

Single Audit Report

CAMPUS COMMUNITY SCHOOL
[A Component Unit of the State of Delaware]
Dover, Delaware

Year Ended June 30, 2015



HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

CAMPUS COMMUNITY SCHOOL
[A Component Unit of the State of Delaware]

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Report of Independent Auditor

To Members of the School Board
Campus Community School
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School [the "School"], Dover, Delaware [a component unit of the State of Delaware] as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Campus Community 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, the implementation, and the 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. 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 School'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 School'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, each major fund, and the aggregate remaining fund information of Campus Community School as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require a schedule of budgetary comparison information, a schedule of proportionate share of net pension liability, and a schedule of pension contributions, reflected on pages 24 to 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The School has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campus Community School's basic financial statements. The supplementary information, reflected on pages 27 and 28, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information reflected on pages 27 and 28 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Change in Accounting Principle

The School adopted Governmental Accounting Standards Board [GASB] Statements No. 68 and 71, *Accounting and Financial Reporting for Pensions, and Pension Transition for Contributions Made Subsequent to the Measurement Date*, which state that individual employers must report a proportionate share of the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources, as applicable. Previously, employers only reported the annual contributions they made to the retirement system. The School has determined that changes made to comply with the Statement should be reported as an adjustment of prior periods. Therefore, the School has restated its June 30, 2014 financial statements. For more detail, refer to Note 11.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2015 on our consideration of Campus Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Campus Community School's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of management, the Finance Committee, School Board, others within the School, the Delaware Department of Education, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public record and its distribution is not limited.

Haggerty & Haggerty, P.A.
Certified Public Accountants

August 24, 2015
Wilmington, Delaware

Basic Financial Statements Section

CAMPUS COMMUNITY SCHOOL
STATEMENT OF NET POSITION
As of June 30, 2015

	<u>2015</u>	
	<u>Governmental Activities</u>	
ASSETS		
Current assets:		
Cash and equivalents	\$ 708,540	
Receivables, net of allowance:		
Students	2,300	
Cash held by fiscal agent:		
Debt service for subsequent year	60,849	
Due from other governments	<u>67,020</u>	
Total current assets		\$ 838,709
Noncurrent assets:		
Cash held by fiscal agent:		
Debt service reserves	339,971	
Replacement reserves	<u>200,076</u>	540,047
Capital assets, net of depreciation:		
Nondepreciable	150,000	
Depreciable	<u>4,806,169</u>	<u>4,956,169</u>
Total noncurrent assets		<u>5,496,216</u>
TOTAL ASSETS		<u>6,334,925</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred contributions and changes in proportion related to pension activity		<u>186,452</u>
LIABILITIES		
Current liabilities:		
Accounts payable	17,589	
Accrued salaries and related costs	369,225	
Compensated absences liability, current portion	...	
Bond payable, current portion	<u>80,000</u>	
Total current liabilities		466,814
Noncurrent liabilities:		
Compensated absences liability, net of current portion	55,200	
Net pension liability	419,116	
Bond payable, net of current portion	<u>3,560,000</u>	
Total noncurrent liabilities		<u>4,034,316</u>
TOTAL LIABILITIES		<u>4,501,130</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred investment earnings related to pension activity		<u>663,138</u>
NET POSITION		
Net investment in capital assets		1,316,169
Restricted for:		
Specific programs		480
Educational commitment		36,667
Debt service for subsequent year		60,849
Debt service reserves	339,971	
Replacement reserves	<u>200,076</u>	540,047
Unrestricted (liability)		<u>(597,103)</u>
TOTAL NET POSITION		<u>\$ 1,357,109</u>

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions	Expenses	Program Revenue			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Grants and Operating	Contributions Capital	Governmental Activities Primary Government
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ 3,164,211	\$ 20,144	\$ 647,317	\$...	\$(2,496,750)
Supporting services:					
Operation and maintenance of facilities	147,883	...	...	...	(147,883)
Transportation	209,030	...	337,754	...	128,724
Food services	151,709	27,378	82,280	...	(42,051)
Interest on long-term debt	264,150	...	...	...	(264,150)
Depreciation-unallocated	177,783	...	...	...	(177,783)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 4,114,766</u>	<u>\$ 47,522</u>	<u>\$ 1,067,351</u>	<u>\$...</u>	<u>\$(2,999,893)</u>
GENERAL REVENUES AND TRANSFERS					
					536,919
Charges to school districts					2,938,686
State funding not restricted to specific purposes					2,840
Earnings on cash and equivalents					4,984
Miscellaneous revenues					
Total general revenues and transfers					<u>3,483,429</u>
CHANGE IN NET POSITION					
					483,536
NET POSITION					
Beginning of year, as previously reported					2,032,226
Adjustment to opening net position [Note 11]					<u>(1,158,653)</u>
Beginning of year, as restated					<u>873,573</u>
End of year					<u>\$ 1,357,109</u>

