

Single Audit Report

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

Year Ended June 30, 2014



**HAGGERTY & HAGGERTY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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

Table of Contents

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**Report of Independent Auditor**.....1-2

**Basic Financial Statements Section**

Government-Wide Financial Statements:  
Statement of Net Position.....3  
Statement of Activities.....4  
Fund Financial Statements:  
Balance Sheet-Governmental Funds.....5  
Reconciliation of the Balance Sheet  
of Governmental Funds to the Statement of Net Position.....6  
Statement of Revenues, Expenditures  
and Change in Fund Balances-Governmental Funds.....7  
Reconciliation of the Statement of Revenues, Expenditures and Change  
in Fund Balances of Governmental Funds to the Statement of Activities....8  
Statement of Fiduciary Net Position-Agency Fund.....9  
Notes to Financial Statements.....10-19

**Required Supplemental Information [RSI] Section**

Schedule of Revenues, Expenditures and  
Change in Fund Balance-Budget and Actual-General Fund.....20

**Supplementary Information Section**

Balance Sheet-General Fund.....21  
Statement of Revenues, Expenditures  
and Change in Fund Balances-General Fund.....22

**Reports Required by OMB Circular A-133**

Report of Independent Auditor  
on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of the Financial Statements  
Performed in Accordance with *Government Auditing Standards*.....23-24  
Report of Independent Auditor  
on Compliance for Each Major Program and on Internal Control  
over Compliance Required by OMB Circular A-133.....25-26  
Schedule of Expenditures of Federal Awards and Related Disclosures.....27  
Schedule of Findings and Questioned Costs.....28  
Schedule of Prior Year Findings and Questioned Costs.....29

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**Report of Independent Auditor**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School [the "School"], Dover, Delaware [a component unit of the State of Delaware] as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison information, reflected on page 20, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The School has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campus Community School's financial statements. The supplementary information, reflected on pages 21 and 22, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information reflected on pages 21 and 22 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014 on our consideration of Campus Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Campus Community School's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended solely for the information and use of management, the Finance Committee, School Board, others within the School, Delaware 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public record and its distribution is not limited.

*Haggerty & Haggerty, P.A.*  
Certified Public Accountants

August 26, 2014  
Wilmington, Delaware

## **Basic Financial Statements Section**

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENT OF NET POSITION**  
As of June 30, 2014

	<u>2014</u>	
	<u>Governmental Activities</u>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 433,653	
Receivables, net of allowance:		
Students	3,995	
Cash held by fiscal agent:		
Debt service for subsequent year	60,724	
Due from other governments	<u>89,875</u>	
<b>Total current assets</b>		<u>\$ 588,247</u>
<b>Noncurrent assets:</b>		
Cash held by fiscal agent:		
Debt service reserves	339,938	
Replacement reserves	<u>200,057</u>	539,995
Capital assets, net of depreciation:		
Nondepreciable	150,000	
Depreciable	<u>4,983,952</u>	<u>5,133,952</u>
<b>Total noncurrent assets</b>		<u>5,673,974</u>
<b>TOTAL ASSETS</b>		<u>6,262,194</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	47,734	
Accrued salaries and related costs	416,848	
Compensated absences liability, current portion	...	
Bond payable, current portion	<u>75,000</u>	
<b>Total current liabilities</b>		539,582
<b>Noncurrent liabilities:</b>		
Compensated absences liability, net of current portion	50,386	
Bond payable, net of current portion	<u>3,640,000</u>	
<b>Total noncurrent liabilities</b>		<u>3,690,386</u>
<b>TOTAL LIABILITIES</b>		<u>4,229,968</u>
<b>NET POSITION</b>		
Net investment in capital assets		1,418,952
Restricted for:		
Specific programs		380
Debt service for subsequent year		60,724
Debt service reserves	339,938	
Replacement reserves	<u>200,057</u>	539,995
Unrestricted		<u>12,175</u>
<b>TOTAL NET POSITION</b>		<u>\$ 2,032,226</u>

