

Report of Independent Auditor

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

Years Ended June 30, 2016 and 2015



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

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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

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**Report of Independent Auditor**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School [the "School"], Dover, Delaware [a component unit of the State of Delaware] as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Campus Community School's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Campus Community School as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

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

### Other Supplementary Information

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2016 on our consideration of Campus Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Campus Community School's internal control over financial reporting and compliance.

### **Restriction on Use**

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

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

August 22, 2016  
Wilmington, Delaware

## **Basic Financial Statements Section**

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENTS OF NET POSITION**  
As of June 30, 2016 and 2015

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 933,585	\$ 708,540
Receivables, net of allowance:		
Students	5,770	2,300
Cash held by fiscal agent:		
Debt service for subsequent year	60,416	60,849
Due from other governments	41,884	67,020
<b>Total current assets</b>	<u>1,041,655</u>	<u>838,709</u>
<b>Noncurrent assets:</b>		
Cash held by fiscal agent:		
Debt service reserves	340,233	339,971
Replacement reserves	200,230	200,076
Capital assets, net of depreciation:		
Nondepreciable	150,000	150,000
Depreciable	4,628,213	4,806,169
<b>Total noncurrent assets</b>	<u>5,318,676</u>	<u>5,496,216</u>
<b>TOTAL ASSETS</b>	<u>6,360,331</u>	<u>6,334,925</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred contributions and changes in proportion related to pension activity	<u>190,678</u>	<u>186,452</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	12,398	17,589
Accrued salaries and related costs	380,491	369,225
Compensated absences liability, current portion	...	...
Revenue bond payable, current portion	80,000	80,000
<b>Total current liabilities</b>	<u>472,889</u>	<u>466,814</u>
<b>Noncurrent liabilities:</b>		
Compensated absences liability, net of current portion	64,177	55,200
Net pension liability	695,710	419,116
Revenue bond payable, net of current portion	3,480,000	3,560,000
<b>Total noncurrent liabilities</b>	<u>4,239,887</u>	<u>4,034,316</u>
<b>TOTAL LIABILITIES</b>	<u>4,712,776</u>	<u>4,501,130</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred investment earnings related to pension activity	<u>337,974</u>	<u>663,138</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,218,213	1,316,169
Restricted for:		
Specific programs	480	480
Educational commitment	32,995	36,667
Debt service for subsequent year	60,416	60,849
Debt service reserves	340,233	339,971
Replacement reserves	200,230	200,076
Unrestricted (liability)	<u>(352,308)</u>	<u>(597,103)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,500,259</u>	<u>\$ 1,357,109</u>

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

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2016

Functions	Expenses	Program Revenue			Net (Expense) Revenue & Changes in Net Position Governmental Activities Primary Government
		Charges for Services	Grants and Contributions Operating	Contributions Capital	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ 3,597,284	\$ 12,535	\$ 639,141	\$ ...	\$(2,945,608)
Supporting services:					
Operation and maintenance of facilities	144,581	...	...	...	(144,581)
Transportation	227,240	...	341,578	...	114,338
Food services	155,959	37,044	129,526	...	10,611
Interest on long-term debt	259,838	...	...	...	(259,838)
Depreciation-unallocated	177,956	...	...	...	(177,956)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 4,562,858</b>	<b>\$ 49,579</b>	<b>\$ 1,110,245</b>	<b>\$ ...</b>	<b>\$(3,403,034)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>					
Charges to school districts					572,549
State funding not restricted to specific purposes					2,960,151
Earnings on cash and equivalents					6,837
Miscellaneous revenues					6,647
<b>Total general revenues and transfers</b>					<b>3,546,184</b>
<b>CHANGE IN NET POSITION</b>					<b>143,150</b>
<b>NET POSITION</b>					
Beginning of year					1,357,109
End of year					<b>\$ 1,500,259</b>