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOL
BALANCE SHEET-GOVERNMENTAL FUNDS
As of June 30, 2015

	Governmental Funds		
	General Fund	Debt Service Fund	Total
ASSETS			
Cash and equivalents	\$ 708,540	\$...	\$ 708,540
Receivables, net of allowance:			
Students	2,300	...	2,300
Cash held by fiscal agent:			
Debt service for subsequent year	...	60,849	60,849
Debt service reserves	...	339,971	339,971
Replacement reserves	...	200,076	200,076
Due from other governments	67,020	...	67,020
TOTAL ASSETS	<u>\$ 777,860</u>	<u>\$ 600,896</u>	<u>\$ 1,378,756</u>
LIABILITIES			
Accounts payable	\$ 17,589	\$...	\$ 17,589
Accrued salaries and related costs	369,225	...	369,225
Total liabilities	<u>386,814</u>	<u>...</u>	<u>386,814</u>
FUND BALANCES			
Restricted for:			
Specific programs	480	...	480
Educational commitment	36,667	...	36,667
Debt service	...	400,820	400,820
Replacement reserves	...	200,076	200,076
Unassigned	353,899	...	353,899
Total fund balances	<u>391,046</u>	<u>600,896</u>	<u>991,942</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 777,860</u>	<u>\$ 600,896</u>	<u>\$ 1,378,756</u>

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOL

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2015

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances-total governmental funds	\$ 991,942
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. At June 30, 2015, the total cost of capital assets is \$7,078,657, and the related accumulated depreciation is \$2,122,488, respectively.	4,956,169
Compensated absences are not due and payable for the period reported, and are therefore not reported in the fund financial statements.	(55,200)
Bond payable is not due and payable in the current period; therefore, the bond payable is not reported in the governmental funds.	(3,640,000)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(419,116)
Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pension activity of \$186,452 consists of \$0 of deferred outflows of resources pension expense and \$186,452 of deferred outflow of 2015 employer contributions related to the pension.	186,452
Deferred inflows of resources related to pension activity.	<u>(663,138)</u>
Net position-governmental activities	<u>\$ 1,357,109</u>

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOLSTATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Governmental Funds		
	General Fund	Debt Service Fund	Total
REVENUES			
Charges to school districts	\$ 536,919	\$...	\$ 536,919
State funding	3,415,107	...	3,415,107
Federal funding	588,560	...	588,560
Earnings on cash and equivalents	2,778	62	2,840
Food services fees	27,378	...	27,378
Program services fees	20,144	...	20,144
Contributions	2,370	...	2,370
Miscellaneous revenues	4,984	...	4,984
Total revenues	4,598,240	62	4,598,302
EXPENDITURES			
Current:			
Instructional services	3,418,198	...	3,418,198
Supporting services:			
Operation and maintenance of facilities	147,883	...	147,883
Transportation	209,030	...	209,030
Food services	151,709	...	151,709
Capital outlay	4,050	...	4,050
Debt service:			
Interest	...	75,000	75,000
Principal	...	264,150	264,150
Total expenditures	3,930,870	339,150	4,270,020
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	667,370	(339,088)	328,282
OTHER FINANCING SOURCES (USES)			
Operating transfers	(339,265)	339,265	...
Refund of prior years expenditures	...	...	...
Total other financing sources (uses)	(339,265)	339,265	...
NET CHANGE IN FUND BALANCES	328,105	177	328,282
FUND BALANCES			
Beginning of year	62,941	600,719	663,660
End of year	\$ 391,046	\$ 600,896	\$ 991,942

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND

CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Governmental
Funds

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds \$ 328,282

In the governmental funds capital outlay is reported as expenditures. However, in the statement of activities, assets with an initial, individual cost of \$5,000 [land improvement \$10,000] or more are capitalized and the cost is allocated over the estimated useful lives of the capital assets and reported as depreciation expense. The following table reflects the amount by which depreciation either exceeds or is less than capital outlay for the period presented.

<u>Description</u>	<u>Amount</u>	
Capital outlay	\$	
Depreciation expense	<u>(177,783)</u>	(177,783)

In the statement of activities, certain operating expenses such as compensated absences [vacation] are measured by the amounts earned during the period. In governmental funds, however, expenditures for these items are measured by the amount of the financial resources used [essentially, amounts actually paid]. Compensated absences liability increased by \$4,814 for the period presented.

