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

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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

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

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INDEPENDENT AUDITOR'S REPORT

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October 15, 2013

Board of Directors  
Campus Community School  
Dover, Delaware

Report on 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain 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, Dover, Delaware as of June 30, 2013, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited Campus Community School's 2012 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information in our report dated March 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Change in Accounting Principle

As discussed in Note 9 to the financial statements, in 2013 Campus Community School adopted new accounting guidance, GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 22 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, 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.

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.

*Other 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 combining balance sheet - general fund and the combining statement of revenues, expenditures and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - general fund, combining statement of revenues, expenditures and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013 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, 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* in considering Campus Community School's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

## **BASIC FINANCIAL STATEMENTS**



**CAMPUS COMMUNITY SCHOOL  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

	Governmental Activities	
	2013	2012 *
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 423,870	\$ 941,848
Cash and cash equivalents - restricted	628,674	628,296
Accounts receivable	38,871	11,901
Total Current Assets	<u>1,091,415</u>	<u>1,582,045</u>
<b>NONCURRENT ASSETS:</b>		
Land	150,000	150,000
Capital assets, net of depreciation	5,485,741	5,212,324
Total Noncurrent Assets	<u>5,635,741</u>	<u>5,362,324</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,727,156</u></u>	<u><u>\$ 6,944,369</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 59,249	\$ 19,348
Accrued salaries and related costs	425,186	601,281
Bond payable	70,000	65,000
Total Current Liabilities	<u>554,435</u>	<u>685,629</u>
<b>NONCURRENT LIABILITIES:</b>		
Compensated absences	142,273	126,827
Bond payable	3,715,000	3,785,000
Total Noncurrent Liabilities	<u>3,857,273</u>	<u>3,911,827</u>
<b>TOTAL LIABILITIES</b>	<u>4,411,708</u>	<u>4,597,456</u>
<b>NET POSITION (DEFICIT):</b>		
Net investment in capital assets	1,850,741	1,512,324
Restricted for debt service	628,674	628,296
Unrestricted (Deficit)	<u>(163,967)</u>	<u>206,293</u>
Total Net Position	<u>2,315,448</u>	<u>2,346,913</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 6,727,156</u></u>	<u><u>\$ 6,944,369</u></u>

\* Restated for comparative purposes.

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



**CAMPUS COMMUNITY SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
GOVERNMENTAL ACTIVITIES					
Instructional services					
Support services:					
Operation and maintenance of facilities	(349,611)	-	-	-	(349,611)
Transportation	(175,663)	-	-	-	(175,663)
School lunch services	(94,189)	23,708	60,182	-	(10,299)
Interest and financing costs on long-term debt	(271,913)	-	-	-	(271,913)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (4,755,972)</u>	<u>\$ 23,708</u>	<u>\$ 600,378</u>	<u>\$ -</u>	<u>(4,131,886)</u>
GENERAL REVENUES					
Charges to school districts					571,994
Payments from primary government					3,525,103
Earnings on cash and investments					3,324
TOTAL GENERAL REVENUES					<u>4,100,421</u>
CHANGE IN NET POSITION					(31,465)
NET POSITION, BEGINNING OF YEAR					<u>2,346,913</u>
NET POSITION, END OF YEAR					<u>\$ 2,315,448</u>

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	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ (5,572,291)	\$ -	\$ 605,472	\$ -	\$ (4,966,819)
Support services:					
Operation and maintenance of facilities	(427,830)	-	-	-	(427,830)
Transportation	(213,127)	-	-	-	(213,127)
School lunch services	(145,084)	151,119	88,325	-	94,360
Interest and financing costs on long-term debt	(257,310)	-	-	-	(257,310)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (6,615,642)</b>	<b>\$ 151,119</b>	<b>\$ 693,797</b>	<b>\$ -</b>	<b>(5,770,726)</b>
<b>GENERAL REVENUES</b>					
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
<b>TOTAL GENERAL REVENUES</b>					<b>5,630,849</b>
<b>CHANGE IN NET POSITION</b>					<b>(139,877)</b>
<b>NET POSITION, BEGINNING OF YEAR RESTATED</b>					<b>2,486,790</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 2,346,913</b>

