



CAMPUS COMMUNITY SCHOOL
(A Component Unit of the State of Delaware)
DOVER, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2012

CAMPUS COMMUNITY SCHOOL
(A Component Unit of the State of Delaware)

Table of Contents

INDEPENDENT AUDITORS' REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
Statements of Net Position	3
Statement of Activities	
- For the Year Ended June 30, 2012	4
- For the Year Ended June 30, 2011	5
Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	8
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to Statement of Activities	9
Statements of Fiduciary Net Position - Agency Fund	10
Notes to Financial Statements	11 - 20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Governmental Funds	21
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	23
Schedule of Expenditures by Natural Classification - Governmental Funds	24

CAMPUS COMMUNITY SCHOOL
(A Component Unit of the State of Delaware)

Table of Contents

SINGLE AUDIT INFORMATION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	27 - 28
Schedule of Expenditures of Federal Awards	29
Notes to Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Recommendations	31 - 33

INDEPENDENT AUDITORS' REPORT

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

March 22, 2013

Board of Directors
Campus Community School
Dover, Delaware

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Campus Community School (the "School"), a component unit of the State of Delaware, Dover, Delaware, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2011 financial statements and, in our report dated March 5, 2012 we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information.

Except as disclosed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We were unable to confirm cash and cash equivalents at June 30, 2012, and we were unable to obtain sufficient appropriate audit evidence regarding the ending cash and cash equivalents balance at June 30, 2012 by other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the cash and cash equivalents at June 30, 2012, 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, 2012, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Campus Community School

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, which 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campus Community School's financial statements. The schedules on pages 22 - 24 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records use to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Campus Community School has omitted the management's discussion and analysis 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, which 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.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

BASIC FINANCIAL STATEMENTS

**CAMPUS COMMUNITY SCHOOL
STATEMENTS OF NET POSITION
JUNE 30, 2012 AND 2011**

	Governmental Activities	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 941,848	\$ 1,057,043
Cash and cash equivalents - restricted	628,296	606,172
Receivable:		
Delaware school districts	11,901	11,892
Total Current Assets	1,582,045	1,675,107
NONCURRENT ASSETS:		
Capital assets, net of depreciation	5,362,324	5,540,426
Bond issuance cost, net of amortization	287,191	298,679
Total Noncurrent Assets	5,649,515	5,839,105
TOTAL ASSETS	\$ 7,231,560	\$ 7,514,212
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,348	\$ 33,624
Accrued salaries and related costs	601,281	603,785
Bond payable	65,000	80,000
Total Current Liabilities	685,629	717,409
NONCURRENT LIABILITIES:		
Compensated absences	126,827	161,334
Bond payable	3,785,000	3,850,000
Total Noncurrent Liabilities	3,911,827	4,011,334
TOTAL LIABILITIES	4,597,456	4,728,743
 NET POSITION:		
Invested in capital assets, net of related debt	1,512,324	1,610,426
Reserved for debt service	628,296	606,172
Unrestricted	493,484	568,871
Total Net Position	2,634,104	2,785,469
TOTAL LIABILITIES AND NET POSITION	\$ 7,231,560	\$ 7,514,212

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

**CAMPUS COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (5,572,291)	\$ 693,797	\$ -	\$ (4,878,494)	
Support services:					
Operation and maintenance of facilities	(427,830)	-	-	(427,830)	
Transportation	(213,127)	-	-	(213,127)	
School lunch services	(145,084)	151,119	-	6,035	
Interest and financing costs on long-term debt	(268,798)	-	-	(268,798)	
TOTAL GOVERNMENTAL ACTIVITIES	\$ (6,627,130)	\$ 693,797	\$ -	(5,782,214)	
GENERAL REVENUES					
Charges to school districts				667,646	
Payments from primary government				4,755,766	
Earnings on cash and investments				7,438	
Donation in-kind				199,999	
TOTAL GENERAL REVENUES				5,630,849	
CHANGE IN NET POSITION				(151,365)	
NET POSITION, BEGINNING OF YEAR				2,785,469	
NET POSITION, END OF YEAR				\$ 2,634,104	