(4,814)

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due; and in the statement of activities, interest is recognized as an expense as it accrues, regardless of when it is due.

75,000

Governmental funds report School pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

<u>Description</u>	<u>Amount</u>	
School pension contributions- fiscal year 2015	\$ 186,452	
Cost of the benefits earned net of contributions [pension expense]	<u>76,399</u>	<u>262,851</u>

Change in net position-governmental activities \$ 483,536

The accompanying notes are an integral part of the basic financial statements

CAMPUS COMMUNITY SCHOOL
STATEMENT OF FIDUCIARY NET POSITION-AGENCY FUND
As of June 30, 2015

Student Activities Fund

ASSETS

Cash and equivalents \$ 9,313

LIABILITIES

Due to student groups \$ 9,313
Due to other groups

TOTAL LIABILITIES \$ 9,313

The accompanying notes are an integral
part of the basic financial statements

NOTE 1 - NATURE OF THE GOVERNMENT

Campus Community School is organized under Title 14, Chapter 5 of the State of Delaware Code. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they cannot levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public [State] funds are not provided for charter school facilities. Charter schools may charge for selected additional services consistent with those permitted by the State's school districts. Because charter schools receive local, state, and federal funds, they may not charge tuition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Campus Community School, Dover, Delaware [the "School"] which is located in Dover, Delaware have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting policies of the School are as follows:

Reporting Entity

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered responsible or financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements [statement of net position and statement of activities] report financial information on all of the nonfiduciary activities of the School. For the most part, the effects of interfund activity have been removed from the financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include charges to students or other third parties who purchase or directly benefit from the goods and services provided, and grants and contributions that are restricted to meeting the operating or capital requirements of a particular function.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Accounting Basis, & Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the financial statements of the fiduciary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all of the eligibility requirements imposed by the provider are met.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School generally considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and postemployment healthcare benefits, are recorded only when payment is due.

Charges to school districts, contributions, and interest earned associated with the fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the fiscal year. Generally, all other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental funds:

- The **general fund** is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- The **debt service fund** is maintained to accumulate resources for the payment of interest and principal on long-term general obligation debt and the accumulation of replacement reserves for building maintenance.

Additionally, the School reports the following fund type:

- The **student activities agency fund** [a fiduciary fund] accounts for assets held on behalf of student groups. Since the agency fund is custodial in nature, the fund does not present results of operations.

Amounts reported as program revenues include 1) charges to students for special fees, materials, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Cash and Equivalents

The School's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

At June 30, 2015, the accounts receivable is reflected net of an estimated uncollectible allowance of \$758. The allowance is based on historical data established according to experience and other factors which in the judgment of management deserves recognition in estimating possible future losses.

Receivables and Payables

Activities between the funds representing lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/payable" [current portion] or "advances from/to other funds" [noncurrent]. At June 30, 2015, the School has no such activities.

Advances between the funds reported in the fund financial statements, when present, are offset by a fund balance reserve account in the governmental funds to indicate that the advances are not available for appropriation and are not expendable available financial resources.

Prepayments and Other Assets

Payments made to vendors for services [e.g., insurance, rents, etc.] that will benefit periods beyond the current period are recorded as prepayments and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

Capital Assets

Capital assets, which include a building and improvements, and furniture and equipment, are reported in the government-wide financial statements. The School defines a capital asset as an asset with an initial, individual cost of \$5,000 [land improvement \$10,000] or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value as of the date of donation. The cost of normal maintenance and repairs that do not add to the value or materially extend the life of an asset is not capitalized. Major outlays for capital assets are capitalized as projects are constructed; however, the interest cost incurred during construction is not capitalized.

Building and improvements, and furniture and equipment are depreciated using the straight-line method over their estimated useful lives ranging between 5 to 40 years.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability. When present, the bond premiums and discounts are deferred and amortized over the life of the bond.

In the fund financial statements, the governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources, and the premiums received and discounts paid on the debt issuances are reported as other financing sources and uses. The issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refunding paid from proceeds of the issuance which are reported as other financing sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences Liability

Vacation pay, plus related payroll taxes, is accrued when incurred in the government-wide financial statements. However, in the governmental funds, a liability is reported when the amount has matured, for example, as a result of an employee's resignation or retirement.

Vacation-Twelve-month employees can accumulate up to 42 days of vacation. Days in excess of 42 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination, retirement, etc. at the current rate of pay.