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

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2014

Functions	Expenses	Program Revenue			Net (Expense) Revenue & Changes in Net Position Governmental Activities Primary Government
		Charges for Services	Grants and Operating	Contributions Capital	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ 3,798,948	\$ 16,616	\$ 716,259	\$ ...	\$(3,066,073)
Supporting services:					
Operation and maintenance of facilities	162,408	...	...	...	(162,408)
Transportation	207,026	...	328,301	...	121,275
Food services	105,201	16,317	68,778	...	(20,106)
Depreciation-unallocated	180,989	...	...	...	(180,989)
Interest on long-term debt	268,175	...	...	...	(268,175)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,722,747</b>	<b>\$ 32,933</b>	<b>\$ 1,113,338</b>	<b>\$ ...</b>	<b>\$(3,576,476)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>					
					520,008
Charges to school districts					2,999,393
State funding not restricted to specific purposes					1,799
Earnings on cash and equivalents					2,334
Miscellaneous revenues					(320,800)
Loss on disposal of leasehold improvements					
<b>Total general revenues and transfers</b>					<b>3,202,734</b>
<b>CHANGE IN NET POSITION</b>					
					(373,742)
<b>NET POSITION</b>					
Beginning of year, as previously reported					2,315,448
Adjustment to opening net position [Note 11]					90,520
Beginning of year, as restated					2,405,968
End of year					<b>\$ 2,032,226</b>

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

**CAMPUS COMMUNITY SCHOOL**  
BALANCE SHEET-GOVERNMENTAL FUNDS  
As of June 30, 2014

	Governmental Funds		
	General Fund	Debt Service Fund	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 433,653	\$ ...	\$ 433,653
Receivables, net of allowance:			
Students	3,995	...	3,995
Cash held by fiscal agent:			
Debt service for subsequent year	...	60,724	60,724
Debt service reserves	...	339,938	339,938
Replacement reserves	...	200,057	200,057
Due from other governments	89,875	...	89,875
<b>TOTAL ASSETS</b>	<u>\$ 527,523</u>	<u>\$ 600,719</u>	<u>\$ 1,128,242</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 47,734	\$ ...	\$ 47,734
Accrued salaries and related costs	416,848	...	416,848
<b>Total liabilities</b>	<u>464,582</u>	<u>...</u>	<u>464,582</u>
<b>FUND BALANCES</b>			
Restricted for:			
Specific programs	380	...	380
Debt service	...	400,662	400,662
Replacement reserves	...	200,057	200,057
Unassigned	62,561	...	62,561
<b>Total fund balances</b>	<u>62,941</u>	<u>600,719</u>	<u>663,660</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 527,523</u>	<u>\$ 600,719</u>	<u>\$ 1,128,242</u>

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

**CAMPUS COMMUNITY SCHOOL**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

As of June 30, 2014

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	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
<b>Total fund balances-governmental funds</b>	\$ 663,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. At June 30, 2014, the total cost of capital assets is \$7,078,657, and the related accumulated depreciation is \$1,944,705, respectively.	5,133,952
Compensated absences are not due and payable for the period reported, and are therefore not reported in the fund financial statements.	(50,386)
Bond payable is not due and payable in the current period; therefore, the bond payable is not reported in the governmental funds.	<u>(3,715,000)</u>
<b>Total net position-governmental activities</b>	<u>\$ 2,032,226</u>

