

THOMAS A. EDISON CHARTER SCHOOL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Thomas A. Edison Charter School (the School), a component unit of the State of Delaware, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, each major fund and the aggregate remaining fund information of Thomas A. Edison Charter School as of June 30, 2012 and 2011, and respective change in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated September 26, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Board of Directors
Thomas A. Edison Charter School

The budgetary information on page 26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The combined general fund statements on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combined general fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Thomas A. Edison Charter School has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The 2011 financial statements have been restated as presented in NOTE I.



A handwritten signature in cursive script, reading "Robert Wolf and Co., PA", is written above a horizontal line.

September 26, 2013
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2012 and 2011

	2012				Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions		Primary Government Total Governmental Activities
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ (7,346,156)	\$ -	\$ 2,104,022	\$ -	\$ (5,242,134)	\$ -
Support services	(896,749)	-	-	-	(896,749)	(342,152)
Operation and maintenance of facilities	(552,640)	-	-	-	(552,640)	-
Transportation	-	-	-	-	-	(12,393)
Other support services	(608,485)	20,348	481,964	-	(106,173)	-
School food services	-	-	-	-	-	-
Total governmental activities	<u>\$ (9,404,030)</u>	<u>\$ 20,348</u>	<u>\$ 2,585,986</u>	<u>\$ -</u>	<u>\$ (6,797,696)</u>	<u>\$ (354,545)</u>
GENERAL REVENUE						
Charges to school districts					2,557,340	-
Payments from primary government					4,475,399	-
Miscellaneous/rental revenue					10,577	314,322
Earnings on cash and investments					13,489	62
Total general revenue					<u>7,056,805</u>	<u>314,384</u>
Change in net assets					259,109	(40,161)
Net assets – beginning of year					1,968,923	3,462,780
Net assets – end of year					<u>\$ 2,228,032</u>	<u>\$ 3,422,619</u>

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011 *</u>
ASSETS		
Cash and pooled investments	\$ 1,591,638	\$ 1,716,759
Accounts receivable		
Food service customers	785	2,005
Interfund loan receivable	2,777	3,998
Due from other governments	<u>22,094</u>	<u>42,042</u>
 TOTAL ASSETS	 <u>\$ 1,617,294</u>	 <u>\$ 1,764,804</u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts payable	\$ 234,743	\$ 294,577
Accrued salaries and related costs	169,208	337,761
Due to other governments	55,846	-
Interfund payable	2,777	-
Due to State of Delaware – pension costs	<u>39,506</u>	<u>55,125</u>
 Total liabilities	 502,080	 687,463
 FUND BALANCES		
Unreserved – General Fund	<u>1,115,214</u>	<u>1,077,341</u>
 Total fund balances	 <u>1,115,214</u>	 <u>1,077,341</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,617,294</u>	 <u>\$ 1,764,804</u>

*Restated – See NOTE I

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

THOMAS A. EDISON CHARTER SCHOOL
RECONCILIATION OF BALANCE SHEET –
GOVERNMENTAL FUND TO STATEMENT OF NET ASSETS

June 30, 2012

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS \$ 1,115,214

The amounts reported for governmental activities in the statement of net assets are different because:

Long-term assets applicable to governmental activities are not due and receivable in the current period and, therefore, are not reported as fund assets. 55,846

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net assets. 1,112,818

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Those liabilities consist of:

Compensated absences (55,846)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES \$ 2,228,032

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

THOMAS A. EDISON CHARTER SCHOOL

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES --
GOVERNMENTAL FUND

For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011 *</u>
REVENUE		
Charges to school districts	\$ 2,557,340	\$ 2,350,835
State aid	4,475,399	4,194,641
Federal aid	2,104,022	1,932,045
Food service – grants	481,964	486,731
Food service – charges for service	20,348	13,684
Earnings on cash and investments	13,489	19,660
Miscellaneous revenues	<u>10,577</u>	<u>13,818</u>
Total revenue	9,663,139	9,011,414
EXPENDITURES		
Current		
Instructional services	7,148,705	7,219,605
Operation and maintenance of facilities	896,749	1,058,437
Transportation	552,640	847,741
Food service costs	608,485	553,486
Capital outlays		
Property	7,978	68,061
Equipment	<u>410,709</u>	<u>244,798</u>
Total expenditures	<u>9,625,266</u>	<u>9,992,128</u>
Net changes in fund balances	37,873	(980,714)
Fund balances – beginning of year	<u>1,077,341</u>	<u>2,058,055</u>
Fund balances – end of year	<u>\$ 1,115,214</u>	<u>\$ 1,077,341</u>