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

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

Functions	Expenses	Program Revenue			Net (Expense) Revenue & Changes in Net Position Governmental Activities Primary Government
		Charges for Services	Grants and Contributions Operating	Contributions Capital	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ 3,164,211	\$ 20,144	\$ 647,317	\$ ...	\$(2,496,750)
Supporting services:					
Operation and maintenance of facilities	147,883	...	...	...	(147,883)
Transportation	209,030	...	337,754	...	128,724
Food services	151,709	27,378	82,280	...	(42,051)
Interest on long-term debt	264,150	...	...	...	(264,150)
Depreciation-unallocated	177,783	...	...	...	(177,783)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 4,114,766</u>	<u>\$ 47,522</u>	<u>\$ 1,067,351</u>	<u>\$ ...</u>	<u>\$(2,999,893)</u>
<b>GENERAL REVENUES AND TRANSFERS</b>					
					536,919
Charges to school districts					2,938,686
State funding not restricted to specific purposes					2,840
Earnings on cash and equivalents					4,984
Miscellaneous revenues					<u>3,483,429</u>
<b>Total general revenues and transfers</b>					<u>3,483,429</u>
<b>CHANGE IN NET POSITION</b>					
					483,536
<b>NET POSITION</b>					
Beginning of year, as previously reported					2,032,226
Adjustment to opening net position [Note 10]					<u>(1,158,653)</u>
Beginning of year, as restated					<u>873,573</u>
End of year					<u>\$ 1,357,109</u>

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



**CAMPUS COMMUNITY SCHOOL**  
**BALANCE SHEETS-GOVERNMENTAL FUNDS**  
As of June 30, 2016 and 2015

	Governmental Funds					
	2016			2015		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
<b>ASSETS</b>						
Cash and equivalents	\$ 933,585	\$ ...	\$ 933,585	\$ 708,540	\$ ...	\$ 708,540
Receivables, net of allowance:						
Students	5,770	...	5,770	2,300	...	2,300
Cash held by fiscal agent:						
Debt service for subsequent year	...	60,416	60,416	...	60,849	60,849
Debt service reserves	...	340,233	340,233	...	339,971	339,971
Replacement reserves	...	200,230	200,230	...	200,076	200,076
Due from other governments	41,884	...	41,884	67,020	...	67,020
<b>TOTAL ASSETS</b>	<b>\$ 981,239</b>	<b>\$ 600,879</b>	<b>\$ 1,582,118</b>	<b>\$ 777,860</b>	<b>\$ 600,896</b>	<b>\$ 1,378,756</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 12,398	\$ ...	\$ 12,398	\$ 17,589	\$ ...	\$ 17,589
Accrued salaries and related costs	380,491	...	380,491	369,225	...	369,225
<b>Total liabilities</b>	<b>392,889</b>	<b>...</b>	<b>392,889</b>	<b>386,814</b>	<b>...</b>	<b>386,814</b>
<b>FUND BALANCES</b>						
Restricted for:						
Specific programs	480	...	480	480	...	480
Educational commitment	32,995	...	32,995	36,667	...	36,667
Debt service	...	400,649	400,649	...	400,820	400,820
Replacement reserves	...	200,230	200,230	...	200,076	200,076
Unassigned	554,875	...	554,875	353,899	...	353,899
<b>Total fund balances</b>	<b>588,350</b>	<b>600,879</b>	<b>1,189,229</b>	<b>391,046</b>	<b>600,896</b>	<b>991,942</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 981,239</b>	<b>\$ 600,879</b>	<b>\$ 1,582,118</b>	<b>\$ 777,860</b>	<b>\$ 600,896</b>	<b>\$ 1,378,756</b>

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

**CAMPUS COMMUNITY SCHOOL**RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS  
TO THE STATEMENTS OF NET POSITION  
As of June 30, 2016 and 2015

	<u>Governmental Funds</u>	
	<u>2016</u>	<u>2015</u>
Amounts reported for governmental activities in the statement of net position are different because:		
<b>Fund balances-total governmental funds</b>	<b>\$ 1,189,229</b>	<b>\$ 991,942</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. At June 30, 2016 and 2015, the total cost of capital assets is \$7,078,657 and \$7,078,657, and related accumulated depreciation is \$2,300,444 and \$2,122,488, respectively.	4,778,213	4,956,169
Compensated absences are not due and payable for the periods reported, and are therefore not reported in the fund financial statements.	(64,177)	(55,200)
Bond payable is not due and payable in the periods reported; therefore, the bond payable is not reported in the governmental funds.	(3,560,000)	(3,640,000)
Some liabilities, including net pension obligations, are not due and payable in the periods reported and, therefore, are not reported in the funds:		
Net pension liability	(695,710)	(419,116)
Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pension activity of \$190,678 and \$186,452 consist of \$0 and \$0 of deferred outflows of resources pension expense and \$190,678 and \$186,452 of deferred outflows of the 2016 and 2015 employer contributions related to the pension, respectively.	190,678	186,452
Deferred inflows of resources related to pension activity.	<u>(337,974)</u>	<u>(663,138)</u>
<b>Net position-governmental activities</b>	<b><u>\$ 1,500,259</u></b>	<b><u>\$ 1,357,109</u></b>