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

**CAMPUS COMMUNITY SCHOOL**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	Governmental Funds		
	General Fund	Debt Service Fund	Total
<b>REVENUES</b>			
Charges to school districts	\$ 520,008	\$ ...	\$ 520,008
State funding	3,394,494	...	3,394,494
Federal funding	711,812	...	711,812
Earnings on cash and equivalents	1,736	63	1,799
Food services fees	16,317	...	16,317
Program services fees	16,616	...	16,616
Contributions	6,425	...	6,425
Miscellaneous revenues	2,334	...	2,334
<b>Total revenues</b>	<u>4,669,742</u>	<u>63</u>	<u>4,669,805</u>
<b>EXPENDITURES</b>			
Current:			
Instructional services	3,883,759	...	3,883,759
Supporting services:			
Operation and maintenance of facilities	47,657	...	47,657
Transportation	207,026	...	207,026
Food services	105,201	...	105,201
Capital outlay	31,307	...	31,307
Debt service:			
Interest	...	70,000	70,000
Principal	...	268,175	268,175
<b>Total expenditures</b>	<u>4,274,950</u>	<u>338,175</u>	<u>4,613,125</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>394,792</u>	<u>(338,112)</u>	<u>56,680</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	(310,157)	310,157	...
Refund of prior years expenditures	...	...	...
<b>Total other financing sources (uses)</b>	<u>(310,157)</u>	<u>310,157</u>	<u>...</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>84,635</u>	<u>(27,955)</u>	<u>56,680</u>
<b>FUND BALANCES (DEFICIT)</b>			
Beginning of year	<u>(21,694)</u>	<u>628,674</u>	<u>606,980</u>
End of year	<u>\$ 62,941</u>	<u>\$ 600,719</u>	<u>\$ 663,660</u>

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

**CAMPUS COMMUNITY SCHOOL**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND

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

Year Ended June 30, 2014

Governmental  
Funds

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

**Net change in fund balances-total governmental funds** \$ 56,680

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

<u>Description</u>	<u>Amount</u>	
Capital outlay	\$	...
Depreciation expense	<u>(180,989)</u>	(180,989)

In the statement of activities, certain operating expenses such as compensated absences [vacation] are measured by the amounts earned during the period. In governmental funds, however, expenditures for these items are measured by the amount of the financial resources used [essentially, amounts actually paid]. Compensated absences liability decreased by \$1,367 for the period presented.

1,367

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

70,000

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

<u>Description</u>	<u>Amount</u>	
Disposal of leasehold improvements:		
Proceeds from disposal	\$	...
Loss from disposal	<u>(320,800)</u>	<u>(320,800)</u>

**Change in net position-governmental activities** \$ (373,742)

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

**CAMPUS COMMUNITY SCHOOL**  
STATEMENT OF FIDUCIARY NET POSITION-AGENCY FUND  
As of June 30, 2014

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Student Activities Fund

**ASSETS**

Cash and equivalents \$ 8,545

**LIABILITIES**

Due to student groups \$ 8,545  
Due to other groups     

**TOTAL LIABILITIES** \$ 8,545

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

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**NOTE 1 - NATURE OF THE GOVERNMENT**

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Measurement Focus, Accounting Basis, & Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

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

Additionally, the School reports the following fund type:

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

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

Cash and Equivalents

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Accounts Receivable

At June 30, 2014, accounts receivable is reflected net of an estimated uncollectible allowance of \$4,621. The allowance is based on historical data established according to experience and other factors which in the judgment of School management deserves recognition in estimating possible future losses.

Receivables and Payables

Activities between the funds representing lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/payable" [current portion] or "advances from/to other funds" [noncurrent]. At June 30, 2014, the School has no such activities.

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

Capital Assets

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

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

Compensated Absences Liability

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Long-term Obligations

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

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

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental funds. Encumbrances [e.g., purchase orders and contracts] outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2014, the School has no encumbrances outstanding.

Use of Estimates

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

Income Tax Status

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Net Position and Fund Equity

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

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

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

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

Evaluation of Subsequent Events

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

**NOTE 3 - CASH AND EQUIVALENTS**

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

Deposits Held by the State of Delaware

At June 30, 2014, the School has cash and equivalents of \$425,876. These deposits are part of the State investment pool that is controlled and administered by the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the same State office. The deposits are considered to be highly liquid and available for immediate use and, thus, are reflected as cash equivalents in the financial statements. The deposits held by the State's investment pool, an internal investment pool, are specifically identified for the School; however, credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with remaining maturity at the time of purchase [one year or less] are stated at cost or amortized cost.