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

**CAMPUS COMMUNITY SCHOOL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**  
**(With Summarized Comparative Totals for June 30, 2012)**

	General Fund	Debt Service Fund	Total Governmental Funds	
			2013	2012
<b>ASSETS</b>				
Cash and cash equivalents	\$ 423,870	\$ -	\$ 423,870	\$ 941,848
Cash and cash equivalents - restricted	-	628,674	628,674	628,296
Receivable - other	38,871	-	38,871	11,901
<b>TOTAL ASSETS</b>	<u>\$ 462,741</u>	<u>\$ 628,674</u>	<u>\$ 1,091,415</u>	<u>\$ 1,582,045</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 59,249	\$ -	\$ 59,249	\$ 19,348
Accrued salaries and related costs	425,186	-	425,186	601,281
Total Liabilities	<u>484,435</u>	<u>-</u>	<u>484,435</u>	<u>620,629</u>
<b>FUND BALANCES:</b>				
Restricted for debt service	-	628,674	628,674	628,296
Unassigned (Deficit)	(21,694)	-	(21,694)	333,120
Total Fund Balances	<u>(21,694)</u>	<u>628,674</u>	<u>606,980</u>	<u>961,416</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 462,741</u>	<u>\$ 628,674</u>	<u>\$ 1,091,415</u>	<u>\$ 1,582,045</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, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 606,980
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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.	5,635,741
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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	\$ (142,273)	
Bond payable	<u>(3,785,000)</u>	<u>(3,927,273)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,315,448</u></u>
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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, 2013**  
**(With Summarized Comparative Totals for the Year Ended June 30, 2012)**

	General Fund	Debt Service Fund	Total Governmental Funds	
			2013	2012
<b>REVENUES</b>				
Charges to school districts	\$ 571,994	\$ -	\$ 571,994	\$ 667,646
State aid	3,525,103	-	3,525,103	4,755,766
Federal aid	530,214	-	530,214	611,132
Interest income	3,261	63	3,324	7,438
Other local sources	70,150	-	70,150	82,170
School lunch services	23,708	-	23,708	151,119
Local fund raising	14	-	14	495
Contributions - in-kind	-	-	-	199,999
<b>TOTAL REVENUES</b>	<u>4,724,444</u>	<u>63</u>	<u>4,724,507</u>	<u>6,475,765</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,843,582	-	3,843,582	5,601,709
Operation and maintenance of facilities	173,630	-	173,630	254,817
Transportation	175,663	-	175,663	213,127
School lunch services	94,189	-	94,189	145,084
Capital outlay				
Property	440,591	-	440,591	-
Equipment	14,375	-	14,375	-
Debt service:				
Principal	-	65,000	65,000	80,000
Interest	-	271,913	271,913	257,310
<b>TOTAL EXPENDITURES</b>	<u>4,742,030</u>	<u>336,913</u>	<u>5,078,943</u>	<u>6,552,047</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(17,586)</u>	<u>(336,850)</u>	<u>(354,436)</u>	<u>(76,282)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	337,228	337,228	359,372
Transfers out	(337,228)	-	(337,228)	(359,372)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(337,228)</u>	<u>337,228</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(354,814)	378	(354,436)	(76,282)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>333,120</u>	<u>628,296</u>	<u>961,416</u>	<u>1,037,698</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ (21,694)</u>	<u>\$ 628,674</u>	<u>\$ 606,980</u>	<u>\$ 961,416</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, 2013**

Net change in fund balances - total governmental funds \$ (354,436)

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 capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 454,966	
Depreciation expense	<u>(181,549)</u>	273,417

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 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	65,000
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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>(15,446)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (31,465)</u></u>
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The accompanying notes are an integral part of these financial statements.

**CAMPUS COMMUNITY SCHOOL  
STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND  
JUNE 30, 2013 AND 2012**

	<u>Student Activities Fund</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 13,623</u>	<u>\$ 19,620</u>
<b>LIABILITIES</b>		
Due to student groups	<u>\$ 13,623</u>	<u>\$ 19,620</u>

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)

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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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.

CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

**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 \$142,273 at June 30, 2013.

Fund Equity

As of June 30, 2013, 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.