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

**CAMPUS COMMUNITY SCHOOL**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES--GOVERNMENTAL FUNDS

Years Ended June 30, 2016 and 2015

	Governmental Funds					
	2016			2015		
	General Fund	Debt Service Fund	Total	General Fund	Debt Service Fund	Total
<b>REVENUES</b>						
Charges to school districts	\$ 572,549	\$ ...	\$ 572,549	\$ 536,919	\$ ...	\$ 536,919
State funding	3,480,993	...	3,480,993	3,415,107	...	3,415,107
Federal funding	587,261	...	587,261	588,560	...	588,560
Earnings on cash and equivalents	6,327	510	6,837	2,778	62	2,840
Food services fees	37,044	...	37,044	27,378	...	27,378
Program services fees	12,535	...	12,535	20,144	...	20,144
Contributions	2,142	...	2,142	2,370	...	2,370
Miscellaneous revenues	6,647	...	6,647	4,984	...	4,984
<b>Total revenues</b>	<u>4,705,498</u>	<u>510</u>	<u>4,706,008</u>	<u>4,598,240</u>	<u>62</u>	<u>4,598,302</u>
<b>EXPENDITURES</b>						
Current:						
Instructional services	3,640,893	...	3,640,893	3,418,198	...	3,418,198
Supporting services:						
Operation and maintenance of facilities	144,581	...	144,581	147,883	...	147,883
Transportation	227,240	...	227,240	209,030	...	209,030
Food services	155,959	...	155,959	151,709	...	151,709
Capital outlay	210	...	210	4,050	...	4,050
Debt service:						
Principal	...	80,000	80,000	...	75,000	75,000
Interest	...	259,838	259,838	...	264,150	264,150
<b>Total expenditures</b>	<u>4,168,883</u>	<u>339,838</u>	<u>4,508,721</u>	<u>3,930,870</u>	<u>339,150</u>	<u>4,270,020</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<u>536,615</u>	<u>(339,328)</u>	<u>197,287</u>	<u>667,370</u>	<u>(339,088)</u>	<u>328,282</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers	(339,311)	339,311	...	(339,265)	339,265	...
Refund of prior years expenditures	...	...	...	...	...	...
<b>Total other financing sources (uses)</b>	<u>(339,311)</u>	<u>339,311</u>	<u>...</u>	<u>(339,265)</u>	<u>339,265</u>	<u>...</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>197,304</u>	<u>(17)</u>	<u>197,287</u>	<u>328,105</u>	<u>177</u>	<u>328,282</u>
<b>FUND BALANCES</b>						
Beginning of year	<u>391,046</u>	<u>600,896</u>	<u>991,942</u>	<u>62,941</u>	<u>600,719</u>	<u>663,660</u>
End of year	<u>\$ 588,350</u>	<u>\$ 600,879</u>	<u>\$ 1,189,229</u>	<u>\$ 391,046</u>	<u>\$ 600,896</u>	<u>\$ 991,942</u>

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

**CAMPUS COMMUNITY SCHOOL**

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

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

Years Ended June 30, 2016 and 2015

	<u>Governmental Funds</u>			
	<u>2016</u>	<u>2015</u>		
Amounts reported for governmental activities in the statement of activities are different because:				
<b>Net change in fund balances-total governmental funds</b>	<b>\$ 197,287</b>	<b>\$ 328,282</b>		
In the governmental funds capital outlay is reported as expenditures. However, in the government-wide 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 outlays capitalized as capital assets for the periods presented.				
<u>Description</u>	<u>2016</u>	<u>2015</u>		
Capital assets	\$ . . .	\$ . . .		
Depreciation expense	<u>(177,956)</u>	<u>(177,783)</u>	(177,956)	(177,783)
In the government-wide statement of activities, certain operating expenses such as compensated absences [vacation] are measured by the amounts earned during the periods. In governmental funds, however, expenditures for these items are measured by the amount of the financial resources used [essentially, amounts actually paid]. The compensated absences liability (increased) or decreased for the periods presented.				
			(8,977)	(4,814)
Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due; and in the statement of activities, interest is recognized as an expense as it accrues, regardless of when it is due.				
			80,000	75,000
Governmental funds report School pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.				
<u>Description</u>	<u>2016</u>	<u>2015</u>		
School pension contributions	\$ 190,678	\$ 186,452		
Cost of benefits earned net of contributions [pension expense]	<u>(137,882)</u>	<u>76,399</u>	<u>52,796</u>	<u>262,851</u>
<b>Change in net position-governmental activities</b>	<b>\$ 143,150</b>	<b>\$ 483,536</b>		