*Restated – See NOTE I

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

THOMAS A. EDISON CHARTER SCHOOL

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 37,873
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Amounts reported for governmental activities in the statement of activities are different because:

Some revenues reported in the statement of activities are not available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds.

Due from State of Delaware	55,846
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized, and the cost is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	418,687	
Depreciation expense	<u>(197,451)</u>	
		221,236

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

Compensated absences	<u>(55,846)</u>
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CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 259,109</u>
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The accompanying notes are an integral part of these financial statements.

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET ASSETS – AGENCY FUND

June 30, 2012 and 2011

	<u>Student Activities Fund</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and pooled investments	\$ <u>702</u>	\$ <u>702</u>
 LIABILITIES		
Other current liabilities	\$ <u>702</u>	\$ <u>702</u>

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

THOMAS A. EDISON CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Reporting Entity – Thomas A. Edison Charter School (the School) is the primary government and is considered a component unit of the State of Delaware (the State). A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has one component unit which it has included in the reporting entity because of the significance of its operational and financial relationship to the School.

Discretely Presented Component Unit – On November 12, 1997, Thomas A. Edison Charter School of Wilmington, Inc. (the Foundation) was incorporated as a 501(c)(3) not-for-profit corporation for the purpose of constructing a school for grades K through 8 by substantially improving an existing School facility, which was placed in service on July 1, 2000. The Foundation's primary role is to assist the School in carrying out its mission. The Foundation is a discretely presented component unit because of the significance of its financial relationship to the School (the primary government).

The financial statements of Thomas A. Edison Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Thomas A. Edison Charter School are described below.

2. Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Entity-wide and Fund Financial Statements (Continued)

Direct expenses are those that are clearly identifiable with a specific function. *Program revenues* include charges to students who purchase or directly benefit from goods and services provided, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not properly included among program revenues are reported instead as general revenues.

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

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements – 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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and post-employment healthcare benefits, are recorded only when payment is due.

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The School reports the following major governmental fund:

- The *general fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

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.

Amounts reported as program revenues may 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. Likewise, general revenues include charges to school districts.

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

4. Budgetary Data

Budgets are adopted on the modified accrual basis of accounting for the general fund. Budgets are not adopted for the student activity fund. Annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve. Budgetary comparison information for the general fund is included on page 26 of the financial statements.

5. Encumbrances

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. At June 30, 2012 and 2011, the School had outstanding encumbrances of \$120,205 and \$125,969, respectively.

6. Use of Estimates in the Preparation of Financial Statements

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

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Cash and Pooled Investments

The cash and pooled investments of the School include amounts held by the State of Delaware as part of the State Investment Pool and cash deposits held at financial institutions in accordance with the State's Cash Management Policy and Guidelines for Investments. At June 30, 2012 and 2011, the School had cash and pooled investments of \$1,591,638 and \$1,716,759, respectively. The cash and pooled investments are controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and any investment decisions are made by the State Treasurer's Office. Credit risk for such investments depends on the financial stability of the State of Delaware. See the State of Delaware Comprehensive Annual Financial Report for more information.

The cash and equivalents of the component unit are considered to be cash, demand deposits and short-term investments with original maturities of three months or less.

8. Bad Debts

Bad debts are provided on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At June 30, 2012 and 2011, the allowance for doubtful accounts was \$0.

9. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund receivable/payable (i.e., current portion) or advances from/to other funds (i.e., the noncurrent portion). At June 30, 2012 and 2011, the School's interfund loan receivable balance was \$2,777 and \$3,998, respectively.

