

Report of Independent Auditor

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

Year Ended June 30, 2018

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

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WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, 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 entity'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 entity'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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require a schedule of budgetary comparison information, a schedule of proportionate share of net pension and OPEB liabilities, and a schedule of pension and OPEB contributions, reflected on pages 25 to 29, 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 30 and 31, 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 30 and 31 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 September 24, 2018 on our consideration of Campus Community School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Campus Community School's internal control over financial reporting and compliance.

### **Restriction on Use**

Our report is intended solely for the information and use of management, the Finance Committee, the 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.

*Whisman Giordano & Associates, LLC*

September 24, 2018  
Newark, Delaware

## **Basic Financial Statements Section**

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENT OF NET POSITION**  
As of June 30, 2018

	Governmental Activities
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and equivalents	\$ 1,480,347
Receivables, net of allowance:	
Students	5,601
Cash held by fiscal agent:	
Debt service for subsequent year	62,094
Due from other governments	46,362
<b>Total current assets</b>	<b>1,594,404</b>
<b>Noncurrent assets:</b>	
Cash held by fiscal agent:	
Debt service reserves	345,200
Replacement reserves	139,477
Capital assets, net of accumulated depreciation:	
Nondepreciable	150,000
Depreciable	4,278,343
<b>Total noncurrent assets</b>	<b>4,913,020</b>
<b>TOTAL ASSETS</b>	<b>6,507,424</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred contributions and changes in portion related to pension activity	592,821
Deferred contributions related to other postemployment benefits	226,062
<b>Total deferred outflows of resources</b>	<b>818,883</b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	14,104
Accrued salaries and related costs	415,107
Compensated absences liability, current portion	-
Revenue bond payable, current portion	90,000
<b>Total current liabilities</b>	<b>519,211</b>
<b>Noncurrent liabilities:</b>	
Compensated absences liability, net of current portion	89,904
Net pension liability	1,420,856
Net other postretirement benefits liability	7,818,419
Revenue bond payable, net of current portion	3,305,000
<b>Total noncurrent liabilities</b>	<b>12,634,179</b>
<b>TOTAL LIABILITIES</b>	<b>13,153,390</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred investment earnings related to pension activity	150,004
Deferred postemployment benefits	1,179,048
<b>Total deferred inflows of resources</b>	<b>1,329,052</b>
<b>NET POSITION (LIABILITY)</b>	
Net investment in capital assets	1,033,343
Restricted for:	
Specific programs	480
Educational commitment	32,001
Debt service for subsequent year	62,094
Debt service for reserves	345,200
Replacement reserves	139,477
Unrestricted (liability)	(8,768,730)
<b>TOTAL NET POSITION (LIABILITY)</b>	<b>\$(7,156,135)</b>

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

**CAMPUS COMMUNITY SCHOOL**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2018

Functions	Expenses	Program Revenue			Net (Expense) Revenue & Changes in Net Position
		Charges for Services	Grants and Contributions		Governmental Activities
			Operating	Capital	Primary Government
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$3,515,003	\$ 537	\$ 695,473	\$ -	\$ (2,818,993)
Supporting services:					
Operations and maintenance of facilities	145,441	-	-	-	(145,441)
Transportation	249,584	-	308,704	-	59,120
Food services	151,240	31,672	125,408	-	5,840
Interest on long-term debt	250,637	-	-	-	(250,637)
Depreciation-unallocated	173,819	-	-	-	(173,819)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$4,485,724</b>	<b>\$ 32,209</b>	<b>\$1,129,585</b>	<b>\$ -</b>	<b>\$ (3,323,930)</b>

**GENERAL REVENUES AND TRANSFERS**

Charges to school districts	555,196
State funding not restricted to specific purposes	3,041,456
Earnings on cash and equivalents	13,280
Miscellaneous revenues	3,154
<b>Total general revenues and transfers</b>	<b>3,613,086</b>

**CHANGE IN NET POSITION**

289,156

**NET POSITION (LIABILITY)**

Beginning of year, as previously reported	1,517,009
Adjustment to opening net position [Note 11]	(8,962,300)
Beginning of year, as restated	(7,445,291)
<b>End of year</b>	<b>\$ (7,156,135)</b>