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

**CAMPUS COMMUNITY SCHOOL**

STATEMENTS OF FIDUCIARY NET POSITION-AGENCY FUND

As of June 30, 2016 and 2015

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	<u>Student Activities Fund</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and equivalents	<u>\$ 24,834</u>	<u>\$ 9,313</u>
<b>LIABILITIES</b>		
Due to student and other groups	<u>\$ 24,834</u>	<u>\$ 9,313</u>

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

**NOTE 1 - NATURE OF THE GOVERNMENT**

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

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

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

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

The significant accounting policies of the School are as follows:

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Accounting Basis, & Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

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

Additionally, the School reports the following fund type:

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

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

Cash and Equivalents

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

Cash Held by Fiscal Agent

Cash held by fiscal agent represents funds set aside by the School to honor the trust indenture and bond agreement.

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

Accounts Receivable

At June 30, 2016 and 2015, the accounts receivable is reflected net of the estimated uncollectible allowance of \$8,605 and \$758, respectively. The allowance is based on historical data established according to experience and other factors which in the judgment of management deserves recognition in estimating possible future losses.

Receivables and Payables

Activities between the funds representing lending and/or borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" [current portion] or "advances from/to other funds" [noncurrent]. The School has no such activities for the years presented.

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

Prepayments and Other Assets

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

Capital Assets

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

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

Long-term Obligations

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

In the fund financial statements, the governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources, and the premiums received and discounts paid on 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 refunding paid from the issuance proceeds which are reported as other financing sources.



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

Compensated Absences Liability

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

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

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

Deferred Outflows and Inflows of Resources

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

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

Encumbrance Accounting

Encumbrance accounting is employed by the governmental funds of the School. 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, 2016 and 2015, the School has no encumbrances outstanding.

Use of Estimates

Preparation of 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, actual results may differ from those estimates.

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

Net Position and Fund Equity

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

Accounting System

In accordance with the State of Delaware Charter Law, the School is required to maintain its accounting system with the Delaware Division of Accounting and as such the School uses the State codes and code structure identified in the State's *Budget and Accounting Policy Manual*.

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

Income Tax Status

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

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

**NOTE 3 - CASH AND EQUIVALENTS**

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

Deposits Held by the State of Delaware

At June 30, 2016 and 2015, the School has cash and equivalents of \$921,811 and \$698,285, respectively. 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, the credit risk cannot be categorized for these deposits. Credit risk for such deposits 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 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, 2016 and 2015, the reported amount of deposits maintained by the School outside of the State Treasurer's Office is \$36,608 [book value] and \$19,568 [book value], respectively. The deposits of \$37,264 and \$28,794 at June 30, 2016 and 2015, respectively, 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, 2016 and 2015, the balance of the fund and the bank balance is \$600,879 and \$600,896, respectively, all of which was restricted for debt service, debt service reserves, and replacement reserves. The financial instruments which potentially subject the School to concentrations of credit risk are principally cash and equivalents. These financial instruments consist of investments held by financial institutions in FDIC insured Money Market accounts or U.S. Treasury instruments backed by the U.S. Government.

**CAMPUS COMMUNITY SCHOOL**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES**

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

Description	2016	2015
State of Delaware	\$ ...	\$ ...
Passed through the State of Delaware:		
Local school districts	...	...
Federal government-Department of Agriculture	...	...
Federal government-Department of Education	41,884	67,020
Total intergovernmental receivables	41,884	67,020
Less: Allowance for uncollectible amounts	...	...
Total amount due from other governments	\$ 41,884	\$ 67,020