Deposits Held by Financial Institutions

At June 30, 2014, the reported amount of deposits maintained by the School outside of the State Treasurer's Office is \$16,323 [book value]. The deposits of \$17,224 at June 30, 2014 held by the one financial institution are insured by the Federal Deposit Insurance Corporation [FDIC].

Deposits Held by Fiscal Agent

According to the trust indenture and bond agreement with BNY Mellon Bank, the School sets aside money for payments required by the Bond Issue, Series 2011. As of June 30, 2014, the balance of the fund and the bank balance is \$600,718, all of which was restricted for debt service, debt service reserves, and replacement reserves. The financial instruments which potentially subject the School to concentrations of credit risk are principally cash and equivalents. These financial instruments consist of investments held by financial institutions in FDIC insured Money Market accounts or U.S. Treasury instruments backed by the U.S. Government.

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

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

Description	Amount
State of Delaware	\$ 5,250
Passed through the State of Delaware:	
Local school districts	...
Federal government-Department of Agriculture	...
Federal government-Department of Education	84,625
Total intergovernmental receivables	89,875
Less: Allowance for uncollectible amounts	...
<b>Total amount due from other governments</b>	<b>\$ 89,875</b>

**CAMPUS COMMUNITY SCHOOL**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 5 - CAPITAL ASSETS**

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

Description	June 30, 2014			Ending Balances
	Beginning Balances	Increases	Decreases	
Capital assets, not depreciated:				
Land	\$ 150,000	\$ ...	\$ ...	\$ 150,000
Total capital assets, not being depreciated	150,000	...	...	150,000
Capital assets, being depreciated:				
Building and improvements	7,293,340	...	420,411	6,872,929
Furniture and equipment	115,728	...	60,000	55,728
Totals	7,409,068	...	480,411	6,928,657
Less accumulated depreciation:				
Building and improvements	1,837,085	173,025	99,611	1,910,499
Furniture and equipment	86,242	7,964	60,000	34,206
Totals	1,923,327	180,989	159,611	1,944,705
Total capital assets, being depreciated	\$5,485,741	\$ (180,989)	\$ 320,800	\$4,983,952

On July 1, 2013, the Bradford Street leasehold improvements were removed.

**NOTE 6 - LONG-TERM DEBT OBLIGATIONS**

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

Description	Year Ended June 30, 2014				
	Long-Term Obligations				Due Within One Year
	Beginning Balance	Additions	Deletions	Ending Balance	
General obligation:					
Revenue bonds	\$3,785,000	\$ ...	\$ 70,000	\$3,715,000	\$ 75,000
Other long-term debt:					
Compensated absences	51,753	...	1,367	50,386	...
Total governmental activity	\$3,836,753	\$ ...	\$ 71,367	\$3,765,386	\$ 75,000

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

Revenue Bonds, Series 2011

On May 1, 2011, Kent County, Delaware issued Variable Rate Demand/Fixed Rate Refunding Revenue Bonds, Series 2011 in the amount of \$3,930,000. The School used the proceeds of the revenue bonds to pay off [1] the bonds, Series 2002; [2] the cost 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 [3] costs related to the issuance of the revenue bonds. The revenue bonds were issued pursuant to a Trust Indenture dated May 1, 2011, between Kent County and the BNY Mellon, as the trustee. Kent County loaned the proceeds of the revenue bonds to the Campus Community School.

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

**CAMPUS COMMUNITY SCHOOL**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 6 - LONG-TERM DEBT OBLIGATIONS** (continued)

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

Years Ending June 30	Principal	Interest	Total
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	90,000	245,750	335,750
2020-2024	545,000	1,139,069	1,684,069
2025-2029	780,000	910,813	1,690,813
2030-2034	1,105,000	578,938	1,683,938
2035-2037	<u>875,000</u>	<u>132,379</u>	<u>1,007,379</u>
Total bonds	3,715,000	4,036,813	7,751,813
Less: Current portion	<u>75,000</u>	<u>264,150</u>	<u>339,150</u>
Long-term portion	<u>\$3,640,000</u>	<u>\$3,772,663</u>	<u>\$7,412,663</u>