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

**CAMPUS COMMUNITY SCHOOL**  
BALANCE SHEET-GOVERNMENTAL FUNDS  
As of June 30, 2018

	Governmental Funds		
	General Fund	Debt Service Fund	Totals
<b>ASSETS</b>			
Cash and equivalents	\$1,480,347	\$ -	\$1,480,347
Receivables, net of allowance:			
Students	5,601	-	5,601
Cash held by fiscal agent:			
Debt service for subsequent year	-	62,094	62,094
Debt service reserves	-	345,200	345,200
Replacement reserves	-	139,477	139,477
Due from other governments	46,362	-	46,362
<b>TOTAL ASSETS</b>	<b>\$1,532,310</b>	<b>\$ 546,771</b>	<b>\$2,079,081</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 14,104	\$ -	\$ 14,104
Accrued salaries and related costs	415,107	-	415,107
<b>Total liabilities</b>	<b>429,211</b>	<b>-</b>	<b>429,211</b>
<b>FUND BALANCES</b>			
Restricted for:			
Specific programs	480	-	480
Educational commitment	32,001	-	32,001
Debt service	-	407,294	407,294
Replacement reserves	-	139,477	139,477
Unassigned	1,070,618	-	1,070,618
<b>Total fund balances</b>	<b>1,103,099</b>	<b>546,771</b>	<b>1,649,870</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,532,310</b>	<b>\$ 546,771</b>	<b>\$2,079,081</b>

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, 2018

	Amount
Amounts reported for governmental activities in the statement of net position are different because:	
<b>Fund balances-Total governmental funds</b>	<b>\$ 1,649,870</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. At June 30, 2018, the total cost of capital assets is \$7,078,657 and the related accumulated depreciation is \$2,650,314.	4,428,343
Compensated absences are not due and payable for the period reported, and, are therefore not reported in the fund financial statements.	(89,904)
Bond payable is not due and payable in the period reported; therefore, the bond payable is not reported in the fund financial statements.	(3,395,000)
Some liabilities, including net pension and net OPEB obligations, are not due and payable in the periods reported and, are therefore not reported in the fund financial statements:	
Net pension liability	(1,420,856)
Net other postemployment benefits [OPEB] liability	(7,818,419)
Deferred outflows and inflows or resources related to pension and OPEB activities are applicable to future periods and, are therefore not reported in the fund financial statements:	
Deferred outflows of resources related to pension activity of \$592,821 consists of \$379,201 of deferred outflows of resources pension expense and \$213,620 of deferred outflows of the 2018 employer contributions related to the pension.	592,821
Deferred inflows of resources related to pension activity.	(150,004)
Deferred outflows of resources related to OPEB activity consisting of 2018 employer OPEB contributions.	226,062
Deferred inflows of resources related to OPEB activity	<u>(1,179,048)</u>
<b>Net position (liability)-Governmental activities</b>	<b><u>\$ (7,156,135)</u></b>

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, 2018

	Governmental Funds		
	General Fund	Debt Service Fund	Totals
<b>REVENUES</b>			
Charges to school districts	\$ 555,196	\$ -	\$ 555,196
State funding	3,497,422	-	3,497,422
Federal funding	672,657	-	672,657
Earnings on cash and equivalents	6,778	6,502	13,280
Food services fees	31,672	-	31,672
Program services fees	537	-	537
Contributions	962	-	962
Miscellaneous revenues	3,154	-	3,154
<b>Total revenues</b>	<b>4,768,378</b>	<b>6,502</b>	<b>4,774,880</b>
<b>EXPENDITURES</b>			
Current:			
Instructional services	3,732,808	-	3,732,808
Supporting services:			
Operation and maintenance of facilities	145,441	-	145,441
Transportation	249,584	-	249,584
Food services	151,240	-	151,240
Capital outlay	7,244	-	7,244
Debt service:			
Principal	-	85,000	85,000
Interest	-	250,637	250,637
<b>Total expenditures</b>	<b>4,286,317</b>	<b>335,637</b>	<b>4,621,954</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>482,061</b>	<b>(329,135)</b>	<b>152,926</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	(335,656)	335,656	-
Replacement reserves transfers	-	-	-
<b>Total other financing source (uses)</b>	<b>(335,656)</b>	<b>335,656</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>146,405</b>	<b>6,521</b>	<b>152,926</b>
<b>FUND BALANCES</b>			
Beginning of year	956,694	540,250	1,496,944
End of year	\$ 1,103,099	\$ 546,771	\$ 1,649,870

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, 2018

Amount

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

**Net change in fund balances-Total governmental funds** **\$ 152,926**

In the financial statements of the governmental funds, capital outlay is reported as an expenditure. 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 expense either exceeds or is less than capital outlay capitalized as capital assets for the period presented.