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

10. Capital Assets and Depreciation

Capital assets, which include furniture and equipment, are reported in the entity-wide financial statements. The School defines a capital asset as an asset with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The interest cost incurred during the construction period is capitalized. Capital assets are depreciated using the straight-line method over their useful lives ranging between 5 to 20 years.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Capital Assets and Depreciation (Continued)

Component Unit – Capital assets are stated at cost and consist mostly of leasehold improvements to school facilities. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Management reviews long-lived capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The School has not adopted a formal capitalization policy. Leasehold improvements are depreciated using the straight-line method based on an estimated useful life of 39 years.

11. Loan Origination Costs

Loan origination costs are amortized over the life of the mortgage note using the straight-line method as follows for the years ending June 30:

2013	\$	5,415
2014		5,415
2015		5,415
2016		5,415
2017		5,415
Thereafter		18,483
Total	\$	<u>45,558</u>

12. Compensated Absences

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

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

Sick Leave – Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees and 12 days for 12-month employees. Any unused sick days shall be accumulated to the employee’s credit without limit. Compensation for accumulated sick days is received when the employee (1) qualifies and applies for State pension and is paid at a rate of 50 percent of the *per diem* rate of pay not to exceed 120 days or (2) in case of death, when payment is made to the employee’s estate at a rate of one day’s pay for each day of unused sick leave not to exceed 120 days.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13. Fund Balance / Net Assets

Beginning with fiscal year 2011, the School implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Furthermore, all net assets are restricted per enabling legislation.

14. Donated Materials and Services

Donated services, materials and equipment are reflected as contributions in the accompanying statements at their estimated value at the date of receipt. The value placed on these services is the value allowed for matching funds by the United States Government.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Income Taxes

The component unit is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue 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 Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Effective July 1, 2009, the School adopted ASC 740-10, *Income Taxes*, as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if a respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the 2008, 2009 and 2010 tax years are open and subject to examination by the Internal Revenue Service. However, the School is not currently under audit nor has the School been contacted by this jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

16. Subsequent Events

The School has evaluated all subsequent events through September 26, 2013, the date the financial statements were available to be issued.

NOTE B – INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units represent receivables for revenues earned by the School. Intergovernmental receivables were as follows at June 30:

Description	2012	2011
Passed through the State of Delaware		
Local food service	\$ 22,094	\$ 76,945
Total intergovernmental receivables	22,094	76,945
Less: allowance for doubtful accounts	-	-
Net intergovernmental receivables	\$ 22,094	\$ 76,945

NOTE C – CAPITAL ASSETS

Capital assets activity follows for the fiscal year ended June 30:

	2012			
	Beginning Balances	Additions	Reclassi- fication	Ending Balances
Governmental Activities				
Capital assets not being depreciated				
Construction-in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Leasehold improvements	527,986	7,977	-	535,963
Furniture and equipment	587,278	410,709	-	997,987
Total capital assets being depreciated	1,115,264	418,686	-	1,533,950
Less: accumulated depreciation				
Leasehold improvements	(41,614)	(21,837)	-	(63,451)
Furniture and equipment	(182,068)	(175,613)	-	(357,681)
Total accumulated depreciation	(223,682)	(197,450)	-	(421,132)
Capital assets – net	<u>\$ 891,582</u>	<u>\$ 221,236</u>	<u>\$ -</u>	<u>\$ 1,112,818</u>
Component Unit				
Capital assets being depreciated				
Leasehold improvements	\$ 7,500,449	\$ -	\$ -	\$ 7,500,449
Less: accumulated depreciation				
Leasehold improvements	(2,107,222)	(192,320)	-	(2,299,542)
Depreciable capital assets – net	<u>\$ 5,393,227</u>	<u>\$ (192,320)</u>	<u>\$ -</u>	<u>\$ 5,200,907</u>

NOTE C – CAPITAL ASSETS (CONTINUED)