**NOTE 7 - PENSION PLAN**

School employees are considered State employees and are covered under the State of Delaware's pension program, 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. Delaware State Board of Pension Trustees determines the contributions required. All eligible state employees are required to contribute to the pension plan according to the Delaware Code. The School contributed 21.02% for 2014 of the State share of the employees' salary, and contributed the same percentages on the local and federal shares of eligible salary. Employees contribute 5% [3% for employees hired prior to 01/01/12] of salary in excess of \$6,000 per share up to social security maximum and 5% [3% for employees hired prior to 01/01/12] for any salary above the social security maximum. Total pension costs of \$340,313 [State share], \$23,888 [local share], and \$58,080 [federal share] are included in the fiscal year 2014 financial statements. Certain significant plan provisions follow:

- Early retirement:
  - a. 15 years service-age 55 [reduced 0.4% (0.2% for employees hired prior to 01/01/12), each month under the age 60]
  - b. 25 years service-any age [reduced by 0.4% (0.2% for employees hired prior to 01/01/12), each month short of 30 years]
- Service retirement:
  - a. 15 years service-age 60 [20 yrs service hired on or after 01/01/12]
  - b. 30 years service-any age
  - c. 5 years service-age 62 [age 65 hired on or after 01/01/12]
- Disability retirement:
  - a. 5 years service and proof of disability
- Vested pension-An employee can vest pension rights after five consecutive years of service. If hired after 01/01/12, an employee can vest pension rights after 10 years, five of which must be consecutive.

More plan information is available in the State of Delaware Public Employee Retirement System [DPERS] *Comprehensive Annual Financial Report*. This report may be obtained by: writing DPERS [Suite 1, McArdle Building, 860 Silver Lake Blvd., Dover, DE 19904]; calling 1-800-722-7300; or at the DPERS website [[www.delawarepensions.com/information/financials.shtml](http://www.delawarepensions.com/information/financials.shtml)].

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

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

Grant Activity

The School receives federal financial assistance in the form of grants. The disbursement of funds received under these grants generally requires compliance with terms and conditions specified in grant agreements and is generally subject to audit by the State Office of Auditor of Accounts. Disallowed claims resulting from such audits, if any, could become a liability of the School. The School's management believes that such disallowance would not be material to the basic financial statements.

Leasing Arrangements

The School has leasing arrangements for certain copier equipment expiring during fiscal year 2015.

Litigation

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

**NOTE 9 - GASB STATEMENT IMPLEMENTATION**

In the prior year, the School implemented 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]. The Statement implementation resulted in a reduction of the School's net position by \$287,191.

The School has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. The Statement establishes financial reporting standards for state and local government pension plans [defined benefit pension plans and defined contribution plans] that are administered through trusts or equivalent arrangements as defined in the GASB Statement. The implementation of the Statement currently has no affect on the School's financial statements.

The School has implemented GASB Statement No. 70, *Accounting and Financial Reporting for Financial Reporting for Nonexchange Financial Guarantees*. The Statement requires State and local governments that extend and receive nonexchange financial guarantees to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the School will be required to make a payment on a guarantee. The implementation of the GASB Statement currently has no affect on the School's financial statements.

**NOTE 10 - RISK MANAGEMENT**

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

**NOTE 11 - RESTATEMENT OF BEGINNING NET POSITION**

Net position of the School has been increased by \$90,520 for the following reason at June 30, 2013:

- The compensated absences liability improperly reflected sick leave benefits in the government-wide financial statements. The reason for not including sick leave as a liability is because the event giving rise to the liability has not yet occurred. The restatement of the compensated absences liability for sick leave resulted in an increase to the beginning net position by \$90,520.