Sick Leave-Sick leave is earned as follows: 10 days for ten-month employees, 11 days for eleven-month employees, and 12 days for twelve-month employees. Unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is paid when an employee [a] qualifies and applies for State pension is paid at a rate of 50% of the per diem rate of pay not to exceed 90 days or [b] at death, payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The School has one item that qualifies for reporting in this category. This item is deferred contributions and changes in proportion related to the School's pension activity. The amount is reported in the statement of net position and is deferred and amortized over a six year period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources [revenue] until that time. The School has one item that qualifies for reporting in this category; that item is the deferred investment earnings related to pension activity. This item is reported only in the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental funds. Encumbrances [e.g., purchase orders and contracts] outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2015, the School has no encumbrances outstanding.

Use of Estimates

Preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses or expenditures during the reporting period. Accordingly, the actual results may differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

The net position, in the government-wide financial statements, is reported in three categories: net position invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The net position invested in capital assets represents capital assets less accumulated depreciation less outstanding principal of the related debt. The net position invested in capital assets does not include any unspent proceeds of capital debt. Restricted net position represents net assets restricted by parties outside of the School [such as creditors, grantors, contributors, laws, and regulations of other governments] and also include unspent grant awards not considered refundable advances. All other net position is considered unrestricted.

The School follows the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for its governmental funds. Under GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid amounts, inventories, assets held for sale, and long-term receivables.
- **Restricted fund balance**-Constraints placed on the use of these amounts are either externally imposed by creditors [such as debt covenants], grantors, contributors, or other governments; or imposed by the law through constitutional provisions or enabling legislation.
- **Committed fund balance**-Amounts that can only be used for specific purposes because of a formal action [resolution] by the School's highest level of decision-making authority: the School Board.
- **Assigned fund balance**-Amounts that are constrained by the School's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the School Board, or by an official to whom that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all the governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service [IRS] Code. However, income from certain activities not directly related to the School's tax exempt purpose is subject to taxation as unrelated business income. In addition, the School qualifies for the charitable contribution deduction under IRS Section 170(b)(1)(A) and as such has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to the "Accounting for Uncertainty in Income Taxes" recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the School for the three prior fiscal years are subject to examination by the IRS, generally for three years after they are filed. The tax positions taken by management for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken. The School has no uncertain tax positions that qualify for recognition in the financial statements.

NOTE 3 - CASH AND EQUIVALENTS

The School's deposits [cash and equivalents] consist of the following:

Deposits Held by the State of Delaware

At June 30, 2015, the School has cash and equivalents of \$698,285. These deposits are part of the State investment pool that is controlled and administered by the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the same State office. The deposits are considered to be highly liquid and available for immediate use and, thus, are reflected as cash equivalents in the financial statements. The deposits held by the State's investment pool, an internal investment pool, are specifically identified for the School; however, credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with remaining maturity at the time of purchase [one year or less] are stated at cost or amortized cost.

Deposits Held by Financial Institutions

At June 30, 2015, the reported amount of deposits maintained by the School outside of the State Treasurer's Office is \$19,568 [book value]. The deposits of \$28,794 at June 30, 2015 held by the one financial institution are insured by the Federal Deposit Insurance Corporation [FDIC].

Deposits Held by Fiscal Agent

According to the trust indenture and bond agreement with BNY Mellon Bank, the School sets aside money for payments required by the Bond Issue, Series 2011. As of June 30, 2015, the balance of the fund and the bank balance is \$600,896, all of which was restricted for debt service, debt service reserves, and replacement reserves. The financial instruments which potentially subject the School to concentrations of credit risk are principally cash and equivalents. These financial instruments consist of investments held by financial institutions in FDIC insured Money Market accounts or U.S. Treasury instruments backed by the U.S. Government.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments represent receivables for revenues earned by the School. At June 30, the intergovernmental receivables are:

Description	Amount
State of Delaware	\$...
Passed through the State of Delaware:	
Local school districts	...
Federal government-Department of Agriculture	...
Federal government-Department of Education	67,020
Total intergovernmental receivables	67,020
Less: Allowance for uncollectible amounts	...
Total amount due from other governments	\$ 67,020

NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30 is as follows:

Description	As of and Year Ended June 30, 2015			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not depreciated:				
Land	\$ 150,000	\$...	\$...	\$ 150,000
Total capital assets, not being depreciated	150,000	...	...	150,000
Capital assets, being depreciated:				
Building and improvements	6,872,929	...	...	6,872,929
Furniture and equipment	55,728	...	...	55,728
Totals	6,928,657	...	...	6,928,657
Less accumulated depreciation:				
Building and improvements	1,910,499	169,820	...	2,080,319
Furniture and equipment	34,206	7,963	...	42,169
Totals	1,944,705	177,783	...	2,122,488
Total capital assets, being depreciated	\$4,983,952	\$ 177,783	\$...	\$4,806,169

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

The following table summarizes the changes in long-term debt obligations:

Description	As of and Year Ended June 30, 2015				
	Long-Term Obligations			Ending Balance	Due Within One Year
	Beginning Balance	Additions	Deletions		
General obligation:					
Revenue bonds-Series 2011	\$3,715,000	\$...	\$ 75,000	\$3,560,000	\$ 80,000
Other long-term debt:					
Compensated absences	50,386	4,814	...	55,200	...
Total governmental activity	\$3,765,386	\$ 4,814	\$ 75,000	\$3,615,200	\$ 80,000

The compensated absences liability for governmental activities is generally liquidated with general fund resources.