As of June 30, 2013, fund equity is composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Restricted:			
Debt payments	\$ -	\$ 628,674	\$ 628,674
Unassigned (Deficit)	<u>(21,694)</u>	<u>-</u>	<u>(21,694)</u>
Total Fund Balances	<u>\$ (21,694)</u>	<u>\$ 628,674</u>	<u>\$ 606,980</u>



## CAMPUS COMMUNITY SCHOOL

### NOTES TO FINANCIAL STATEMENTS

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

##### Implementation of GASB Statements

During the prior 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 prior 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 prior 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.

During the current year, the School elected to early implement the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). See the restatement of net position footnote disclosure for the restatement effects to these financial statements.

##### Income Tax Status

No provision has been made for income taxes since the School qualifies as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability. In accordance with the section of FASB ASC regarding accounting for uncertainty in income taxes, the School is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The School has no uncertain tax positions that qualify for recognition in the financial statements.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the School's tax returns. Management has determined that the School does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties and interest as a result of such challenge. Income tax returns of the School for 2010, 2011 and 2012 are subject to examination by tax authorities, generally for three years after they were filed.

CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity 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, 2012 basic financial statements to be comparative with the current year presentation.

NOTE 2      CASH AND POOLED CASH

At June 30, 2013, the School had a cash and cash pooled balance of \$437,493. Of those amounts, \$416,955, as of June 30, 2013, 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, 2013, the reported amount of the School's deposits outside of the State Treasurer's Office was \$20,538. The bank balance at June 30, 2013 was \$22,823, 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, 2013, the balance of this fund and the bank balance was \$628,674, 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 \$378,674 was uncollateralized as of June 30, 2013.

CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<b><i>Governmental Activities:</i></b>				
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	440,591	-	7,293,340
Furniture and equipment	101,353	14,375	-	115,728
Total General Capital Assets Being Depreciated	6,954,102	454,966	-	7,409,068
Accumulated depreciation	<u>(1,741,778)</u>	<u>(181,549)</u>	<u>-</u>	<u>(1,923,327)</u>
Total General Capital Assets Being Depreciated, Net	<u>5,212,324</u>	<u>273,417</u>	<u>-</u>	<u>5,485,741</u>
Governmental Activities, Net	<u>\$ 5,362,324</u>	<u>\$ 273,417</u>	<u>\$ -</u>	<u>\$ 5,635,741</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 5,568
Operations and maintenance of facilities	<u>175,981</u>
	<u>\$ 181,549</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 began at 5.75 percent in fiscal year 2012 and will begin at 7.375 percent in fiscal year 2022. The bonds are secured by real estate, buildings and improvements on Pear Street in Dover, Delaware.



CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4**     LONG-TERM DEBT (cont'd)

Interest expense was \$271,913 for the year ended June 30, 2013.

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	85,000	250,638	335,638
2019-2023	510,000	1,172,050	1,682,050
2024-2028	725,000	964,281	1,689,281
2029-2033	1,030,000	654,920	1,684,920
2034-2037	1,130,000	215,719	1,345,719
Total	<u>\$ 3,785,000</u>	<u>\$ 4,305,009</u>	<u>\$ 8,090,009</u>

A schedule of changes in debt is as follows:

	<u>Amounts Outstanding 6/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amounts Outstanding 6/30/2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Long-term debt	\$ 3,850,000	\$ -	\$ 65,000	\$ 3,785,000	\$ 70,000
Compensated absences	126,827	15,446	-	142,273	-
Total Governmental Activities	<u>\$ 3,976,827</u>	<u>\$ 15,446</u>	<u>\$ 65,000</u>	<u>\$ 3,927,273</u>	<u>\$ 70,000</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:

CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     PENSION PLAN (cont'd)

- 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.

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, 2013, 2012 and 2011 was \$443,968, \$582,052 and \$497,562, 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

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

CAMPUS COMMUNITY SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 7     COMMITMENTS AND CONTINGENCIES (cont'd)

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.

NOTE 8     EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Public Utilities	\$	17,319
Insurance	\$	1,618
Transportation - buses	\$	5,633

The excess expenditures were covered by the School's being under budget in other areas.

NOTE 9     RESTATEMENT OF NET POSITION

The School has restated its beginning net position amount for its governmental activities due to the effects of implementing GASB Statement No. 65. The result of this restatement was to decrease beginning net position by \$287,191.