Capital assets activity follows for the fiscal year ended June 30:

	2011			
	Beginning Balances	Additions	Reclassi- fication	Ending Balances
Governmental Activities				
Capital assets not being depreciated				
Construction-in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Leasehold improvements	459,925	68,061	-	527,986
Furniture and equipment	342,480	244,798	-	587,278
Total capital assets being depreciated	802,405	312,859	-	1,115,264
Less: accumulated depreciation				
Leasehold improvements	(22,339)	(19,275)	-	(41,614)
Furniture and equipment	(100,773)	(81,295)	-	(182,068)
Total accumulated depreciation	(123,112)	(100,570)	-	(223,682)
Capital assets – net	<u>\$ 679,293</u>	<u>\$ 212,289</u>	<u>\$ -</u>	<u>\$ 891,582</u>
Component Unit				
Capital assets being depreciated				
Leasehold improvements	\$ 7,500,449	\$ -	\$ -	\$ 7,500,449
Less: accumulated depreciation				
Leasehold improvements	(1,914,902)	(192,320)	-	(2,107,222)
Depreciable capital assets – net	<u>\$ 5,585,547</u>	<u>\$ (192,320)</u>	<u>\$ -</u>	<u>\$ 5,393,227</u>

NOTE D – LONG-TERM DEBT OBLIGATIONS

The following is a summary of changes in long-term obligations as of the years ended June 30:

Description	2012				Due Within One Year
	Long-term Obligations			Ending Balance	
	Beginning Balance	Additions	Deletions		
Governmental activity					
Compensated absences	\$ 34,903	\$ 20,943	\$ -	\$ 55,846	\$ -

Description	2011				Due Within One Year
	Long-term Obligations			Ending Balance	
	Beginning Balance	Additions	Deletions		
Governmental activity					
Compensated absences	\$ 11,557	\$ 23,346	\$ -	\$ 34,903	\$ -

Compensated absences for governmental activities generally are liquidated by the general fund.

Component Unit – The Foundation entered into a mortgage agreement with Delaware Community Investment Corporation on December 12, 2000 in the amount of \$3,037,000. The mortgage note is secured by a leasehold mortgage and security agreement on the property located at 2200 North Locust Street, Wilmington, Delaware. The terms of the mortgage note require 240 monthly payments of \$24,410 at 7.47% interest. The final payment is due January 1, 2021.

Maturities of long-term debt obligations, including interest, are as follows for the fiscal years ending June 30:

	Principal	Interest	Total
2013	\$ 148,504	\$ 144,418	\$ 292,922
2014	172,239	120,683	292,922
2015	185,678	107,244	292,922
2016	200,033	92,889	292,922
2017	215,499	77,423	292,922
Thereafter	930,003	119,749	1,049,752
Totals	\$ 1,851,956	\$ 662,406	\$ 2,514,362

NOTE E – LEASING ARRANGEMENTS

The component unit leases the land and the original building shell from an unrelated third party under the terms of an operating leasing arrangement dated August 25, 1999. The leasing arrangement calls for a term of 45 years, commencing September 1, 1999 and ending August 31, 2044.

The annual leasing arrangement is as follows:

First 5 years	\$1 per annum
6 through 10 th year	Not to exceed \$10,000
11 th through 15 th year	\$15,000 per annum
16 th through 20 th year	\$20,000 per annum
21 st through 25 th year	\$25,000 per annum
26 th through 45 th year	To be negotiated

Estimated minimum future rental payments are as follows for the fiscal years ending June 30:

2013	\$ 15,000
2014	15,000
2015	15,000
2016	20,000
2017	20,000
Thereafter through 2025	208,333
Totals	<u>\$ 293,333</u>

The component unit in turn leases the property to Thomas A. Edison Charter School. Total rental income under this lease amounted to \$292,922 and \$288,924 for the years ended June 30, 2012 and 2011, respectively.