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

**CAMPUS COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position Total
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (5,336,067)	\$ -	\$ 600,162	\$ -	\$ (4,735,905)
Support services:					
Operation and maintenance of facilities	(400,984)	-	-	-	(400,984)
Transportation	(215,212)	-	-	-	(215,212)
School lunch services	(132,156)	143,774	-	-	11,618
Interest and financing costs on long-term debt	(852,756)	-	-	-	(852,756)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (6,937,175)	\$ 143,774	\$ 600,162	\$ -	(6,193,239)
GENERAL REVENUES					
Charges to school districts					781,072
Payments from primary government					4,641,203
Earnings on cash and investments					11,796
Donation in-kind					199,999
TOTAL GENERAL REVENUES					5,634,070
CHANGE IN NET POSITION					(559,169)
NET POSITION, BEGINNING OF YEAR					3,344,638
NET POSITION, END OF YEAR					\$ 2,785,469

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

**CAMPUS COMMUNITY SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012
(With Summarized Comparative Totals for June 30, 2011)**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	
			<u>2012</u>	<u>2011</u>
ASSETS				
Cash and cash equivalents	\$ 941,848	\$ -	\$ 941,848	\$ 1,057,043
Cash and cash equivalents - restricted	-	628,296	628,296	606,172
Receivable - other	11,901	-	11,901	11,892
	<u>11,901</u>	<u>-</u>	<u>11,901</u>	<u>11,892</u>
TOTAL ASSETS	<u>\$ 953,749</u>	<u>\$ 628,296</u>	<u>\$ 1,582,045</u>	<u>\$ 1,675,107</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 19,348	\$ -	\$ 19,348	\$ 33,624
Accrued salaries and related costs	601,281	-	601,281	603,785
Total Liabilities	<u>620,629</u>	<u>-</u>	<u>620,629</u>	<u>637,409</u>
FUND BALANCES:				
Restricted for debt service	-	628,296	628,296	606,172
Unassigned	333,120	-	333,120	431,526
Total Fund Balances	<u>333,120</u>	<u>628,296</u>	<u>961,416</u>	<u>1,037,698</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 953,749</u>	<u>\$ 628,296</u>	<u>\$ 1,582,045</u>	<u>\$ 1,675,107</u>

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

**CAMPUS COMMUNITY SCHOOL
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2012**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	961,416
--	----	---------

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

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position.		5,362,324
--	--	-----------

Bond issuance costs reflected in deferred charges which will be amortized over the life of the new debt but do not represent current rights.		287,191
--	--	---------

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences	\$ (126,827)	
Bond payable	<u>(3,850,000)</u>	<u>(3,976,827)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>2,634,104</u></u>
--	----	-------------------------

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

CAMPUS COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(With Summarized Comparative Totals for the Year Ended June 30, 2011)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	
			<u>2012</u>	<u>2011</u>
REVENUES				
Charges to school districts	\$ 667,646	\$ -	\$ 667,646	\$ 781,072
State aid	4,755,766	-	4,755,766	4,641,203
Federal aid	611,132	-	611,132	544,365
Interest income	7,376	62	7,438	11,796
Other local sources	82,170	-	82,170	43,665
School lunch services	151,119	-	151,119	143,774
Local fund raising	495	-	495	12,132
Contributions - in-kind	199,999	-	199,999	199,999
TOTAL REVENUES	<u>6,475,703</u>	<u>62</u>	<u>6,475,765</u>	<u>6,378,006</u>
EXPENDITURES				
Current:				
Instruction	5,601,709	-	5,601,709	5,336,059
Operation and maintenance of facilities	254,817	-	254,817	227,971
Transportation	213,127	-	213,127	215,212
School lunch services	145,084	-	145,084	132,156
Capital outlay	-	-	-	9,535
Debt service:				
Principal	-	80,000	80,000	3,316,974
Interest	-	257,310	257,310	121,189
Financing costs	-	-	-	763,184
TOTAL EXPENDITURES	<u>6,214,737</u>	<u>337,310</u>	<u>6,552,047</u>	<u>10,122,280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>260,966</u>	<u>(337,248)</u>	<u>(76,282)</u>	<u>(3,744,274)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	3,930,000
Transfers in	-	359,372	359,372	752,911
Transfers out	(359,372)	-	(359,372)	(752,911)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(359,372)</u>	<u>359,372</u>	<u>-</u>	<u>3,930,000</u>
NET CHANGE IN FUND BALANCES	(98,406)	22,124	(76,282)	185,726
FUND BALANCES, BEGINNING OF YEAR	<u>431,526</u>	<u>606,172</u>	<u>1,037,698</u>	<u>851,972</u>
FUND BALANCES, END OF YEAR	<u>\$ 333,120</u>	<u>\$ 628,296</u>	<u>\$ 961,416</u>	<u>\$ 1,037,698</u>