NOTE 10    SUBSEQUENT EVENTS

The School has evaluated all subsequent events through October 15, 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, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Charges to school districts	\$ 503,424	\$ 571,994	\$ 571,994	\$ -
State aid	3,523,094	3,459,795	3,525,103	65,308
Federal aid	457,900	529,087	530,214	1,127
Earnings on cash and investments	11,250	11,250	3,324	(7,926)
Other local sources	38,000	40,500	70,150	29,650
School lunch services	97,500	97,500	23,708	(73,792)
Local fund raising	11,250	11,250	14	(11,236)
<b>TOTAL REVENUES</b>	<b>4,642,418</b>	<b>4,721,376</b>	<b>4,724,507</b>	<b>3,131</b>
<b>EXPENDITURES</b>				
Current:				
Salaries	2,233,866	2,471,426	2,292,196	179,230
Employment costs	1,136,109	1,244,824	1,203,939	40,885
Travel	3,000	3,000	860	2,140
Contractual services	256,325	256,825	201,462	55,363
Communications	6,000	6,000	2,764	3,236
Public utilities service	95,000	95,000	112,319	(17,319)
Insurance	22,000	22,000	23,618	(1,618)
Transportation - buses	145,000	170,029	175,662	(5,633)
Repairs and maintenance	35,000	35,000	29,382	5,618
Supplies and materials	222,834	188,652	150,673	37,979
School lunch services	108,750	108,750	94,189	14,561
Capital outlays:				
Property	-	476,030	440,591	35,439
Equipment	6,500	28,953	14,375	14,578
Debt service:				
Principal	65,000	65,000	65,000	-
Interest	272,228	272,228	271,913	315
<b>TOTAL EXPENDITURES</b>	<b>4,607,612</b>	<b>5,443,717</b>	<b>5,078,943</b>	<b>364,774</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>34,806</b>	<b>(722,341)</b>	<b>(354,436)</b>	<b>367,905</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	337,228	337,228
Transfers out	-	-	(337,228)	(337,228)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>34,806</b>	<b>(722,341)</b>	<b>(354,436)</b>	<b>367,905</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>961,416</b>	<b>961,416</b>	<b>961,416</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 996,222</b>	<b>\$ 239,075</b>	<b>\$ 606,980</b>	<b>\$ 367,905</b>

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, 2013**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 60,418	\$ 363,452	\$ -	\$ 423,870
Receivable - other	<u>5,250</u>	<u>7,320</u>	<u>26,301</u>	<u>38,871</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 65,668</u></u>	<u><u>\$ 370,772</u></u>	<u><u>\$ 26,301</u></u>	<u><u>\$ 462,741</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 21,447	\$ 11,501	\$ 26,301	\$ 59,249
Accrued salaries and related costs	<u>-</u>	<u>425,186</u>	<u>-</u>	<u>425,186</u>
<b>TOTAL LIABILITIES</b>	<u><u>21,447</u></u>	<u><u>436,687</u></u>	<u><u>26,301</u></u>	<u><u>484,435</u></u>
<b>FUND BALANCES</b>				
Unassigned (Deficit):				
General fund	<u>44,221</u>	<u>(65,915)</u>	<u>-</u>	<u>(21,694)</u>
<b>TOTAL FUND BALANCES</b>	<u><u>44,221</u></u>	<u><u>(65,915)</u></u>	<u><u>-</u></u>	<u><u>(21,694)</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 65,668</u></u>	<u><u>\$ 370,772</u></u>	<u><u>\$ 26,301</u></u>	<u><u>\$ 462,741</u></u>