**NOTE 5 - CAPITAL ASSETS**

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

Description	As of and Year Ended June 30, 2016			
	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not depreciated:				
Land	\$ 150,000	\$ ...	\$ ...	\$ 150,000
Total capital assets, not being depreciated	150,000	...	...	150,000
Capital assets, being depreciated:				
Building and improvements	6,872,929	...	...	6,872,929
Furniture and equipment	55,728	...	...	55,728
Totals	6,928,657	...	...	6,928,657
Less accumulated depreciation:				
Building and improvements	2,080,319	171,422	...	2,251,741
Furniture and equipment	42,169	6,534	...	48,703
Totals	2,122,488	177,956	...	2,300,444
Total capital assets, being depreciated	\$4,806,169	\$ 177,956	\$ ...	\$4,628,213

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

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

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

Description	As of and Year Ended June 30, 2016				
	Long-Term Obligations				Due Within One Year
	Beginning Balance	Additions	Deletions	Ending Balance	
General obligation:					
Revenue bonds-Series 2011	\$3,640,000	\$ ...	\$ 80,000	\$3,560,000	\$ 80,000
Other long-term debt:					
Compensated absences	55,200	8,977	...	64,177	...
<b>Total governmental activity</b>	<b>\$3,695,200</b>	<b>\$ 8,977</b>	<b>\$ 80,000</b>	<b>\$3,624,177</b>	<b>\$ 80,000</b>

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

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

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

Years Ending June 30	Principal	Interest	Total
2017	\$ 80,000	\$ 255,238	\$ 335,238
2018	85,000	250,638	335,638
2019	90,000	245,750	335,750
2020	95,000	240,575	335,575
2021	100,000	235,113	335,113
2022-2026	630,000	1,060,525	1,690,525
2027-2031	895,000	791,706	1,686,706
2032-2036	1,270,000	410,051	1,680,051
2037	315,000	23,231	338,231
Total bonds	3,560,000	3,512,827	7,072,827
Less: Current portion	80,000	255,238	335,238
Long-term portion	<u>\$3,480,000</u>	<u>\$3,257,589</u>	<u>\$6,737,589</u>

**NOTE 7 - 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 8 - PENSION PLAN**

The School's pension plan is part of the State Employees' Pension Plan [the Plan] which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending the Plan's provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the Board]. The management of the Plan is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2015 and 2014. For a more complete description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

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

General Information About the Plan

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

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

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

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

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

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

**Burial Benefit:** \$7,000 per member.

**Contributions:**

- Employer: Determined by the Board. Employer contributions were 9.56% and 9.50% of earnings for fiscal years 2015 and 2014, respectively.
- Pre-2012 date of hire Member: 3% of earnings in excess of \$6,000.
- Post-2011 date of hire Member: 5% of earnings in excess of \$6,000.

**CAMPUS COMMUNITY SCHOOL**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 8 - PENSION PLAN** (continued)

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

At June 30, 2016 and 2015, the School reported a pension liability of \$695,710 and \$419,116, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating schools, actuarially determined. At June 30, 2015 and 2014, the School's proportion was 0.1046 and 0.1138 percent, which was a decrease of 0.0092 and 0.0144 percent from its proportion measured as of June 30, 2014 and 2013, respectively.

As a result of its requirement to contribute to DPERS, the School recognized pension expense (benefit) of \$137,882 and \$(76,399) for years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the School reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

Description	Deferred Resources			
	2016		2015	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ ...	\$ 13,005	\$ ...	\$ ...
Changes of assumptions	...	...	...	...
Net difference between projected and actual earnings on pension plan investments	...	177,265	...	533,422
Contributions subsequent to the measurement date	190,678	...	186,452	...
Change in proportion and differences between School contributions and proportionate share of contributions	...	147,704	...	129,716
<b>Totals</b>	<u>\$ 190,678</u>	<u>\$ 337,974</u>	<u>\$ 186,452</u>	<u>\$ 663,138</u>

\$190,678 and \$186,452 reported as deferred outflows of resources related to the pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Years Ending June 30	2016	2015
2016	\$ ...	\$ 132,628
2017	67,595	132,628
2018	67,595	132,628
2019	67,595	132,628
2020	67,595	132,626
2021	67,594	...
<b>Totals</b>	<u>\$ 337,974</u>	<u>\$ 663,138</u>

**NOTE 8 - PENSION PLAN** (continued)

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

**Actuarial assumptions:** The total pension liability in the June 30, 2015 and 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages	
	2015	2014
Inflation	3.00%	3.00%
Projected salary increases	3.50% to 11.50%	3.50% to 11.50%
Investment rate of return	7.20%, net of pension investment expense	7.20%, net of pension investment expense
Cost-of-living adjustments	n/a	Ad hoc

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to both 2015 and 2014, respectively, using scale AA for Males and Females, as appropriate, for mortality improvement.