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

**CAMPUS COMMUNITY SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds \$ (76,282)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 or land improvements with a cost of more than \$10,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(178,102)</u>	(178,102)

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

Repayment of debt	80,000
Bond issuance cost amortization	(11,488)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	<u>34,507</u>
----------------------	---------------

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (151,365)</u></u>
--	----------------------------

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

**CAMPUS COMMUNITY SCHOOL
STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2012 AND 2011**

	Student Activities Fund	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 19,620	\$ 39,394
LIABILITIES		
Due to student groups	\$ 19,620	\$ 39,394

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

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Campus Community School is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. 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 may not 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 funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because charter schools receive local, state and federal funds, they may not charge tuition.

The financial statements of Campus Community School have been prepared in conformity with 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 more significant accounting policies of Campus Community School (the "School") are described below and on the pages that follow.

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 to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Amounts reported as program revenues include 1) charges to students for special fees, 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. Likewise, general revenues include charges to school districts.

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

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

Charges to the school districts, state appropriations and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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:

- **General Fund.** 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.
- **Debt Service Fund.** This fund is maintained to accumulate resources for the payment of interest and principal on long-term general obligation debt.

Additionally, the School reports the following fund type:

- **Student Activities Agency Fund** (a fiduciary fund). This fund accounts for assets held on behalf of student groups. The measurement focus for the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

Restricted cash equivalents represent cash accounts with Bank of New York Mellon used for debt service.

Except for fund raising, petty cash and student activity cash accounts, unrestricted cash and cash equivalents of the School are controlled by the State Treasurer's Office in Dover, Delaware.

Capital Assets

Capital assets, which include buildings, and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000, or land improvements with a cost of more than \$10,000, 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 at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is capitalized.

Buildings, and furniture and equipment of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Buildings	40 years
Furniture and fixtures	3 years
Equipment	5 years

Long-term Obligations

In the entity-wide financial statements, long-term debt is reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. The liability for these amounts is reported in the governmental funds only when the liability matures, for example, as a result of employee resignations and retirements.

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

Sick Leave - Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year and annual employees earn one day of sick leave for each month worked. Any unused sick days shall be accumulated to the employee's credit up to a maximum of 90 days. Compensation for accumulated sick days is received when employees (a) qualify and apply for a state pension and are paid at a rate of 50 percent of the *per diem* rate of pay not to exceed 90 days; or (b) in the case of death, when 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.

The compensated absences liability was \$126,827 and \$161,334 at June 30, 2012 and 2011, respectively.

Fund Equity

As of June 30, 2012, fund equity of the governmental funds can be classified as follows (if applicable):

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for Campus Community School. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As of June 30, 2012, fund equity is composed of the following:

	General Fund	Debt Service Fund	Total Governmental Funds
Restricted:			
Debt Payments	\$ -	\$ 628,296	\$ 628,296
Unassigned	333,120	-	333,120
Total Fund Balances	\$ 333,120	\$ 628,296	\$ 961,416

Early Implementation of GASB Statements

During the current year, the School elected to implement GASB Statement No. 61, "The Financial Reporting Entity: Omnibus." This new guidance affects the treatment of component units within the financial statements. The implementation of this new Statement did not have an effect on the School's current year financial statements.

During the current year, the School elected to implement GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This new guidance codifies pre-1989 standards set by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), which are followed for fiduciary fund and entity-wide reporting. The School's notes to the financial statements have been revised to reflect the level of disclosure required by the new Statement.

During the current year, the School elected to implement GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." This new guidance creates two sections to the balance sheet (deferred outflows and deferred inflows) and revises other fiduciary fund and entity-wide terminology as a result of this change. The School's fiduciary and entity-wide statements have been revised to reflect the new terminology.

