total Awards and Financial Assistance	<u>\$240,035</u>	<u>\$2,050,023</u>	<u>\$2,290,058</u>

**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.

**NOTE 5 - OTHER**

The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the district for the year ended June 30, 2015. TPAF Social Security Contributions represent the amount reimbursed by the State for the employer’s share of Social Security Contributions for TPAF members for the year ended June 30, 2015.

GALLOWAY COMMUNITY CHARTER SCHOOL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified?  yes  no
- 2) Significant deficiencies identified?  yes  none reported

Non-compliance material to basic financial statements noted?  yes  no

**Federal Awards - NOT APPLICABLE**

Internal control over major programs:

- 1) Material weakness(es) identified?  yes  no
- 2) Significant deficiencies identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
NONE	NONE

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

Auditee qualified as low-risk auditee?  yes  no

GALLOWAY COMMUNITY CHARTER SCHOOL  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

*Section I - Summary of Auditors' Results (Continued)*

**State Awards**

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

Auditee qualified as low-risk auditee?  X  yes   no

Internal control over major programs:

1) Material weakness(es) identified?   yes  X  no

2) Significant deficiencies identified that are not considered to be material weaknesses?   yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 and/or 15-08?   yes  X  no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
15-495-034-5120-014	Equalization Aid

**GALLOWAY COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

*Section II - Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a New Jersey OMB Circular 15-08 audit. See paragraphs 13.15 and 13.35.

NONE

**GALLOWAY COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

This section identifies audit findings required to be reported by NJ OMB Circular Letter 15-08.

**NONE**

**GALLOWAY COMMUNITY CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section identifies the status of prior-year findings related to the basic financial statements and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards* and NJOMB Circular 15-08.

All prior year findings have been corrected.