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

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

Asset Class	Long-Term Expected Real Rate of Return	
	2015	2014
Domestic equity	5.70%	5.70%
International equity	5.70%	5.70%
Fixed income	2.00%	2.00%
Alternative investments	7.80%	7.80%
Cash and equivalents	0.00%	0.00%

**Discount rate:** The discount rate for the Plan used to measure the total pension liability was 7.20% for both periods presented. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**NOTE 8 - PENSION PLAN** (continued)

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

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

Plan	1% Decrease [6.20%]	Current Discount Rate [7.20%]	1% Increase [8.20%]
Employees of Campus Community School:			
Fiscal year 2016	\$ 1,571,837	\$ 695,710	\$ (331,176)
Fiscal year 2015	\$ 1,570,389	\$ 419,116	\$ (554,102)

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

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

Government Awards

The School participates in certain state and local awards not subject to the audit requirements of the Uniform Guidance. These awards may be subjected to oversight audits by the grantors and/or their representatives. No audits of these grant awards have been conducted as of June 30, 2016. Accordingly, the School's compliance with applicable award requirements will be established at some future date. The amount of costs which may be disallowed by these agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial to the financial statements.

Government Awards Subject to the Uniform Guidance

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

Educational Commitment

At June 30, 2016 and 2015, the School is committed in providing educational cost reimbursements to a maximum of \$32,995 and \$36,667, respectively. The commitment expires April 14, 2021 whether or not reimbursements are requested.

Leasing Arrangements

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

**NOTE 9 - COMMITMENTS AND CONTINGENCIES** (continued)

Litigation

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

**NOTE 10 - RESTATEMENT OF BEGINNING NET POSITION**

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

**NOTE 11 - GASB STATEMENT IMPLEMENTATION**

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

**NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS**

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

**Required Supplementary Information [RSI] Section**

**CAMPUS COMMUNITY SCHOOL****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND**  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Charges to school districts	\$ 549,360	\$ 594,030	\$ 572,549	\$ (21,481)
State funding	3,438,534	3,481,004	3,480,993	(11)
Federal funding-education	298,027	296,926	457,735	160,809
Federal funding-food service	130,000	166,406	129,526	(36,880)
Earnings on cash and equivalents	...	...	6,327	6,327
Food services fees	...	...	37,044	37,044
Program services fees	...	...	12,535	12,535
Contributions	...	...	2,142	2,142
Miscellaneous revenues	...	...	6,647	6,647
<b>Total revenues</b>	<b>4,415,921</b>	<b>4,538,366</b>	<b>4,705,498</b>	<b>167,132</b>
<b>EXPENDITURES</b>				
Current:				
Salaries	1,842,451	1,874,669	1,878,027	(3,358)
Employment costs	979,664	996,794	1,029,901	(33,107)
Travel	5,000	5,000	3,822	1,178
Contracted services	171,400	195,400	192,603	2,797
Communications	2,500	4,000	3,694	306
Public utility services	110,000	84,708	84,576	132
Insurance	20,000	20,000	17,238	2,762
Transportation	194,292	184,558	184,010	548
Land/Building/Facilities	8,300	8,300	8,140	160
Repairs and maintenance	35,000	35,000	33,656	1,344
Supplies and materials	138,499	128,571	119,312	9,259
Food services	130,000	141,844	155,959	(14,115)
Contingencies	79,758	...	...	...
Capital outlay	5,000	...	210	(210)
Debt service	339,071	339,071	339,311	(240)
Federal expenditures	298,027	466,115	457,735	8,380
<b>Total expenditures</b>	<b>4,358,962</b>	<b>4,484,030</b>	<b>4,508,194</b>	<b>(24,164)</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>56,959</b>	<b>54,336</b>	<b>197,304</b>	<b>142,968</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	...	...	...	...
Operating transfers out	...	...	...	...
<b>Total other financing sources (uses)</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>56,959</b>	<b>54,336</b>	<b>197,304</b>	<b>142,968</b>
<b>FUND BALANCES</b>				
Beginning of year	...	...	391,046	391,046
End of year	\$ 56,959	\$ 54,336	\$ 588,350	\$ 534,014