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year are presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2011 basic financial statements to be comparative with the current year presentation.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2012, the School had a cash equivalent balance of \$961,468. Of those amounts, \$933,967 as of June 30, 2012 was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

At June 30, 2012, the reported amount of the School's deposits outside of the State Treasurer's Office was \$27,501. The bank balance at June 30, 2012 was \$35,323, which was covered by federal depository insurance. According to the trust indenture and bond agreement with Bank of New York Mellon, the School sets aside money for payments required by the Bond Series 2011. As of June 30, 2012, the balance of this fund and the bank balance was \$628,296, all of which was restricted for debt service. The balance in this account was insured up to \$250,000 by the federal depository insurance. The remaining amount of \$378,296 was uncollateralized as of June 30, 2012.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<i>Governmental Activities:</i>				
General capital assets not being depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Total General Capital Assets Not Being Depreciated	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
General capital assets being depreciated:				
Buildings	6,852,749	-	-	6,852,749
Furniture and equipment	101,353	-	-	101,353
Total General Capital Assets Being Depreciated	6,954,102	-	-	6,954,102
Accumulated depreciation	<u>(1,563,676)</u>	<u>(178,102)</u>	<u>-</u>	<u>(1,741,778)</u>
Total General Capital Assets Being Depreciated, Net	<u>5,390,426</u>	<u>(178,102)</u>	<u>-</u>	<u>5,212,324</u>
Governmental Activities, Net	<u>\$ 5,540,426</u>	<u>\$ (178,102)</u>	<u>\$ -</u>	<u>\$ 5,362,324</u>

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 5,089
Operations and maintenance of facilities	<u>173,013</u>
	<u>\$ 178,102</u>

NOTE 4 LONG-TERM DEBT

Kent County, Delaware issued a Variable Rate Demand/Fixed Rate Revenue Bonds Series of 2011 in the prior year. The School used the proceeds of the bonds to pay off the Bond Series of 2002; and the 2011 Bond Series proceeds were used for the costs of renovating 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 to pay a portion of the costs and expenses of issuing the bonds. The bonds were issued pursuant to a Trust Indenture dated May 25, 2011, between Kent County and Bank of New York Mellon, as trustee. Kent County has loaned the proceeds of the bonds to the School.

The bond proceeds are to be repaid over 27 years with final payment due and redemption of the bonds through 2037. Interest begins at 5.75 percent in fiscal year 2012 and 7.375 percent in fiscal year 2022. The bonds are secured by real estate, buildings and improvements on Pear Street in Dover, Delaware.

Interest expense was \$257,310 for the year ended June 30, 2012.

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 65,000	\$ 271,913	\$ 336,913
2014	70,000	268,175	338,175
2015	75,000	264,150	339,150
2016	80,000	259,838	339,838
2017	80,000	255,238	335,238
2018-2022	480,000	1,201,438	1,681,438
2023-2027	675,000	1,014,062	1,689,062
2028-2032	960,000	725,700	1,685,700
2033-2037	<u>1,365,000</u>	<u>316,408</u>	<u>1,681,408</u>
Total	<u>\$ 3,850,000</u>	<u>\$ 4,576,922</u>	<u>\$ 8,426,922</u>

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

A schedule of changes in debt is as follows:

	Amounts Outstanding 6/30/2011	Additions	Retirements	Amounts Outstanding 6/30/2012	Due Within One Year
Governmental Activities:					
Long-term debt	\$ 3,930,000	\$ -	\$ 80,000	\$ 3,850,000	\$ 65,000
Compensated absences	161,334	-	34,507	126,827	-
Total Governmental Activities	<u>\$ 4,091,334</u>	<u>\$ -</u>	<u>\$ 114,507</u>	<u>\$ 3,976,827</u>	<u>\$ 65,000</u>

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan which is a cost-sharing, multiple-employer defined benefit public employees retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible state employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time and regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability and death benefits. Certain significant plan provisions follow:

- Early retirement:
 - a. 15 years service - age 55
 - b. 25 years service - any age
- Service retirement:
 - a. 15 years service - age 60 if hired prior to January 1, 2012;
20 years service - age 60 if hired on or after January 1, 2012
 - b. 30 years service - any age
 - c. 5 years service - age 62 if hired prior to January 1, 2012;
5 years service - age 65 if hired on or after January 1, 2012
- Disability retirement:
 - a. 5 consecutive years service and proof of disability
- Vested pension - an employee can vest pension rights after five years of service if hired prior to January 1, 2012. If hired after January 1, 2012, an employee can vest pension rights after ten years, five of which must be consecutive.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904, or by calling 1-800-722-7300.