NOTE 6 - LONG-TERM DEBT OBLIGATIONS (continued)

Revenue Bonds, Series 2011

On May 1, 2011, Kent County, Delaware issued Variable Rate Demand/Fixed Rate Refunding Revenue Bonds, Series 2011 in the amount of \$3,930,000. The School used the proceeds of the revenue bonds to [1] pay off the bonds, Series 2002; [2] renovate existing buildings located at 310-334 and 346-350 Pear Street, Dover, Delaware, into classrooms, other academic areas, a gymnasium, a lunchroom and other accessory school uses; and [3] pay for costs related to the issuance of the revenue bonds. The revenue bonds were issued pursuant to a Trust Indenture dated May 1, 2011, between Kent County and the BNY Mellon, as the trustee. Kent County loaned the proceeds of the revenue bonds to Campus Community School.

The revenue bonds are to be repaid over 27 years with final payment due and redemption of the bonds through 2037. The interest rate is 5.75 percent starting with fiscal year 2012, and 7.375 percent starting with fiscal year 2022. The revenue bonds are secured with the land, building and improvements located at Pear Street, Dover, Delaware.

Maturities of the bond payable, including interest, are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 80,000	\$ 259,838	\$ 339,838
2017	80,000	255,238	335,238
2018	85,000	250,638	335,638
2019	90,000	245,750	335,750
2020	95,000	240,575	335,575
2021-2025	585,000	1,102,044	1,687,044
2026-2030	835,000	853,288	1,688,288
2031-2035	1,185,000	497,444	1,682,444
2036-2037	<u>605,000</u>	<u>67,850</u>	<u>672,850</u>
Total bonds	<u>3,640,000</u>	<u>3,772,665</u>	<u>7,412,665</u>
Less: Current portion	<u>80,000</u>	<u>259,838</u>	<u>339,838</u>
Long-term portion	<u>\$3,560,000</u>	<u>\$3,512,827</u>	<u>\$7,072,827</u>

NOTE 7 - PENSION PLAN

The School's pension plan is part of the State Employees' Pension Plan [the Plan] which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending the Plan's provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the Board]. The management of the Plan is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2015. For a more complete description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

Separately issued financial statements for [DPERS] are available from the Delaware pension office at: McArde Building, Suite 1; 860 Silver Lake Boulevard; Dover, Delaware 19904.

NOTE 7 - PENSION PLAN (continued)

General Information About the Plan

Plan Description and Eligibility: The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities such as the School. There are two tiers within the Plan: 1) Employees hired prior to January 1, 2012 [Pre-2012], and 2) Employees hired on or after January 1, 2012 [Post-2011].

Service Benefits: Final average monthly compensation [employee hired Post-2011 may not include overtime in pension compensation] multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For the Plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting: Pre-2012 date of hire: 5 years of credited service. Post-2011 date of hire: 10 years of credited service.

Retirement: Pre-2012 date of hire: age 62 with 5 years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service at any age. Post-2011 date of hire: age 65 with at least 10 years of credited service; age 60 with 20 years of credited service; and 30 years of credited service at any age.

Disability Benefits: Pre-2012 date of hire: same as Service Benefits. The employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of the Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire - in the Disability Insurance Program.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension [or 75% with 3% reduction of benefit]; if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the benefit the employee would have received at age 62.

Burial Benefit: \$7,000 per member.

Contributions:

- Employer: Determined by the Board. Employer contributions were 9.5% and 8.9% of earnings for fiscal years 2014 and 2013, respectively.
- Pre-2012 date of hire Member: 3% of earnings in excess of \$6,000.
- Post-2011 date of hire Member: 5% of earnings in excess of \$6,000.

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

At June 30, the School reported a pension liability of \$419,116 for its proportionate share of the net pension liability. 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 School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating schools, actuarially determined. At June 30, 2014, the School's proportion was 0.1138 percent, which was a decrease of 0.0144 percent from its proportion measured as of June 30, 2013.