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Material Violations**

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

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of and Years Ended June 30,

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	<u>2016</u>	<u>2015</u>
School's proportion of net pension liability (asset)	<u>0.1046%</u>	<u>0.1138%</u>
School's proportionate share of net pension liability (asset)	<u>\$ 695,710</u>	<u>\$ 419,116</u>
School's covered-employee payroll	<u>\$ 2,100,965</u>	<u>\$ 2,194,312</u>
School's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>33.11%</u>	<u>19.10%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>92.67%</u>	<u>95.80%</u>

**Note to Schedule:**

The amounts presented above are determined as of June 30th of each preceding year.

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**  
SCHEDULES OF PENSION CONTRIBUTIONS  
Years Ended June 30,

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	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 190,678	\$ 186,452
Contributions in relation to contractually required contribution	<u>190,678</u>	<u>186,452</u>
Annual contribution (deficiency) excess	<u>\$ ...</u>	<u>\$ ...</u>
School covered-employee payroll	<u>\$ 2,108,160</u>	<u>\$ 2,100,965</u>
Contributions as percentage of covered-employee payroll	<u>9.05%</u>	<u>8.87%</u>

See Report of Independent Auditor

## **Supplementary Information Section**

**CAMPUS COMMUNITY SCHOOL**  
**BALANCE SHEETS-GENERAL FUND**  
As of June 30, 2016 and 2015

	2016				2015			
	State Fund	Local Fund	Federal Fund	Total General Fund	State Fund	Local Fund	Federal Fund	Total General Fund
<b>ASSETS</b>								
Cash and equivalents	\$ 1,276	\$ 932,309	\$ ...	\$ 933,585	\$ 899	\$ 707,641	\$ ...	\$ 708,540
Receivables, net of allowance:								
Students	...	5,770	...	5,770	...	2,300	...	2,300
Due from other governments	...	...	41,884	41,884	...	...	67,020	67,020
<b>TOTAL ASSETS</b>	<u>\$ 1,276</u>	<u>\$ 938,079</u>	<u>\$ 41,884</u>	<u>\$ 981,239</u>	<u>\$ 899</u>	<u>\$ 709,941</u>	<u>\$ 67,020</u>	<u>\$ 777,860</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 10,813	\$ 402	\$ 1,183	\$ 12,398	\$ 13,912	\$ 3,299	\$ 378	\$ 17,589
Accrued salaries and related costs	...	339,790	40,701	380,491	...	302,583	66,642	369,225
<b>Total liabilities</b>	<u>10,813</u>	<u>340,192</u>	<u>41,884</u>	<u>392,889</u>	<u>13,912</u>	<u>305,882</u>	<u>67,020</u>	<u>386,814</u>
<b>FUND BALANCES (DEFICIT)</b>								
Restricted for:								
Specific programs	...	480	...	480	...	480	...	480
Educational commitment	...	32,995	...	32,995	...	36,667	...	36,667
Unassigned	(9,537)	564,412	...	554,875	(13,013)	366,912	...	353,899
<b>Total fund balances</b>	<u>(9,537)</u>	<u>597,887</u>	<u>...</u>	<u>588,350</u>	<u>(13,013)</u>	<u>404,059</u>	<u>...</u>	<u>391,046</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,276</u>	<u>\$ 938,079</u>	<u>\$ 41,884</u>	<u>\$ 981,239</u>	<u>\$ 899</u>	<u>\$ 709,941</u>	<u>\$ 67,020</u>	<u>\$ 777,860</u>