Funding Policy

Employees of the School are required to contribute three percent of earnings in excess of \$6,000. The School's contribution to the State PERS for the years ended June 30, 2012, 2011 and 2010 was \$582,052, \$497,562 and \$440,927, respectively.

NOTE 6 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage during the current year.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Capital Improvement Commitments

As of June 30, 2012, the School signed a contract for the renovations at the Pear Street School Building. Construction commitments completed to date are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed as of 06/30/2012</u>	<u>Commitments</u>
Pear Street School Building - renovations	\$ 405,566	\$ -	\$ 405,566

Grants

The School receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

CAMPUS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 8 **DONATED SPACE AND SERVICES**

The School leases space from Wesley College at a yearly rate of \$1, which is substantially less than the market value. Wesley College also pays for the costs of utilities, repairs and maintenance for the building. For fiscal years ended June 30, 2012 and 2011, the estimated fair market value of the donated space was \$199,999.

NOTE 9 **EXCESS EXPENDITURES OVER APPROPRIATIONS**

The school overspent budgetary appropriations in the following categories:

Salaries	\$	100,291
Contractual services	\$	30,024
Insurance	\$	4,151
Transportation - buses	\$	20,651
Supplies and materials	\$	64,050
School lunch services	\$	84
Debt service - interest	\$	257,310

The excess expenditures were covered by the School's available fund balance.

NOTE 10 **SUBSEQUENT EVENTS**

The School has evaluated all subsequent events through March 22, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**CAMPUS COMMUNITY SCHOOL
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Charges to school districts	\$ 785,000	\$ 667,169	\$ 667,646	\$ 477
State aid	4,697,000	4,799,906	4,755,766	(44,140)
Federal aid	583,500	360,133	611,132	250,999
Earnings on cash and investments	15,000	7,376	7,438	62
Other local sources	38,000	42,351	82,170	39,819
School lunch services	130,000	152,283	151,119	(1,164)
Local fund raising	15,000	4,004	495	(3,509)
Contributions - in-kind	-	-	199,999	199,999
TOTAL REVENUES	<u>6,263,500</u>	<u>6,033,222</u>	<u>6,475,765</u>	<u>442,543</u>
EXPENDITURES				
Current:				
Salaries	3,095,832	3,171,440	3,271,731	(100,291)
Employment costs	1,600,117	1,597,927	1,592,834	5,093
Travel	7,500	15,000	14,904	96
Contractual services	248,500	361,275	391,299	(30,024)
Communications	5,000	5,000	4,160	840
Public utilities service	113,500	113,500	108,639	4,861
Insurance	22,000	22,000	26,151	(4,151)
Transportation - buses	200,000	192,476	213,127	(20,651)
Repairs and maintenance	76,500	76,500	66,334	10,166
Supplies and materials	232,500	116,425	180,475	(64,050)
Donated rent	-	-	199,999	(199,999)
School lunch services	115,000	145,000	145,084	(84)
Capital outlays:				
Equipment	7,000	44,500	-	44,500
Debt service:				
Principal	337,000	337,000	80,000	257,000
Interest	-	-	257,310	(257,310)
TOTAL EXPENDITURES	<u>6,060,449</u>	<u>6,198,043</u>	<u>6,552,047</u>	<u>(354,004)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>203,051</u>	<u>(164,821)</u>	<u>(76,282)</u>	<u>88,539</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	359,372	359,372
Transfers out	-	-	(359,372)	(359,372)
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	203,051	(164,821)	(76,282)	88,539
FUND BALANCE, BEGINNING OF YEAR	<u>1,037,698</u>	<u>1,037,698</u>	<u>1,037,698</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,240,749</u>	<u>\$ 872,877</u>	<u>\$ 961,416</u>	<u>\$ 88,539</u>

NOTE: The School's budget is presented on the modified accrual basis of accounting.