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

As a result of its requirement to contribute to DPERS, the School recognized pension expense of \$76,399 for the year ended June 30, 2015. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

Description	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$...	\$...
Changes of assumptions	...	...
Net difference between projected and actual earnings on pension plan investments	...	533,422
Contributions subsequent to measurement date	186,452	...
Change in proportion and differences between School contributions and proportionate share of contributions	...	129,716
Totals	\$ 186,452	\$ 663,138

\$186,452 reported as deferred outflows of resources related to the pension resulting from 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 the pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 132,628
2017	132,628
2018	132,628
2019	132,628
2020	132,626
Total	\$ 663,138

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages
Inflation	3.00%
Projected salary increases	3.50% to 11.50%, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation rate of 3.00%
Cost-of-living adjustments	Ad hoc

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

NOTE 7 - PENSION PLAN (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments [ad hoc COLAs] as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return [expected returns, net of investment expense and inflation] are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected Plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.70%
International equity	5.70%
Fixed income	2.00%
Alternative investments	7.80%
Cash and equivalents	0.00%

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate: The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease [6.20%]	Current Discount Rate [7.20%]	1% Increase [8.20%]
Employees of Campus Community School	\$ 1,570,389	\$ 419,116	\$ (554,102)

NOTE 8 - RISK MANAGEMENT

The School purchases commercial insurance policies in response to risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. The premium payments for the insurance policies are recorded as expenditures/expenses of the School; and the insurance settlements did not exceed insurance coverage.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate any significant losses from these transactions.

Government Awards

The School participates in certain state and local awards not subject to the audit requirements of OMB Circular A-133. These awards may be subjected to oversight audits by the grantors and/or their representatives. No audits of these grant awards have been conducted as of June 30, 2015. Accordingly, the School's compliance with applicable award requirements will be established at some future date. The amount of costs which may be disallowed by these agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial to the financial statements.

Government Awards Subject to OMB A-133

The School participates in certain federal grant awards subject to the audit requirements of OMB Circular A-133. A compliance audit of the federal grant awards has been conducted as of and for the year ended June 30, 2015. The compliance audit did not identify any questioned costs; however, questioned costs may exist which have not been identified. The amount of costs not identified which could be disallowed by federal agencies at some future date cannot be determined at this time although the School expects such amounts, if any, to be immaterial to the financial statements.

Educational Commitment

The School is committed in providing educational cost reimbursements to a maximum of \$36,667. The commitment expires April 14, 2021 whether or not reimbursements are requested.

Leasing Arrangements

The School has leasing arrangements for certain copier equipment requiring a total monthly payment of \$554.59 [\$436.06 and \$118.53] for the lease period of 36 months. The leases expire July of 2018.

Litigation

A potential claim is pending against the School. In the opinion of School management and legal counsel, the potential losses, if any, on the claim are not yet determinable since the claim is in the early stages; therefore, the financial statement impact cannot be determined at this time.

NOTE 10 - GASB STATEMENT IMPLEMENTATION

The School has implemented GASB Statements No. 68 and 71, *Accounting for Financial Reporting for Pensions*, and *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Statements' primary objective is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements resulted in a reduction of net position by \$1,158,653 at June 30, 2014.

The School has implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The Statement's objective is to improve financial reporting by [1] clarifying the definition of fair value for financial reporting purposes, [2] establishing general principles for measuring fair value, [3] providing additional fair value application guidance, and [4] enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

NOTE 11 - RESTATEMENT OF BEGINNING NET POSITION

Net position of the School has been decreased by \$1,158,653 at June 30, 2014 resulting from the implementation of GASB Statement No. 68.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Management has determined that no additional disclosures or adjustments are necessary.