NOTE F – PENSION PLAN

School employees are considered State employees and are covered under the State’s pension program. The School paid all of the pension contributions on behalf of its employees. The employees contribute 3% of salary in excess of \$6,000 up to social security maximum and 3% for any salary above social security maximum. The School’s pension expense for the years ended June 30, 2012 and 2011 was \$743,704 and \$650,248, respectively, and is included in the financial statements.

Certain significant plan provisions follow:

- Early retirement
 - a. 15 years service – age 55 (reduced by 0.2% for each month under age 60)
 - b. 25 years service – any age (reduced by 0.2% for each month short of 30 years)

NOTE F – PENSION PLAN (CONTINUED)

Service retirement

- a. 15 years service – age 60
- b. 30 years service – any age
- c. 5 years service – age 62

Disability retirement

- a. 5 years service and proof of disability

Vested pension – An employee can vest pension rights after 5 years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS), *Comprehensive Annual Financial Report*. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE G – COMMITMENTS AND CONTINGENCIES

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

Grants Activity – The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the School.

NOTE H – MAJOR CONTRIBUTOR/STATE AID

Net funding included funds received from the State of Delaware which was a major contributor (10% or more of the total funds of the School for both years). Net funding from this State contract was \$4,475,399 and \$4,194,641 for the years ended June 30, 2012 and 2011, respectively.

NOTE I – RESTATEMENT

During 2013 the State of Delaware issued reports (in conjunction with its agreed upon procedures report on bank reconciliations) which allowed for the reconciliation of ending cash and pooled investment amounts allocated to the various departments and organizations that utilize its bank accounts and accounting system. In conjunction with the release of these reports, the School restated its ending cash and pooled investments and revenue amounts for 2011. The result of this restatement in 2011 was a decrease in cash and pooled investments of \$81,885, and a decrease in revenue of \$81,885. There was no effect on beginning net assets as a result of the restatement.

REQUIRED SUPPLEMENTARY INFORMATION

THOMAS A. EDISON CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2012

	Budgeted Amounts*	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
State funds	\$ 4,265,000	\$ 4,475,399	\$ 210,399
Federal funds	2,400,710	2,104,022	(296,688)
Local funds	2,849,500	2,557,340	(292,160)
Food service fees	525,000	502,312	(22,688)
Earning on cash and investments	-	13,489	13,489
Local – other	-	10,577	10,577
Total revenue	10,040,210	9,663,139	(377,071)
EXPENDITURES			
Current			
Salaries	4,160,359	4,221,177	(60,818)
Other employment costs	1,752,759	1,782,132	(29,373)
Travel	32,000	63,820	(31,820)
Contractual services	331,175	399,335	(68,160)
Communications	50,000	25,915	24,085
Insurance	47,700	34,083	13,617
Public utility services	205,000	150,312	54,688
Transportation	580,000	552,640	27,360
Land/building/facilities	313,760	307,922	5,838
Repairs and maintenance	540,630	534,814	5,816
Food services	5,285,000	608,485	4,676,515
Supplies and materials	546,000	525,944	20,056
Capital outlays			
Equipment	30,500	410,709	(380,209)
Property	160,000	7,978	152,022
Contingency reserve	-	-	-
Total expenditures	14,034,883	9,625,266	4,409,617
Net change in fund balance	(3,994,673)	37,873	4,032,546
Fund balance – beginning of year	1,077,341	1,077,341	-
Fund balance – end of year	\$ (2,917,332)	\$ 1,115,214	\$ 4,032,546