SUPPLEMENTARY INFORMATION

**CAMPUS COMMUNITY SCHOOL
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2012**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 62,138	\$ 879,710	\$ -	\$ 941,848
Receivable - other	<u>-</u>	<u>8,445</u>	<u>3,456</u>	<u>11,901</u>
TOTAL ASSETS	<u>\$ 62,138</u>	<u>\$ 888,155</u>	<u>\$ 3,456</u>	<u>\$ 953,749</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,892	\$ -	\$ 3,456	\$ 19,348
Accrued salaries and related costs	<u>-</u>	<u>601,281</u>	<u>-</u>	<u>601,281</u>
TOTAL LIABILITIES	<u>15,892</u>	<u>601,281</u>	<u>3,456</u>	<u>620,629</u>
FUND BALANCES				
Unassigned:				
General fund	<u>46,246</u>	<u>286,874</u>	<u>-</u>	<u>333,120</u>
TOTAL FUND BALANCES	<u>46,246</u>	<u>286,874</u>	<u>-</u>	<u>333,120</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,138</u>	<u>\$ 888,155</u>	<u>\$ 3,456</u>	<u>\$ 953,749</u>

**CAMPUS COMMUNITY SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund			Total
	State Allocation	Local Funding	Federal Funding	
REVENUES				
Charges to school districts	\$ -	\$ 667,646	\$ -	\$ 667,646
State aid	4,755,766	-	-	4,755,766
Federal aid	-	-	611,132	611,132
Interest income	-	7,376	-	7,376
Other local sources	-	82,170	-	82,170
School lunch services	-	151,119	-	151,119
Local fund raising	-	495	-	495
Contributions - in-kind	-	199,999	-	199,999
TOTAL REVENUES	<u>4,755,766</u>	<u>1,108,805</u>	<u>611,132</u>	<u>6,475,703</u>
EXPENDITURES				
Current:				
Instruction	4,179,050	811,527	611,132	5,601,709
Operation and maintenance of facilities	198,071	56,746	-	254,817
Transportation	167,870	45,257	-	213,127
School lunch services	-	145,084	-	145,084
TOTAL EXPENDITURES	<u>4,544,991</u>	<u>1,058,614</u>	<u>611,132</u>	<u>6,214,737</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>210,775</u>	<u>50,191</u>	<u>-</u>	<u>260,966</u>
OTHER FINANCING USES				
Transfers out	(275,144)	(84,228)	-	(359,372)
TOTAL OTHER FINANCING USES	<u>(275,144)</u>	<u>(84,228)</u>	<u>-</u>	<u>(359,372)</u>
NET CHANGE IN FUND BALANCES	(64,369)	(34,037)	-	(98,406)
FUND BALANCES, BEGINNING OF YEAR	<u>110,615</u>	<u>320,911</u>	<u>-</u>	<u>431,526</u>
FUND BALANCES, END OF YEAR	<u>\$ 46,246</u>	<u>\$ 286,874</u>	<u>\$ -</u>	<u>\$ 333,120</u>

**CAMPUS COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

EXPENDITURES

Current:

Salaries	\$ 3,271,731
Employment costs	1,592,834
Travel	14,904
Contractual services	391,299
Communications	4,160
Public utilities service	108,639
Insurance	26,151
Transportation - buses	213,127
Repairs and maintenance	66,334
Supplies and materials	180,475
Donated rent	199,999
School lunch services	145,084
Debt service:	
Principal	80,000
Interest	257,310

TOTAL EXPENDITURES	<u>\$ 6,552,047</u>
--------------------	---------------------

SINGLE AUDIT INFORMATION

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

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810
T 302.478.8940
F 302.468.4001
www.btcpa.com

March 22, 2013

Board of Directors
Campus Community School
Dover, Delaware

We have audited the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Campus Community School, Dover, Delaware as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 22, 2013. Our report was qualified since we were unable to confirm cash and cash equivalents at June 30, 2012, and we were unable to obtain sufficient appropriate audit evidence regarding the ending cash and cash equivalents balance at June 30, 2012 by other auditing procedures. 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.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Campus Community School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campus Community School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management, the Department of Education, Office of the Governor, Office of the Controller General, Office of Attorney General, Office of Management and Budget, Office of Auditor of Accounts and the Department of Finance; and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

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

Barbacane, Thornton & Company LLP

200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

March 22, 2013

Board of Directors
Campus Community School
Dover, Delaware

We have audited the compliance of Campus Community School, Dover, Delaware 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 its major federal programs for the year ended June 30, 2012. Campus Community School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Campus Community School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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. 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. Our audit does not provide a legal determination on Campus Community School's compliance with those requirements.