Required Supplementary Information [RSI] Section

CAMPUS COMMUNITY SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 546,480	\$ 544,121	\$ 536,919	\$ (7,202)
State funding	3,507,284	3,414,665	3,415,107	442
Federal funding-education	663,210	663,210	506,280	(156,930)
Federal funding-food service	95,000	82,280	82,280	...
Earnings on cash and equivalents	...	...	2,778	2,778
Food services fees	...	27,378	27,378	...
Program services fees	...	16,884	20,144	3,260
Contributions	...	6,254	2,370	(3,884)
Miscellaneous revenues	...	...	4,984	4,984
Total revenues	<u>4,811,974</u>	<u>4,754,792</u>	<u>4,598,240</u>	<u>(156,552)</u>
EXPENDITURES				
Current:				
Salaries	2,192,727	2,122,249	2,073,709	48,540
Employment costs	1,120,199	1,037,236	1,024,938	12,298
Travel	2,454	3,850	3,850	...
Contracted services	232,300	247,924	223,473	24,451
Communications	6,000	3,018	3,018	...
Public utility services	106,500	90,696	84,554	6,142
Insurance	18,500	15,218	15,218	...
Transportation	190,580	184,882	209,030	(24,148)
Land/Building/Facilities	8,268	8,272	8,619	(347)
Repairs and maintenance	35,000	39,604	39,492	112
Supplies and materials	171,301	117,838	89,210	28,628
Food services	95,000	137,181	151,709	(14,528)
Capital outlay	10,000	550	4,050	(3,500)
Debt service	339,265	339,265	339,265	...
Total expenditures	<u>4,528,094</u>	<u>4,347,783</u>	<u>4,270,135</u>	<u>77,648</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>283,880</u>	<u>407,009</u>	<u>328,105</u>	<u>(78,904)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	...	...	339,265	...
Operating transfers out	...	...	(339,265)	...
Total other financing sources (uses)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
NET CHANGE IN FUND BALANCES	<u>283,880</u>	<u>407,009</u>	<u>328,105</u>	<u>(78,904)</u>
FUND BALANCES (DEFICIT)				
Beginning of year	...	...	62,941	62,941
End of year	<u>\$ 283,880</u>	<u>\$ 407,009</u>	<u>\$ 391,046</u>	<u>\$ (15,963)</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School annually adopts a budget for the general fund. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. Budgets for the governmental funds are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule for the general fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Generally, unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Material Violations

There were no material violations of the annual appropriated budget for the general fund for the current fiscal year.

See Report of Independent Auditor

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Year Ended June 30, 2015

	<u>2015</u>
School's proportion of net pension liability (asset)	<u>0.1138%</u>
School's proportionate share of net pension liability (asset)	<u>\$ 419,116</u>
School's covered-employee payroll	<u>\$ 2,194,312</u>
School's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>19.10%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>95.80%</u>

See Report of Independent Auditor

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF PENSION CONTRIBUTIONS
Year Ended June 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 186,452
Contributions in relation to contractually required contribution	<u>186,452</u>
Annual contribution (deficiency) excess	<u>\$...</u>
School covered-employee payroll	<u>\$ 2,100,965</u>
Contributions as percentage of covered-employee payroll	<u>8.87%</u>

See Report of Independent Auditor

Supplementary Information Section

CAMPUS COMMUNITY SCHOOL
BALANCE SHEET-GENERAL FUND
As of June 30, 2015

	2015			
	State Fund	Local Fund	Federal Fund	Total General Fund
ASSETS				
Cash and equivalents	\$ 899	\$ 707,641	\$...	\$ 708,540
Receivables, net of allowance:				
Students	...	2,300	...	2,300
Due from other governments	...	...	67,020	67,020
TOTAL ASSETS	<u>\$ 899</u>	<u>\$ 709,941</u>	<u>\$ 67,020</u>	<u>\$ 777,860</u>
LIABILITIES				
Accounts payable	\$ 13,912	\$ 3,299	\$ 378	\$ 17,589
Accrued salaries and related costs	...	302,583	66,642	369,225
Total liabilities	<u>13,912</u>	<u>305,882</u>	<u>67,020</u>	<u>386,814</u>
FUND BALANCES (DEFICIT)				
Restricted for:				
Specific programs	...	480	...	480
Educational commitment	...	36,667	...	36,667
Unassigned	(13,013)	366,912	...	353,899
Total fund balances	<u>(13,013)</u>	<u>404,059</u>	<u>...</u>	<u>391,046</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 899</u>	<u>\$ 709,941</u>	<u>\$ 67,020</u>	<u>\$ 777,860</u>

See Report of Independent Auditor

CAMPUS COMMUNITY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GENERAL FUND
Year Ended June 30, 2015