**Required Supplemental Information [RSI] Section**

**CAMPUS COMMUNITY SCHOOL****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND  
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges to school districts	\$ 557,327	\$ 557,327	\$ 520,008	\$ (37,319)
State funding	3,460,363	3,466,383	3,394,494	(71,889)
Federal funding-education	397,329	622,329	643,034	20,705
Federal funding-food service	75,200	75,200	68,778	(6,422)
Earnings on cash and equivalents	3,600	3,600	1,736	(1,864)
Food services fees	18,800	18,800	16,317	(2,483)
Program services fees	13,000	13,000	16,616	3,616
Contributions	20,000	20,000	6,425	(13,575)
Miscellaneous revenues	...	...	2,334	2,334
<b>Total revenues</b>	<b>4,545,619</b>	<b>4,776,639</b>	<b>4,669,742</b>	<b>(106,897)</b>
<b>EXPENDITURES</b>				
Current:				
Salaries	2,151,659	2,256,435	2,194,312	62,123
Employment costs	1,161,016	1,258,151	1,109,400	148,751
Travel	1,200	2,700	3,973	(1,273)
Contracted services	234,080	276,444	301,211	(24,767)
Communications	6,350	6,350	3,454	2,896
Public utility services	106,500	106,500	93,887	12,613
Insurance	18,000	18,000	20,864	(2,864)
Transportation	175,030	220,589	207,026	13,563
Land/Building/Facilities	8,268	8,268	7,076	1,192
Repairs and maintenance	25,000	25,000	40,581	(15,581)
Supplies and materials	81,500	130,036	156,658	(26,622)
Food services	93,876	93,876	105,201	(11,325)
Capital outlay	12,617	12,617	31,307	(18,690)
Debt service	339,322	339,322	310,157	29,165
<b>Total expenditures</b>	<b>4,414,418</b>	<b>4,754,288</b>	<b>4,585,107</b>	<b>169,181</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>131,201</b>	<b>22,351</b>	<b>84,635</b>	<b>62,284</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	...	...	310,357	...
Operating transfers out	...	...	(310,357)	...
<b>Total other financing sources (uses)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>131,201</b>	<b>22,351</b>	<b>84,635</b>	<b>62,284</b>
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of year	...	...	(21,694)	(21,694)
End of year	\$ 131,201	\$ 22,351	\$ 62,941	\$ 40,590

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Material Violations

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

See Report of Independent Auditor

## Supplementary Information Section

**CAMPUS COMMUNITY SCHOOL**  
BALANCE SHEET-GENERAL FUND  
As of June 30, 2014

	2014			
	State Fund	Local Fund	Federal Fund	Total General Fund
<b>ASSETS</b>				
Cash and equivalents	\$ ...	\$ 433,653	\$ ...	\$ 433,653
Receivables, net of allowance:				
Students	...	3,995	...	3,995
Due from other governments	5,250	...	84,625	89,875
<b>TOTAL ASSETS</b>	<u>\$ 5,250</u>	<u>\$ 437,648</u>	<u>\$ 84,625</u>	<u>\$ 527,523</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,306	\$ 25,808	\$ 4,620	\$ 47,734
Accrued salaries and related costs	...	336,843	80,005	416,848
<b>Total liabilities</b>	<u>17,306</u>	<u>362,651</u>	<u>84,625</u>	<u>464,582</u>
<b>FUND BALANCES (DEFICIT)</b>				
Restricted for:				
Specific programs	...	380	...	380
Unassigned	(12,056)	74,617	...	62,561
<b>Total fund balances</b>	<u>(12,056)</u>	<u>74,997</u>	<u>...</u>	<u>62,941</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,250</u>	<u>\$ 437,648</u>	<u>\$ 84,625</u>	<u>\$ 527,523</u>

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GENERAL FUND  
Year Ended June 30, 2014