See Report of Independent Auditor



**CAMPUS COMMUNITY SCHOOL**

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES--GENERAL FUND

Years Ended June 30, 2016 and 2015

	2016				2015			
	State Fund	Local Fund	Federal Fund	Total General Fund	State Fund	Local Fund	Federal Fund	Total General Fund
<b>REVENUES</b>								
Charges to school districts	\$ ...	\$ 572,549	\$ ...	\$ 572,549	\$ ...	\$ 536,919	\$ ...	\$ 536,919
State funding	3,381,017	99,976	...	3,480,993	3,363,835	51,272	...	3,415,107
Federal funding	...	129,526	457,735	587,261	...	82,280	506,280	588,560
Earnings on cash and equivalents	...	6,327	...	6,327	...	2,778	...	2,778
Food services fees	...	37,044	...	37,044	...	27,378	...	27,378
Program services fees	...	12,535	...	12,535	...	20,144	...	20,144
Contributions	...	2,142	...	2,142	...	2,370	...	2,370
Miscellaneous revenues	...	6,647	...	6,647	...	4,984	...	4,984
<b>Total revenues</b>	<b>3,381,017</b>	<b>866,746</b>	<b>457,735</b>	<b>4,705,498</b>	<b>3,363,835</b>	<b>728,125</b>	<b>506,280</b>	<b>4,598,240</b>
<b>EXPENDITURES</b>								
Current:								
Salaries	1,711,576	166,451	255,630	2,133,657	1,726,062	42,746	304,901	2,073,709
Employment costs	914,659	115,242	89,033	1,118,934	844,129	80,918	99,891	1,024,938
Travel	1,590	2,232	1,582	5,404	2,175	421	1,254	3,850
Contracted services	163,547	29,056	64,493	257,096	131,653	21,692	70,128	223,473
Communications	3,548	146	...	3,694	2,746	272	...	3,018
Public utility services	72,087	12,489	...	84,576	74,486	10,068	...	84,554
Insurance	11,440	5,798	...	17,238	11,405	3,813	...	15,218
Transportation	146,906	37,104	43,230	227,240	184,535	...	24,495	209,030
Land/Building/Facilities	7,585	555	971	9,111	7,930	689	...	8,619
Repairs and maintenance	26,453	7,203	...	33,656	25,502	13,390	600	39,492
Supplies and materials	84,478	34,834	2,796	122,108	83,740	1,623	3,847	89,210
Food services	...	155,959	...	155,959	...	151,709	...	151,709
Capital outlay	210	...	...	210	190	2,696	1,164	4,050
Debt service:								
Interest	...	...	...	...	...	...	...	...
Principal	...	...	...	...	...	...	...	...
<b>Total expenditures</b>	<b>3,144,079</b>	<b>567,069</b>	<b>457,735</b>	<b>4,168,883</b>	<b>3,094,553</b>	<b>330,037</b>	<b>506,280</b>	<b>3,930,870</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>236,938</b>	<b>299,677</b>	<b>...</b>	<b>536,615</b>	<b>269,282</b>	<b>398,088</b>	<b>...</b>	<b>667,370</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers	(233,462)	(105,849)	...	(339,311)	(270,239)	(69,026)	...	(339,265)
Refund of prior years expenditures	...	...	...	...	...	...	...	...
<b>Total other financing sources (uses)</b>	<b>(233,462)</b>	<b>(105,849)</b>	<b>...</b>	<b>(339,311)</b>	<b>(270,239)</b>	<b>(69,026)</b>	<b>...</b>	<b>(339,265)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,476</b>	<b>193,828</b>	<b>...</b>	<b>197,304</b>	<b>(957)</b>	<b>329,062</b>	<b>...</b>	<b>328,105</b>
<b>FUND BALANCES (DEFICIT)</b>								
Beginning of year	(13,013)	404,059	...	391,046	(12,056)	74,997	...	62,941
End of year	\$ (9,537)	\$ 597,887	\$ ...	\$ 588,350	\$ (13,013)	\$ 404,059	\$ ...	\$ 391,046

See Report of Independent Auditor

**Reports Required by**  
***Government Auditing Standards***



**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, 2016, 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 22, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Campus Community 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 Campus Community School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Haggerty & Haggerty, P.A.*

Certified Public Accountants

August 22, 2016  
Wilmington, Delaware

**CAMPUS COMMUNITY SCHOOL**  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2016

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**SUMMARY OF AUDITOR'S RESULTS**

1. The report of the independent auditor expresses unmodified opinions on the financial statements of Campus Community School.
2. No deficiencies in internal control considered material weaknesses were identified during the audit of the financial statements of Campus Community School.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of Campus Community School.

**FINDINGS-FINANCIAL REPORTING**

None reported.

**FINDINGS-COMPLIANCE AND OTHER MATTERS**

None reported.

**CAMPUS COMMUNITY SCHOOL**  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
Year Ended June 30, 2016

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**SECTION II - FINDINGS-FINANCIAL REPORTING**

None reported or outstanding.

**SECTION III - COMPLIANCE AND OTHER MATTERS**

None reported or outstanding.