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

SUPPLEMENTARY INFORMATION

THOMAS A. EDISON CHARTER SCHOOL
COMBINED BALANCE SHEET – GENERAL FUND

June 30, 2012

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Totals</u>
ASSETS				
Cash and pooled investments	\$ 111,344	\$ 1,480,294	\$ -	\$ 1,591,638
Receivables – net				
Food service customers	-	785	-	785
Interfund receivable	-	2,777	-	2,777
Due from other governments	-	19,317	2,777	22,094
	<u>-</u>	<u>19,317</u>	<u>2,777</u>	<u>22,094</u>
TOTAL ASSETS	\$ <u>111,344</u>	\$ <u>1,503,173</u>	\$ <u>2,777</u>	\$ <u>1,617,294</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 130,744	\$ 86,247	\$ 17,752	\$ 234,743
Accrued salaries and related costs	144,065	1,089	24,054	169,208
Due to other governments	55,846	-	-	55,846
Interfund payable	-	-	2,777	2,777
Due to State of Delaware – pension costs	39,506	-	-	39,506
	<u>39,506</u>	<u>-</u>	<u>-</u>	<u>39,506</u>
Total liabilities	370,161	87,336	44,583	502,080
 FUND BALANCES				
Unreserved	<u>(258,817)</u>	<u>1,415,837</u>	<u>(41,806)</u>	<u>1,115,214</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>111,344</u>	\$ <u>1,503,173</u>	\$ <u>2,777</u>	\$ <u>1,617,294</u>

THOMAS A. EDISON CHARTER SCHOOL

COMBINED SCHEDULE OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES –
GENERAL FUND

For the Year Ended June 30, 2012

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Totals</u>
REVENUE				
Charges to school districts	\$ -	\$ 2,557,340	\$ -	\$ 2,557,340
State aid	4,475,399	-	-	4,475,399
Federal aid	-	-	2,104,022	2,104,022
Food service – grants	-	481,964	-	481,964
Food service – charges to students	-	20,348	-	20,348
Earnings on cash and investments	-	13,489	-	13,489
Contributions	-	10,577	-	10,577
	<u>4,475,399</u>	<u>3,083,718</u>	<u>2,104,022</u>	<u>9,663,139</u>
EXPENDITURES				
Current				
Instructional services	2,961,681	2,546,876	1,640,148	7,148,705
Operation and maintenance facilities	771,876	120,666	4,207	896,749
Transportation	428,271	29,284	95,085	552,640
Food service costs	17,346	527,551	63,588	608,485
Capital outlays				
Property	-	-	7,978	7,978
Equipment	56,930	18,957	334,822	410,709
	<u>4,236,104</u>	<u>3,243,334</u>	<u>2,145,828</u>	<u>9,625,266</u>
Net change in fund balances	239,295	(159,616)	(41,806)	37,873
Fund balances (deficit) – beginning of year	<u>(498,112)</u>	<u>1,575,453</u>	<u>-</u>	<u>1,077,341</u>
Fund balances (deficit) – end of year	<u>\$ (258,817)</u>	<u>\$ 1,415,837</u>	<u>\$ (41,806)</u>	<u>\$ 1,115,214</u>

SINGLE AUDIT INFORMATION



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

Board of Directors
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Thomas A. Edison Charter School as of and for the year ended June 30, 2012, which collectively comprise Thomas A. Edison Charter School's basic financial statements, and have issued our report thereon dated September 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Thomas A. Edison Charter School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Thomas A. Edison Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Thomas A. Edison Charter School's internal control over financial reporting.

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

Board of Directors
Thomas A. Edison Charter School

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (See 12-1.)

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.

Compliance and Other Matters

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

Thomas A. Edison Charter School's response to the finding identified in our audit are presented in the accompanying schedule of findings and questioned costs. We did not audit Thomas A. Edison Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del C., Section 10002(d), this report is a matter of public record and its distribution is not limited.



September 26, 2013
Wilmington, Delaware



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

Board of Directors
Thomas A. Edison Charter School
Wilmington, Delaware

Compliance

We have audited Thomas A. Edison Charter School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Thomas A. Edison Charter School's major federal programs for the year ended June 30, 2012. Thomas A. Edison Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Thomas A. Edison Charter School's management. Our responsibility is to express an opinion on Thomas A. Edison Charter School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

Board of Directors
Thomas A. Edison Charter School

In our opinion, Thomas A. Edison Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and recommendations as items 12-2, 11-1, 11-2 and 11-3.

Internal Control over Compliance

Management of Thomas A. Edison Charter School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Thomas A. Edison Charter School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Board of Directors
Thomas A. Edison Charter School

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as items 12-2, 11-1, 11-2 and 11-3 to be significant deficiencies.