As described in item #12-1 in the accompanying schedule of findings and recommendations, Campus Community School did not comply with requirements regarding time and effort reporting (CFDA #84.010, #84.389, #84.027 and #84.391) that are applicable to the Title I Cluster and Special Education Cluster. Compliance with such requirements is necessary, in our opinion, for Campus Community School to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Campus Community School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

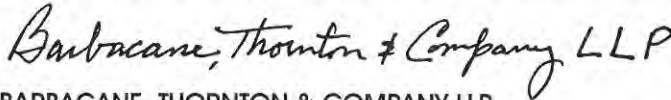
Management of the Campus Community School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Campus Community School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and recommendations as item #12-1 to be a material weakness.

The Campus Community School's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the Campus Community School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance 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, under 29. Del. C., Section 10002(d), this report is a matter of public record and its distribution is not limited.


BARBACANE, THORNTON & COMPANY LLP

**CAMPUS COMMUNITY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>FEDERAL GRANTOR/PROJECT TITLE</u>	<u>Source Codes</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through State of Delaware Department of Education			
Title I Grants to Local Educational Agencies		84.010	\$ 282,619
ARRA Title I Grants to Local Educational Agencies		84.389	9,819
Title II Part A Improving Teacher Quality		84.367	22,300
Education for Job Funds		84.410	95,669
Special Education Grants to States		84.027	84,947
Career and Technical Education		84.048	15,283
ARRA Special Education Grants to States		84.391	25,569
ARRA State Fiscal Stabilization Funds - Education State Grants		84.394	38,361
ARRA Race to the Top		84.395	36,565
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>611,132</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Delaware Department of Education			
National School Lunch Program		10.555	77,461
School Breakfast Program		10.553	10,864
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>88,325</u>
TOTAL FEDERAL AWARDS			<u>\$ 699,457</u>
TITLE I PART A CLUSTER (84.010 and 84.389)			<u>\$ 292,438</u>
SPECIAL EDUCATION CLUSTER (I.D.E.A.) (84.027 and 84.391)			<u>\$ 110,516</u>
CHILD NUTRITION CLUSTER (10.553 and 10.555)			<u>\$ 88,325</u>

CAMPUS COMMUNITY SCHOOL

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards received by Campus Community School and is presented on the accrual basis of accounting. The School's reporting entity is defined in Note 1 to the basic financial statements. All federal awards received from federal awarding agencies and pass-through entities are included on the schedule.

CAMPUS COMMUNITY SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued [unqualified, qualified, adverse or disclaimer]:

Qualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs [unqualified, qualified, adverse or disclaimer]:

Qualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

Yes No

Identification of major programs:

CFDA Numbers

84.010 and 84.389

84.027 and 84.391

84.410

Name of Federal Program or Cluster

Title I and Title I ARRA - Grants to Local Educational Agencies Cluster

I.D.E.A. - B and I.D.E.A. - ARRA - Special Education - Grants to States Cluster

Education for Job Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes No

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

12-1 TIME AND EFFORT

Title I Grants to Local Education Agencies Cluster - CFDA #84.010 and #84.389;
Special Education Cluster (I.D.E.A.) - CFDA #84.027 and #84.391

Condition

During our current year testing of I.D.E.A. and Title I expenditures, we reviewed the payroll expense for employees whose time is charged to both the Title I and I.D.E.A. program. We noted that employees did not have semi-annual or monthly certifications completed.

CAMPUS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Criteria

In accordance with OMB Circular A-87, Attachment B, paragraph 8.5.(3), an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. The certifications must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Effect

The School did not comply with federal guidelines, which may have led to incorrect employees being charged to the Title I Part A or I.D.E.A. grants.

Cause

Incorrect application of the procedures outlined in the OMB Circular A-133 *Compliance Supplement* for tracking time and effort.

Recommendation

We recommend that semi-annual time certifications be completed for each employee whose full salary is charged to the I.D.E.A. and Title I Part A program. The certification should include the employee's name, the cost object to which the employee's salary is charged and a statement that the employee's time was charged 100 percent to the noted cost object. Finally, the time certification must be signed and dated by the employee and the employee's immediate supervisor or building principal who has the best knowledge of the employee's activities.

Corrective Action Plan

Management recognizes the oversight noted above and is working with the State and Federal Programs Liaison to correct the deficiency immediately.