	2015			Total General Fund
	State Fund	Local Fund	Federal Fund	
REVENUES				
Charges to school districts	\$...	\$ 536,919	\$...	\$ 536,919
State funding	3,363,835	51,272	...	3,415,107
Federal funding	...	82,280	506,280	588,560
Earnings on cash and equivalents	...	2,778	...	2,778
Food services fees	...	27,378	...	27,378
Program services fees	...	20,144	...	20,144
Contributions	...	2,370	...	2,370
Miscellaneous revenues	...	4,984	...	4,984
Total revenues	<u>3,363,835</u>	<u>728,125</u>	<u>506,280</u>	<u>4,598,240</u>
EXPENDITURES				
Current:				
Salaries	1,726,062	42,746	304,901	2,073,709
Employment costs	844,129	80,918	99,891	1,024,938
Travel	2,175	421	1,254	3,850
Contracted services	131,653	21,692	70,128	223,473
Communications	2,746	272	...	3,018
Public utility services	74,486	10,068	...	84,554
Insurance	11,405	3,813	...	15,218
Transportation	184,535	...	24,495	209,030
Land/Building/Facilities	7,930	689	...	8,619
Repairs and maintenance	25,502	13,390	600	39,492
Supplies and materials	83,740	1,623	3,847	89,210
Food services	...	151,709	...	151,709
Capital outlay	190	2,696	1,164	4,050
Debt service:				
Interest	...	...	...	...
Principal	...	...	...	...
Total expenditures	<u>3,094,553</u>	<u>330,037</u>	<u>506,280</u>	<u>3,930,870</u>
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	<u>269,282</u>	<u>398,088</u>	<u>...</u>	<u>667,370</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers	(270,239)	(69,026)	...	(339,265)
Refund of prior years expenditures	...	...	...	...
Total other financing sources (uses)	<u>(270,239)</u>	<u>(69,026)</u>	<u>...</u>	<u>(339,265)</u>
NET CHANGE IN FUND BALANCES	<u>(957)</u>	<u>329,062</u>	<u>...</u>	<u>328,105</u>
FUND BALANCES (DEFICIT)				
Beginning of year	<u>(12,056)</u>	<u>74,997</u>	<u>...</u>	<u>62,941</u>
End of year	<u>\$ (13,013)</u>	<u>\$ 404,059</u>	<u>\$...</u>	<u>\$ 391,046</u>

See Report of Independent Auditor

Reports Required by

OMB Circular A-133



HAGGERTY & HAGGERTY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

James R. Zdimal, CPA†
Vincent S. Barbone, CPA, CFE*†

**Report of Independent Auditor
on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of the Financial Statements
Performed in Accordance with Government Auditing Standards**

To Members of the School Board
Campus Community School
Dover, Delaware

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School [a component unit of the State of Delaware], as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements, and have issued our report thereon dated August 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Campus Community 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 Campus Community School's internal control. Accordingly, we do not express an opinion on the effectiveness of Campus Community 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 School'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 Campus Community 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*.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haggerty & Haggerty, P.A.

Certified Public Accountants

August 24, 2015
Wilmington, Delaware



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**Report of Independent Auditor
on Compliance for Each Major Program and on Internal Control
over Compliance Required by OMB Circular A-133**

To the Board of Directors
Campus Community School
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited Campus Community School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Campus Community School's [a component unit of the State of Delaware] major federal programs for the year ended June 30, 2015. Campus Community School's major federal 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 programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Campus Community School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campus Community School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Campus Community School's compliance.

Opinion on Each Major Federal Program

In our opinion, Campus Community School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Campus Community 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 Campus Community School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Campus Community School's internal control over compliance.

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

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

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

Report of Schedule of Expenditures of Federal Awards Required By OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements. We issued our report thereon dated August 24, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Haggerty & Haggerty, P.A.
Certified Public Accountants

August 24, 2015
Wilmington, Delaware

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND RELATED DISCLOSURES
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State of Delaware, Department of Education [DOE]:			
[1] School Breakfast Program [SBP]	10.553	FSF-91100	\$ 19,679
[1] National School Lunch Program [NSLP]	10.555	FSF-91100	62,601
Children Nutrition Discretionary Grants Limited Availability	10.579	FSF-40411	<u>2,050</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 84,330</u>
NATIONAL ENDOWMENT FOR THE ARTS			
Passed through State of Delaware, Delaware Division of the Arts:			
Promotion of the Arts Partnership Agreements	45.025	FSF-40546	\$ <u>1,400</u>
TOTAL NATIONAL ENDOWMENT FOR THE ARTS			<u>\$ 1,400</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Delaware, Department of Education [DOE]:			
Title I Grants to Local Educational Agencies	84.010	Title I, Pt A FSF-40554	\$ 131,949
Special Education-Grants to States	84.027	IDEA, Part B FSF-40564	82,667
Twenty-First Century Community Learning Centers	84.287	21st CCLC FSF-40240	225,189
Improving Teacher Quality State Grants	84.367	Title II-IASA FSF-40114	<u>63,025</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>\$ 502,830</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 588,560</u>

Note: Number next to program description indicates federal award clusters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of all known federal awards received by Campus Community School. Campus Community School's reporting entity is defined in Note 2 of the financial statements. Only the federal awards received by Campus Community School are included on this schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 2 of the School's financial statements.

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]. unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified? yes x none reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]. unmodified

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers

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

Auditee qualified as low-risk auditee? x yes no

SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported.

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINDINGS-FINANCIAL STATEMENT AUDIT

None reported or outstanding.

SECTION III - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported or outstanding.