Description	Amount	
Capital assets	\$ -	
Depreciation expense	(173,819)	(173,819)

In the government-wide statement of activities, certain operating expenses such as compensated absences [vacation] are measured by the amounts earned during the period. In the 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 period presented. (10,014)

Governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, the 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 due. 85,000

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

Description	Pension	OPEB	
School contributions	\$ 213,620	\$ 226,062	
Cost of benefits earned net of contributions (expense)	(169,452)	(35,167)	235,063

**Change in net position-Governmental activities** **\$ 289,156**

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, 2018

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	Student Activities Fund
<b>ASSETS</b>	
Cash and equivalents	\$ 24,101
<b>LIABILITIES</b>	
Due to student and other groups	\$ 24,101

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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 operates as an independent public school governed by a 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. State funds are not provided for charter school facilities. Charter schools may charge for selected additional services consistent with those permitted by the 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 more 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 governmental funds are reported as separate columns in fund financial statements.

Measurement Focus, Accounting Basis, and 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** [continued]

Measurement Focus, Accounting Basis, and Financial Statement Presentation [continued]

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.

Accounts Receivable

At June 30, 2018, the accounts receivable is reflected net of the estimated uncollectible allowance of \$13,309. 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.

Interfund Balances

Activities between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either "interfund balances" [current portion] or "interfund advances" [noncurrent]. The School has no such activities for the year presented.

Advances between the funds reported in the fund financial statements, when present, are offset by assigned fund balances 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 non-spendable, as this amount is not available for appropriation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** [continued]

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 meeting the criteria 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. The 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.

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.

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 two items that qualify for reporting in this category. The first item is deferred contributions and changes in proportion related to the School's pension activity, and the other item refers to its OPEB activity. The amounts are reported in the statement of net position and 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 two items that qualify for reporting in this category; the first item is deferred investment earnings related to pension activity and the other item relates to OPEB activity. These items are 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.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** [continued]

Encumbrance Accounting

Encumbrance accounting is employed by the governmental funds of the School. Encumbrances [e.g., purchase orders and contracts] outstanding at the year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are re-appropriated and honored during the subsequent year. At June 30, 2018, the School has no encumbrances outstanding.

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 the 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. The 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 the GASB Statement, fund balances are required to be reported according to the following classifications:

- **Non-spendable 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 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.

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, the actual results may differ from those estimates.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** [continued]

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*.

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, 2018, the School has cash and equivalents of \$1,466,590. 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. 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, 2018, the reported amount of deposits maintained by the School outside of the State Treasurer's Office is \$37,858 [book value], of which \$13,757 is reported in the governmental fund and \$24,101 is reported in the agency fund. The bank deposits of \$38,414 at June 30, 2018, held by the one financial institution are insured by the Federal Deposit Insurance Corporation [FDIC]. Deposits in excess of FDIC insurance is exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the School.

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, 2018, the balance of the fund and the bank balance is \$546,771, 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	2018
State of Delaware	\$ -
Passed through the State of Delaware:	
Local school districts	-
Federal government-Department of Agriculture	-
Federal government-Department of Education	46,362
Total intergovernmental receivables	46,362
Less: Allowance for uncollectible amounts	-
<b>Total amount due from other governments</b>	<b>\$ 46,362</b>

**NOTE 5 - CAPITAL ASSETS**

The following table summarize the annual changes to capital assets:

Description	As of and Year Ended June 30, 2018			
	Beginning	Increases	Decreases	Ending
Capital assets, not depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
<b>Total capital assets, not depreciated</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>150,000</b>
Capital assets, being depreciated:				
Building and improvements	6,872,929	-	-	6,872,929
Furniture and Equipment	55,728	-	-	55,728
<b>Totals</b>	<b>6,928,657</b>	<b>-</b>	<b>-</b>	<b>6,928,657</b>
Less accumulated depreciation:				
Building and improvements	2,423,163	171,423	-	2,594,586
Furniture and Equipment	53,332	2,396	-	55,728
<b>Totals</b>	<b>2,476,495</b>	<b>173,819</b>	<b>-</b>	<b>2,650,314</b>
<b>Total capital assets, being depreciated</b>	<b>\$4,452,162</b>	<b>\$ (173,819)</b>	<b>\$ -</b>	<b>\$4,278,343</b>

**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, 2018				
	Long-Term Obligations				Due
	Beginning Balance	Additions	Deletions	Ending Balance	Within One Year
General obligation:					
Revenue bond-Series 2011	\$3,480,000	\$ -	\$ 85,000	\$3,395,000	\$ 90,000
Other long-term debt:					
Compensated absences	79,890	10,014	-	89,904	-
<b>Total governmental activity</b>	<b>\$3,559,890</b>	<b>\$ 10,014</b>	<b>\$ 85,000</b>	<b>\$3,484,904</b>	<b>\$ 90,000</b>

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

**NOTE 6 - LONG-TERM DEBT OBLIGATIONS** [continued]

Revenue Bonds, Series 2011

On May 1, 2011, Kent County, Delaware issued Variable Rate Demand/Fixed Rate Refunding Revenue Bonds, Series 2011 in the amount of \$3,930,000. The School used the proceeds of the revenue bonds to [1] pay off the bonds, Series 2002; [2] renovate existing buildings located at 310-334 and 346-350 Pear Street, Dover, Delaware, into classrooms, other academic areas, a gymnasium, a lunchroom and other accessory school uses; and [3] pay for costs related to the issuance of the revenue bonds. The revenue bonds were issued pursuant to a Trust Indenture dated May 1, 2011, between Kent County and BNY Mellon, as 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
2019	\$ 90,000	\$ 245,750	\$ 335,750
2020	95,000	240,575	335,575
2021	100,000	235,113	335,113
2022	110,000	229,363	339,363
2023	115,000	221,250	336,250
2024-2028	725,000	964,281	1,689,281
2029-2033	1,030,000	654,900	1,684,900
2034-2037	1,130,000	215,719	1,345,719
Total bonds	3,395,000	3,006,951	6,401,951
Less: Current portion	90,000	245,750	335,750
Long-term portion	<u>\$3,305,000</u>	<u>\$2,761,201</u>	<u>\$6,066,201</u>

**NOTE 7 - PENSION PLAN**

The School's pension plan is part of the State Employees' Pension Plan [the Plan] which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly of the State of Delaware 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 ex officio members. The daily operation is the responsibility of the Delaware Office of Pensions.

Although most of the assets of the Plan are co-mingled 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, 2017. For a complete description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

Separately issued financial statements for DPERS are available from the State of Delaware pension office: Mc Ardle Building, Suite 1; 860 Silver Lake Blvd; 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].

**NOTE 7 - PENSION PLAN** [continued]

General Information About the Plan [continued]

**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 Plan members 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 the employee is receiving a pension, the eligible survivor receives 50% of pension [or 67.70% with 2% reduction, 75% with 3% reduction, or 100% with 6% reduction of benefit]; if employee is active with at least 5 years of credited service, eligible survivor receives 75% of the pension the employee would have received at age 62.

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

**Contributions:**

- Employer: Determined by the Board. Employer contributions were 9.58% of earnings for fiscal years 2017.
- Pre-2012 date of hire Member: 3% of earnings in excess of \$6,000.
- Post-2011 date of hire Member: 5% of earnings in excess of \$6,000.

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

At June 30, 2018, the School reported a pension liability of \$1,420,856 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating schools, actuarially determined. At June 30, 2017, the School's proportion was .0969 percent, which was a decrease of 0.0075 percent from its proportion measured as of June 30, 2016.