**CAMPUS COMMUNITY SCHOOL**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund			
	State Allocation	Local Funding	Federal Funding	Total
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 571,994	\$ -	\$ 571,994
State aid	3,525,103	-	-	3,525,103
Federal aid	-	60,182	470,032	530,214
Interest income	-	3,261	-	3,261
Other local sources	-	70,150	-	70,150
School lunch services	-	23,708	-	23,708
Local fund raising	-	14	-	14
<b>TOTAL REVENUES</b>	<u>3,525,103</u>	<u>729,309</u>	<u>470,032</u>	<u>4,724,444</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	2,999,847	373,703	470,032	3,843,582
Operation and maintenance of facilities	134,024	39,606	-	173,630
Transportation	140,468	35,195	-	175,663
School lunch services	-	94,189	-	94,189
Capital outlays				
Property	-	440,591	-	440,591
Equipment	-	14,375	-	14,375
<b>TOTAL EXPENDITURES</b>	<u>3,274,339</u>	<u>997,659</u>	<u>470,032</u>	<u>4,742,030</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>250,764</u>	<u>(268,350)</u>	<u>-</u>	<u>(17,586)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	(252,789)	(84,439)	-	(337,228)
<b>TOTAL OTHER FINANCING USES</b>	<u>(252,789)</u>	<u>(84,439)</u>	<u>-</u>	<u>(337,228)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(2,025)	(352,789)	-	(354,814)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>46,246</u>	<u>286,874</u>	<u>-</u>	<u>333,120</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 44,221</u>	<u>\$ (65,915)</u>	<u>\$ -</u>	<u>\$ (21,694)</u>

**CAMPUS COMMUNITY SCHOOL  
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**EXPENDITURES**

**Current:**

Salaries	\$ 2,292,196
Employment costs	1,203,939
Travel	860
Contractual services	201,462
Communications	2,764
Public utilities service	112,319
Insurance	23,618
Transportation - buses	175,662
Repairs and maintenance	29,382
Supplies and materials	150,673
School lunch services	94,189
Capital outlays:	
Property	440,591
Equipment	14,375
Debt service:	
Principal	65,000
Interest	271,913

**TOTAL EXPENDITURES**

\$ 5,078,943

## **SINGLE AUDIT INFORMATION**

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

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October 15, 2013

Board of Directors  
Campus Community School  
Dover, Delaware

We have audited in accordance with the 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, Dover, Delaware as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of Campus Community School, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of Campus Community 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 the 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.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls 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 over compliance. Accordingly, this communication is not suitable for any other purpose.

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

INDEPENDENT AUDITOR'S  
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

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October 15, 2013

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 Campus Community School's major federal programs for the year ended June 30, 2013. Campus Community School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

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 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 Campus Community School's major federal programs. However, our audit does not provide a legal determination of Campus Community School's compliance.

Board of Directors  
Campus Community School

Opinion on Each Major Federal Program

In our opinion, 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 June 30, 2013.

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 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.

  
BARBACANE, THORNTON & COMPANY LLP



**CAMPUS COMMUNITY SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<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	I	84.010	\$ 161,547
IDEA B - Special Education Grants to States	I	84.027	145,604
Career and Technical Education	I	84.048	4,187
Twenty-First Century	I	84.287	854
Title II Part A Improving Teacher Quality	I	84.367	14,597
College Access Challenge Grant	I	84.378	42,741
ARRA Race to the Top	I	84.395	62,625
ARRA Education for Job Funds	I	84.410	37,877
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>470,032</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through State of Delaware Department of Education			
National School Lunch Program	I	10.555	51,453
School Breakfast Program	I	10.553	8,729
<b>Total U.S. Department of Agriculture</b>			<u>60,182</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 530,214</u>
<b>CHILD NUTRITION CLUSTER (10.553 and 10.555)</b>			<u>\$ 60,182</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 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?                     | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified?               | <u>      </u> Yes | <u>  X  </u> None reported |
| • Noncompliance material to financial statements noted? | <u>      </u> Yes | <u>  X  </u> No            |

*Federal Awards*

Internal control over major programs:

- |   |                   |                            |
|---|-------------------|----------------------------|
| • Material weakness(es) identified?       | <u>      </u> Yes | <u>  X  </u> No            |
| • Significant deficiency(ies) identified? | <u>      </u> Yes | <u>  X  </u> 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 Numbers

Name of Federal Program or Cluster

84.010

Title I - Grants to Local Educational Agencies

84.027

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

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

\$ 300,000

Auditee qualified as low-risk auditee?

       Yes   X   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

**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 prior 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.

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.

CAMPUS COMMUNITY SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Cause

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

Recommendation

We recommended 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.

Status

During our current year audit, we noted that time and effort reporting is being completed. Therefore, this finding is no longer applicable.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.