Thomas A. Edison Charter School's response to the findings identified in our audit are presented in the accompanying schedule of findings and recommendations. We did not audit Thomas A. Edison Charter School's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the School's management, School Board members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, Department of Finance, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del C., Section 10002(d), this report is a matter of public record and its distribution is not limited.



Handwritten signature of William W. J. [unclear], PA, written in cursive above a horizontal line.

September 26, 2013
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

<u>FEDERAL GRANTOR/PROJECT TITLE</u>	<u>Source Code</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed through State of Delaware – Department of Education</u>			
National School Lunch Program	I	10.555	\$ 443,512
Fresh Fruit and Vegetable Program	I	10.582	<u>38,452</u>
Total U.S. Department of Agriculture			481,964
U.S. DEPARTMENT OF EDUCATION			
<u>Passed through State of Delaware – Department of Education</u>			
Title I Grants to Local Educational Agencies	I	84.01	544,353
Special Education – Grants to States	I	84.027	134,822
Special Education – Preschool Grants	I	84.173	2,164
21st Century Grants	I	84.287C	648,767
Title II-Part A: Improving Teacher Quality – State Grants	I	84.367A	42,473
Title I ARRA / SFSF	I	84.389A	375,890
IDEA-B ARRA	I	84.391	70,564
Race to the Top	I	84.395A	207,924
Education Jobs Fund	I	84.410A	<u>77,065</u>
Total U.S. Department of Education			<u>2,104,022</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,585,986</u>

Source Code:

I – Indirect Funding

See accompanying note to this schedule.

THOMAS A. EDISON CHARTER SCHOOL

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards received by Thomas A. Edison Charter School and is presented on the accrual basis of accounting. The School's reporting entity is defined in NOTE A to the basic financial statements. All federal awards received from federal awarding agencies and pass-through entities are included on the schedule.

THOMAS A. EDISON CHARTER SCHOOL
 SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the Year Ended June 30, 2012

SECTION A – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued is unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major programs is unqualified.

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

Identification of major programs:

<u>CFDA#</u>	<u>Program Name</u>
84.010	Title 1 – Grants to Local Educational Agencies
84.389A	Title 1 ARRA/SFSF
84.287C	21 st Century Grants
84.395A	Race to the Top – ARRA

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

Auditee qualified as low-risk auditee: yes no

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2012

SECTION B – FINANCIAL STATEMENT FINDINGS

Current Year Findings

12-1 Controls over Financial Reporting

Criteria: The School should be able to produce a clear, concise and complete trial balance.

Condition: During our audit, we noted that the information provided to the School employees from the State of Delaware, via the State's online accounting software (FSF), made it difficult for the School to follow and ascertain useful information to generate an accurate trial balance.

Cause: The School relies on the State of Delaware's accounting system and the guidance of State employees responsible for that system and for maintaining and generating financial reports to assist with the preparation of its trial balance and especially its cash and pooled investment account balances. The School was unable to obtain accurate data from these sources.

Effect: The School's cash balances are held by the State of Delaware. The School is unable to determine the amount of cash on-hand with the State. Furthermore, neither the State's Treasurer's office nor the State finance office was able to confirm the amount of cash on hand belonging to the School.

Recommendation: We recommend that the School work with the appropriate State employees to determine a method for obtaining the necessary data for accurate preparation of financial reports.

Current Status: During 2013, the State of Delaware issued reports allowing the School to determine its cash and pooled investment balances. The School restated its cash balances for the affected years (SEE NOTE I).

Status of Prior Year Findings and Recommendations

There were no prior year findings or recommendations.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2012

SECTION C – FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

Current Year Findings and Recommendations

12-2 21st Century – CFDA No. 84.287C
Period April 15, 2010 to April 30, 2011

Criteria: In order to be compliant with the grant agreement requirements, the School is required to have appropriate documentation for items requested for reimbursement.

Condition: The School did not have the appropriate documentation for one invoice selected.

Cause: The School had requested reimbursement for the expense a second time not realizing a reimbursement had already been requested.