**CAMPUS COMMUNITY SCHOOL**  
NOTES TO FINANCIAL STATEMENTS

**NOTE 7 - PENSION PLAN** [continued]

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

As a result of its requirement to contribute to DPERS, the School recognized pension expense of \$169,452 for the year ended June 30, 2018. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

Description	Deferred Resources	
	Outflows	Inflows
Difference between expected and actual experience	\$ 13,669	\$ 20,876
Changes of assumptions	232,650	-
Net difference between projected and actual earnings on pension plan investments	132,882	-
Contributions subsequent to the measurement date	213,620	-
Change in proportion and differences between School contributions and proportionate share of contributions	-	129,128
<b>Totals</b>	<b>\$ 592,821</b>	<b>\$ 150,004</b>

\$213,620 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 for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	\$ (52,483)
2020	(52,483)
2021	(78,418)
2022	(22,044)
2023	(23,769)
<b>Total</b>	<b>\$ (229,197)</b>

**Actuarial assumptions:** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages
Inflation	2.50%
Projected salary increase	2.50% plus merit
Investment rate of return/discount rate	7.00%, net of pension investment expense
Cost-of-living adjustments	0.00%

**NOTE 7 - PENSION PLAN** [continued]

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

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016, details of which are provided in the presentation of that study to the Board of Trustees. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

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	Asset Allocation
Domestic equity	5.70%	33.50%
International equity	5.70%	13.70%
Fixed income	2.00%	26.60%
Alternative investments	7.80%	22.70%
Cash and equivalents	0.00%	3.50%

**Discount rate:** The discount rate for the Plan used to measure the total pension liability was 7.00%. 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 7 - PENSION PLAN** [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 7.00%, 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 [6.00%]	Discount Rate [7.00%]	1% Increase [8.00%]
Employees of Campus Community School:			
Fiscal Year 2018	\$ 2,557,890	1,420,856	\$ 456,936

**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB]**

**Plan Description:** The School's OPEB Plan is part of the State of Delaware's Other Postemployment Benefit [OPEB] Fund Trust [the Plan] which is a cost-sharing multiple-employer defined-benefit plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System [DPERS]. The State of Delaware [the State] is responsible for the policy and management of the OPEB benefits provided to retirees. 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.

Additional financial and actuarial information with respect to the Plan may be found in the *State of Delaware Comprehensive Annual Financial Report* available online at <https://accounting.delaware.gov/>.

**Benefits:** The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of Plan benefits varies based on years of service within those pension plan categories defined by the Plan. Pensioners retiring after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

**Contributions:** Participating employers, such as the School, fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan. The School's contractually required contribution rate for the year ended June 30, 2017, was 9.47% of covered-employee payroll. Total contributions for the year ended June 30, 2017 were \$224,658.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School reported a liability of \$7,818,419 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and affiliates, actuarially determined. At June 30, 2017, the School's proportion was 0.0947 percent, which was a decrease of 0.0064 percent from its proportion measured as of June 30, 2016.

**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB]** [continued]

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB [continued]

For the year ended June 30, 2018, the School recognized OPEB expense of \$35,167. At June 30, 2018, the School reported deferred outflows and inflows of resources related to OPEB from the following sources:

Description	Deferred Resources	
	Outflows	Inflows
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	760,618
Net difference between projected and actual earnings on OPEB plan investments	-	12,901
Contributions subsequent to the measurement date	226,062	-
Change in proportion and differences between School contributions and proportionate share of contributions	-	405,529
<b>Totals</b>	<b>\$ 226,062</b>	<b>\$ 1,179,048</b>

\$226,062 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2019	\$ 235,810
2020	235,810
2021	235,810
2022	235,810
2023	235,808
<b>Totals</b>	<b>\$ 1,179,048</b>

**Actuarial assumptions:** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Description	Percentages
Discount rate	3.58%
Salary increases	3.25% plus merit
Investment rate of return	n/a
Healthcare cost trend rates	7.00%

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustments for healthy annuitants and disabled annuitant factors for each covered pension plan. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results on an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



**NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB]** [continued]

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB [continued]

**Discount rate:** The discount rate used to measure the total OPEB liability was 2.85% at the beginning of the current measurement period and 3.58% at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, and Index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan member will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2017 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate:** The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB 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 discount rate:

Plan	1% Decrease [2.58%]	Discount Rate [3.58%]	1% Increase [4.58%]
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Employees of Campus Community School:

Fiscal Year 2018	\$ 9,375,319	7,818,419 <sup>a</sup>	\$ 6,605,380
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**Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the School's proportionate share of the net OPEB liability as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

Plan	Healthcare		
	1% Decrease [6.00%]	Trend [7.00%]	1% Increase [8.00%]

Employees of Campus Community School:

Fiscal Year 2018	\$ 6,619,465	\$ 7,818,419	\$ 9,286,097
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**NOTE 9 - 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 for the years presented.