	2014			Total General Fund
	State Fund	Local Fund	Federal Fund	
<b>REVENUES</b>				
Charges to school districts	\$ ...	\$ 520,008	\$ ...	\$ 520,008
State funding	3,339,990	54,504	...	3,394,494
Federal funding	...	68,778	643,034	711,812
Earnings on cash and equivalents	...	1,736	...	1,736
Food services fees	...	16,317	...	16,317
Program services fees	...	16,616	...	16,616
Contributions	...	6,425	...	6,425
Miscellaneous revenues	...	2,334	...	2,334
<b>Total revenues</b>	<u>3,339,990</u>	<u>686,718</u>	<u>643,034</u>	<u>4,669,742</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	1,719,982	124,794	349,536	2,194,312
Employment costs	873,394	122,331	113,675	1,109,400
Travel	661	...	3,312	3,973
Contracted services	167,799	61,212	72,200	301,211
Communications	3,277	177	...	3,454
Public utility services	83,785	10,102	...	93,887
Insurance	11,264	9,600	...	20,864
Transportation	147,565	31,860	27,601	207,026
Land/Building/Facilities	6,350	726	...	7,076
Repairs and maintenance	30,040	10,256	285	40,581
Supplies and materials	93,326	11,183	52,149	156,658
Food services	...	105,201	...	105,201
Capital outlay	5,111	1,920	24,276	31,307
Debt service:				
Interest	...	...	...	...
Principal	...	...	...	...
<b>Total expenditures</b>	<u>3,142,554</u>	<u>489,362</u>	<u>643,034</u>	<u>4,274,950</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>197,436</u>	<u>197,356</u>	<u>...</u>	<u>394,792</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	(253,713)	(56,444)	...	(310,157)
Refund of prior years expenditures	...	...	...	...
<b>Total other financing sources (uses)</b>	<u>(253,713)</u>	<u>(56,444)</u>	<u>...</u>	<u>(310,157)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(56,277)</u>	<u>140,912</u>	<u>...</u>	<u>84,635</u>
<b>FUND BALANCES (DEFICIT)</b>				
Beginning of year	<u>44,221</u>	<u>(65,915)</u>	<u>...</u>	<u>(21,694)</u>
End of year	<u>\$ (12,056)</u>	<u>\$ 74,997</u>	<u>\$ ...</u>	<u>\$ 62,941</u>

See Report of Independent Auditor

**Reports Required by**

**OMB Circular A-133**



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

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

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School [a component unit of the State of Delaware], as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements, and have issued our report thereon dated August 26, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Campus Community School's financial statements are free 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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haggerty & Haggerty, P.A.*

Certified Public Accountants

August 26, 2014  
Wilmington, Delaware



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

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

To the Board of Directors  
**Campus Community School**  
Dover, Delaware

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

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

Management of Campus Community School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Campus Community School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campus Community School's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements. We issued our report thereon dated August 26, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Haggerty & Haggerty, P.A.*  
Certified Public Accountants

August 26, 2014  
Wilmington, Delaware

**CAMPUS COMMUNITY SCHOOL**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND RELATED DISCLOSURES**  
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through State of Delaware, Department of Education [DOE]:			
[1] School Breakfast Program [SBP]	<b>10.553</b>	FSF-91100	\$ 15,203
[1] National School Lunch Program [NSLP]	<b>10.555</b>	FSF-91100	<u>53,575</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b><u>\$ 68,778</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through State of Delaware, Department of Education [DOE]:			
Title I Grants to Local Educational Agencies	<b>84.010</b>	Title I, Pt A FSF-40554	\$ 256,153
Special Education-Grants to States [IDEA, Part B]	<b>84.027</b>	IDEA FSF-40564	64,371
Career and Technical Education- Basic Grants to State [Perkins IV]	<b>84.048</b>	CTE FSF-41015	24,089
Twenty-First Century Community Learning Centers	<b>84.287</b>	21st CCLC FSF-40240	<u>298,421</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b><u>\$ 643,034</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 711,812</u></b>

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

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

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

Basis of Accounting

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

**CAMPUS COMMUNITY SCHOOL**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?     yes   **x**  no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?     yes   **x**  no

**SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT**

None reported.

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

None reported.

**CAMPUS COMMUNITY SCHOOL**  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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**SECTION II - FINDINGS-FINANCIAL STATEMENT AUDIT**

None reported.

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

None reported.