Effect: No effect noted. However, there is the possibility the School could lose future funding if it does not comply with grant requirements.

Recommendation: To avoid the possibility of losing future funding, the School should review its policies and procedures regarding invoice submission.

Response: The School will review and implement updates to its policies and procedures regarding invoice submission.

Status of Prior Year Findings and Recommendations

11-1 Title 1 – Grants to Local Educational Agencies – CFDA No. 84.010
Period October 13, 2009 to March 31, 2011

Criteria: In order to be compliant with the grant agreement requirements, the School is required to submit an Annual Expenditure Report within 45 days after June 30 of the first year of the grant.

Condition: The School submitted the required Annual Expenditure Report for the grant after the due date.

Cause: The School was not timely in meeting its reporting requirements.

Effect: No effect noted. However, there is the possibility the School could lose future funding if it does not comply with grant requirements.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2012

**11-1 Title 1 – Grants to Local Educational Agencies – CFDA No. 84.010 (Continued)
Period October 13, 2009 to March 31, 2011**

Recommendation: To avoid the possibility of losing future funding, the School should review its policies and procedures regarding reporting requirements and adhere to State of Delaware requirements.

Response: Going forward, to ensure these reports are completed and submitted in a timely manner, both the CFO and the business manager need training in the completion of these reports with the understanding that, in the absence of the CFO, the business manager becomes responsible for the completion of the reports. The CFO also has requested that the business manager be included on correspondence from the State of Delaware Department of Education with reference to report due dates. As of the date of our audit report, all current filings and prior delinquent filings have been completed and submitted to the State of Delaware, and the School anticipates providing timely filings going forward.

**11-2 Title 1 – American Recovery and Reinvestment Act – CFDA No. 84.389
Period May 11, 2011 to September 15, 2011**

Criteria: In order to be compliant with the grant agreement requirements, the School is required to submit quarterly reports by the 10th day after the end of each quarter.

Condition: The School submitted the required Quarterly Expenditure Report for the grant after the due date.

Cause: The School was not timely in meeting its reporting requirements.

Effect: No effect noted. However, there is the possibility the School could lose future funding if it does not comply with grant requirements.

Recommendation: To avoid the possibility of losing future funding, the School should review its policies and procedures regarding reporting requirements and adhere to State of Delaware requirements.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2012

**11-2 Title 1 – American Recovery and Reinvestment Act – CFDA No. 84.389 (Continued)
Period May 11, 2011 to September 15, 2011**

Response: Going forward, to ensure these reports are completed and submitted in a timely manner, both the CFO and the business manager need training in the completion of these reports with the understanding that, in the absence of the CFO, the business manager becomes responsible for the completion of the reports. The CFO also has requested that the business manager be included on correspondence from the State of Delaware Department of Education with reference to report due dates. As of the date of our audit report, all current filings and prior delinquent filings have been completed and submitted to the State of Delaware, and the School anticipates providing timely filings going forward.

**11-3 21st Century – CFDA No. 84.287
Period May 1, 2010 to April 30, 2011**

Criteria: In order to be compliant with the grant agreement requirements, the School is required to submit an annual expenditure report within 45 days after June 30 of the first year.

Condition: The School submitted the required Annual Expenditure Report for the grant after the due date.

Cause: The School was not timely in meeting its reporting requirements.

Effect: No effect noted. However, there is the possibility that the School could lose future funding if it does not comply with grant requirements.

Recommendation: To avoid the possibility of losing future funding, the School should review its policies and procedures regarding reporting requirements and adhere to State of Delaware requirements.

Response: Going forward, to ensure these reports are completed and submitted in a timely manner, both the CFO and the business manager need training in the completion of these reports with the understanding that, in the absence of the CFO, the business manager becomes responsible for the completion of the reports. The CFO also has requested that the business manager be included on correspondence from the State of Delaware Department of Education with reference to report due dates. As of the date of our audit report, all current filings and prior delinquent filings have been completed and submitted to the State of Delaware, and the School anticipates providing timely filings going forward.