**NOTE 10 - 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 significant losses from these transactions.

Educational Commitment

At June 30, 2018, the School is committed in providing educational cost reimbursements to a maximum of \$32,001. The commitment expires April 14, 2021 whether or not reimbursements are requested.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES** [continued]

Government Awards

The School receives certain federal and state grant awards. 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 grantors or their representatives. No audits were conducted for the years presented. Disallowed claims resulting from such audits, if any, could become a liability of the School. The School's management believes that such disallowances, if any, would not be significant to the financial statements.

Leasing Arrangements

The School has leasing arrangements for certain copier equipment requiring a total monthly payment of \$526 [\$407 and \$119] for the lease period of 36 months. The leasing arrangements expire June of 2021.

Litigation

As of September 24, 2018, in two cases where the School has been found liable for compensatory education, the family has asserted that they are entitled to additional compensation.

In one case, the Delaware District Court awarded the plaintiffs one full day of compensatory education for each day attended plus 2.5 hours of compensatory education for each day absent. The court has not calculated the total amount awarded but attorneys for the School believe the amount could exceed \$150,000. The court has also directed that the full amount be deposited into a trust account. Additionally, the plaintiff's counsel has advised that a fee petition will be forthcoming. Management of the School intends to seek reargument as to the requirement that the full amount be immediately deposited.

The second case involves a sibling of the case noted in the preceding paragraph and the circumstances are similar. The case has been fully briefed and is awaiting a decision from the judge (the same judge who presided over the aforementioned case).

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

The net position of the School has been decreased by \$8,962,300 resulting from the implementation of GASB Statement No. 75 [refer to Note 12].

**NOTE 12 - GASB STATEMENT IMPLEMENTATION**

The School has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The primary objective of the Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. Implementation resulted in a reduction of net position by \$8,962,300 at June 30, 2017.

The School has implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. Implementation is required for periods beginning after December 15, 2016 and should be applied retroactively. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of such agreements. Implementation of the Statement has no impact on the financial statements since the School is not a beneficiary of such agreements.

The School has implemented GASB Statement No. 85, *Omnibus 2017*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. The statement addresses topics, such as: issues related to blending of component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The School has implemented the Statement with no significant impact, except for OPEB which is noted in the first paragraph of this Note.

**NOTE 12 - GASB STATEMENT IMPLEMENTATION** [continued]

The School has implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to improve consistency in accounting and financial reporting for "in-substance" defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources [resources other than the proceeds of refunding debt] are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Implementation of the Statement has no impact on the financial statements since the School has not extinguished such debt.

**NOTE 13 - PENDING GASB STATEMENTS**

The School has not completed the various analysis required to estimate the future impact of the following new pronouncements on its financial statements. Generally, the School does not early implement GASB statements and pronouncements.

In November of 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations [ARO]. An ARO is a legally enforceable liability associated with the retirement of a tangible asset.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities*. Implementation is required for periods beginning after December 15, 2018, with earlier application encouraged. The objective of the Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on [1] whether a government is controlling the assets of the fiduciary activity, and [2] the beneficiaries with whom a fiduciary relationship exists.

In June of 2017, GASB issued Statement No. 87, *Leases*. Implementation is required for periods beginning after December 15, 2019, with earlier application encouraged. The objective of the Statement is to better meet the information needs of the financial statement users by improving the accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the principle that leases are financing of the right to use an underlying asset.

In April of 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including borrowings and direct placements. The Statement also clarifies which liabilities governments should include when disclosing information related to debt.

**NOTE 14 - 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges to school districts	\$ 587,350	\$ 577,682	\$ 555,196	\$ (22,486)
State funding	3,562,350	3,495,937	3,497,422	1,485
Federal funding-education	-	526,945	547,249	20,304
Federal funding-food service	137,700	157,308	125,408	(31,900)
Earnings on cash and equivalents	-	-	6,778	6,778
Food service fees	-	-	31,672	31,672
Program services fees	-	-	537	537
Contributions	-	-	962	962
Miscellaneous revenue	-	-	3,154	3,154
<b>Total revenue</b>	<b>4,287,400</b>	<b>4,757,872</b>	<b>4,768,378</b>	<b>10,506</b>
<b>EXPENDITURES</b>				
Current:				
Salaries	1,961,435	1,878,673	1,898,082	(19,409)
Employment costs	1,080,590	1,027,336	1,034,290	(6,954)
Travel	5,000	2,187	-	2,187
Contracted services	137,450	169,435	188,970	(19,535)
Communications	2,500	1,943	4,070	(2,127)
Public utility services	100,000	84,149	84,284	(135)
Insurance	30,000	32,141	32,142	(1)
Transportation	203,756	209,281	205,374	3,907
Land/Building/Facilities	8,300	6,211	6,766	(555)
Repairs and maintenance	35,000	26,100	22,249	3,851
Supplies and materials	129,000	112,616	104,357	8,259
Food services	137,700	142,319	151,240	(8,921)
Contingencies	85,748	-	7,244	(7,244)
Capital outlay	15,000	11,045	-	11,045
Debt service	335,238	335,656	335,656	-
Federal expenditures-education	-	526,945	547,249	(20,304)
<b>Total expenditures</b>	<b>4,266,717</b>	<b>4,566,037</b>	<b>4,621,973</b>	<b>(55,936)</b>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENDITURES</b>	<b>20,683</b>	<b>191,835</b>	<b>146,405</b>	<b>(45,430)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	-	-	-
Replacement reserves transfers	-	-	-	-
<b>Total other financing source (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>20,683</b>	<b>191,835</b>	<b>146,405</b>	<b>(45,430)</b>
<b>FUND BALANCES</b>				
Beginning of year	-	-	956,694	956,694
End of year	\$ 20,683	\$ 191,835	\$ 1,103,099	\$ 911,264

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Material Violations

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

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**

## SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

As of and Years Ended June 30,

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's proportion of net pension liability (asset)	<u>0.0969%</u>	<u>0.1044%</u>	<u>0.1046%</u>	<u>0.1138%</u>
School's proportionate share of net pension liability (asset)	<u>\$ 1,420,856</u>	<u>\$ 1,572,687</u>	<u>\$ 695,710</u>	<u>\$ 419,116</u>
School's covered-employee payroll	<u>\$ 2,072,745</u>	<u>\$ 2,108,160</u>	<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>68.55%</u>	<u>74.60%</u>	<u>33.11%</u>	<u>19.10%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>85.31%</u>	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

**Note to Schedule:**The amounts presented above are determined as of June 30<sup>th</sup> of each preceding year.

See Report of Independent Auditor

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

	2018	2017	2016	2015
Contractually required contribution	\$ 213,620	\$ 180,877	\$ 190,678	\$ 186,452
Contributions in relation to contractually required contribution	213,620	180,877	190,678	186,452
Annual contribution (deficiency) excess	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 2,072,745	\$ 2,072,745	\$ 2,108,160	\$ 2,100,965
Contribution as percentage of covered-employee payroll	10.31%	8.73%	9.05%	8.87%

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**

## SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY

As of and Years Ended June 30,

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	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability	<u>0.0950%</u>	<u>0.1010%</u>
School's proportionate share of net OPEB liability (asset)	<u>\$ 7,818,419</u>	<u>\$ 9,186,958</u>
School's covered-employee payroll	<u>\$ 2,072,745</u>	<u>\$ 2,108,160</u>
School's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	<u>377.20%</u>	<u>435.78%</u>
Plan's fiduciary net position as percentage of total OPEB liability	<u>0.04%</u>	<u>0.03%</u>

**Note to Schedule:**The amounts presented above are determined as of June 30<sup>th</sup> of each preceding year.

See Report of Independent Auditor



**CAMPUS COMMUNITY SCHOOL**  
SCHEDULE OF OPEB CONTRIBUTIONS  
Years Ended June 30,

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	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 226,062	\$ 224,658
Contributions in relation to contractually required contribution	<u>226,062</u>	<u>224,658</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	<u>\$ 2,072,745</u>	<u>\$ 2,072,745</u>
Contribution as percentage of covered-employee payroll	<u>10.91%</u>	<u>10.84%</u>

See Report of Independent Auditor

## **Supplementary Information Section**

**CAMPUS COMMUNITY SCHOOL**  
BALANCE SHEET-GENERAL FUNDS  
As of June 30, 2018

	State Fund	Local Fund	Federal Fund	Total General Fund
<b>ASSETS</b>				
Cash and equivalents	\$ 14,140	\$1,466,207	\$ -	\$1,480,347
Receivables, net of allowance:				
Students	-	5,601	-	5,601
Due from other governments	-	-	46,362	46,362
<b>TOTAL ASSETS</b>	<b>\$ 14,140</b>	<b>\$1,471,808</b>	<b>\$ 46,362</b>	<b>\$1,532,310</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 11,202	\$ 402	\$ 2,500	\$ 14,104
Accrued salaries and related costs	-	371,245	43,862	415,107
<b>Total liabilities</b>	<b>11,202</b>	<b>371,647</b>	<b>46,362</b>	<b>429,211</b>
<b>FUND BALANCES</b>				
Restricted for:				
Specific programs	-	480	-	480
Educational commitment	-	32,001	-	32,001
Unassigned	2,938	1,067,680	-	1,070,618
<b>Total fund balances</b>	<b>2,938</b>	<b>1,100,161</b>	<b>-</b>	<b>1,103,099</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,140</b>	<b>\$1,471,808</b>	<b>\$ 46,362</b>	<b>\$1,532,310</b>

See Report of Independent Auditor

**CAMPUS COMMUNITY SCHOOL**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES--GENERAL FUND  
Year Ended June 30, 2018

	State Fund	Local Fund	Federal Fund	Total General Fund
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 555,196	\$ -	\$ 555,196
State funding	3,446,951	50,471	-	3,497,422
Federal funding	-	125,408	547,249	672,657
Earnings on cash and equivalents	-	6,778	-	6,778
Food services fees	-	31,672	-	31,672
Program services fees	-	537	-	537
Contributions	-	962	-	962
Miscellaneous revenue	-	3,154	-	3,154
<b>Total revenues</b>	<b>3,446,951</b>	<b>774,178</b>	<b>547,249</b>	<b>4,768,378</b>
<b>EXPENDITURES</b>				
Current:				
Salaries	1,724,781	173,301	277,762	2,175,844
Employment costs	906,832	127,458	97,458	1,131,748
Travel	-	-	-	-
Contracted services	118,786	70,184	63,292	252,262
Communications	3,875	195	-	4,070
Public utility services	53,029	31,255	-	84,284
Insurance	18,595	13,547	-	32,142
Transportation	194,054	11,320	44,210	249,584
Land/Building/Facilities	6,211	555	-	6,766
Repairs and maintenance	21,942	307	-	22,249
Supplies and materials	96,196	8,161	64,527	168,884
Food services	-	151,240	-	151,240
Capital outlay	6,972	272	-	7,244
Debt Service	-	-	-	-
<b>Total expenditures</b>	<b>3,151,273</b>	<b>587,795</b>	<b>547,249</b>	<b>4,286,317</b>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENDITURES</b>	<b>295,678</b>	<b>186,383</b>	<b>-</b>	<b>482,061</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	(279,698)	(55,958)	-	(335,656)
Replacement reserves transfers	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(279,698)</b>	<b>(55,958)</b>	<b>-</b>	<b>(335,656)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>15,980</b>	<b>130,425</b>	<b>-</b>	<b>146,405</b>
<b>FUND BALANCE</b>				
Beginning of year	(13,042)	969,736	-	956,694
End of year	\$ 2,938	\$1,100,161	\$ -	\$1,103,099

See Report of Independent Auditor

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



WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

**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, 2018, 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 September 24, 2018.

**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.

*Whisman Giordano & Associates, LLC*

September 24, 2018  
Newark, Delaware