

THOMAS A. EDISON CHARTER SCHOOL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 March 19, 2012, 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 purposes of those reports are 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. Those reports are 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 schedules on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have 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.



A handwritten signature in cursive script, reading "Robert E. Gault, P.A.", is written above a horizontal line.

March 19, 2012
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL

STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

ASSETS

	2011		2010	
	Primary Government Governmental Activities	Component Unit Foundation	Primary Government Governmental Activities	Component Unit Foundation
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,798,644	\$ 2,029	\$ 2,527,506	\$ 2,209
Accounts receivable – food service customers	2,005	-	839	-
Interfund receivable	3,998	-	12,931	-
Due from other governments	76,945	-	36,990	-
Replacement reserve	-	21,009	-	20,946
Total current assets	1,881,592	23,038	2,578,266	23,155
NONCURRENT ASSETS				
Capital assets – net of depreciation	891,582	5,393,227	679,293	5,585,547
Loan origination costs – net	-	50,972	-	56,386
Total noncurrent assets	891,582	5,444,199	679,293	5,641,933
TOTAL ASSETS	\$ 2,773,174	\$ 5,467,237	\$ 3,257,559	\$ 5,665,088

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES				
Accounts payable	\$ 294,577	\$ -	\$ 186,598	\$ -
Accrued salaries and related costs	337,761	-	274,139	-
Due to State of Delaware – pension costs	55,125	-	47,917	-
Interfund payable	-	3,998	-	12,931
Mortgage note payable – current	-	148,504	-	137,847
Total current liabilities	687,463	152,502	508,654	150,778
NONCURRENT LIABILITIES				
Mortgage note payable	-	1,851,955	-	2,000,459
Compensated absences	34,903	-	11,557	-
Total noncurrent liabilities	34,903	1,851,955	11,557	2,000,459
Total liabilities	722,366	2,004,457	520,211	2,151,237
NET ASSETS				
Invested in capital assets – net of related debt	891,582	3,439,742	679,293	3,490,696
Unrestricted	1,159,226	23,038	2,058,055	23,155
Total net assets	2,050,808	3,462,780	2,737,348	3,513,851
TOTAL LIABILITIES AND NET ASSETS	\$ 2,773,174	\$ 5,467,237	\$ 3,257,559	\$ 5,665,088

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

THOMAS A. EDISON CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2011 and 2010

2011

	Program Revenue			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Foundation
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ (7,300,900)	\$ -	\$ 1,932,045	\$ -	\$ (5,368,855)	\$ -
Support services						
Operation and maintenance of facilities	(1,077,712)	-	-	-	(1,077,712)	(352,810)
Transportation	(847,741)	-	-	-	(847,741)	-
Other support services	-	-	-	-	-	(18,535)
School food services	(553,486)	13,684	486,731	-	(53,071)	-
Total governmental activities	\$ (9,779,839)	\$ 13,684	\$ 2,418,776	\$ -	(7,347,379)	(371,345)
GENERAL REVENUE						
Charges to school districts					2,350,835	-
Payments from primary government					4,276,526	-
Miscellaneous/rental revenue					13,818	320,210
Earnings on cash and investments					19,660	64
Total general revenue					6,660,839	320,274
Change in net assets					(686,540)	(51,071)
Net assets – beginning of year					2,737,348	3,513,851
Net assets – end of year					\$ 2,050,808	\$ 3,462,780

2010

	Net (Expense) Revenue and Change in Net Assets				
	Program Revenue			Primary Government Total	Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Foundation
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (6,615,638)	\$ 787,752	\$ -	\$ (5,827,886)	\$ -
Support services	(1,088,827)	-	-	(1,088,827)	(362,701)
Operation and maintenance of facilities	(779,821)	-	-	(779,821)	-
Transportation	-	-	-	-	(26,113)
Other support services	(279,384)	489,574	-	225,032	-
School food services					
Total governmental activities	\$ (8,763,670)	\$ 1,277,326	\$ -	(7,471,502)	(388,814)
GENERAL REVENUE					
Charges to school districts				2,365,728	-
Payments from primary government				4,563,083	-
Miscellaneous/rental revenue				16,363	294,033
Earnings on cash and investments				41,474	80
Total general revenue				6,986,648	294,113
Change in net assets				(484,854)	(94,701)
Net assets – beginning of year				3,222,202	3,608,552
Net assets – end of year				\$ 2,737,348	\$ 3,513,851

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

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS – GOVERNMENTAL FUND

June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,798,644	\$ 2,527,506
Accounts receivable		
Food service customers	2,005	839
Interfund loan receivable	3,998	12,931
Due from other governments	<u>42,042</u>	<u>25,433</u>
 TOTAL ASSETS	 <u>\$ 1,846,689</u>	 <u>\$ 2,566,709</u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts payable	\$ 294,577	\$ 186,598
Accrued salaries and related costs	337,761	274,139
Due to State of Delaware – pension costs	<u>55,125</u>	<u>47,917</u>
 Total liabilities	 687,463	 508,654
 FUND BALANCES		
Unreserved – General Fund	<u>1,159,226</u>	<u>2,058,055</u>
 Total fund balances	 <u>1,159,226</u>	 <u>2,058,055</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,846,689</u>	 <u>\$ 2,566,709</u>

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, 2011

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$ 1,159,226
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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.	34,903
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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.	891,582
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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	<u>(34,903)</u>
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TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 2,050,808</u>
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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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Charges to school districts	\$ 2,350,835	\$ 2,365,728
State aid	4,276,526	4,563,083
Federal aid	1,932,045	787,752
Food service – grants	486,731	489,574
Food service – charges for service	13,684	14,842
Earnings on cash and investments	19,660	41,474
Miscellaneous revenues	<u>13,818</u>	<u>16,363</u>
Total revenue	9,093,299	8,278,816
EXPENDITURES		
Current		
Instructional services	7,219,605	6,557,195
Operation and maintenance of facilities	1,058,437	1,075,027
Transportation	847,741	779,821
Food service costs	553,486	279,384
Capital outlays		
Property	68,061	15,900
Equipment	<u>244,798</u>	<u>53,233</u>
Total expenditures	<u>9,992,128</u>	<u>8,760,560</u>
Net changes in fund balances	(898,829)	(481,744)
Fund balances – beginning of year	<u>2,058,055</u>	<u>2,539,799</u>
Fund balances – end of year	<u>\$ 1,159,226</u>	<u>\$ 2,058,055</u>

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, 2011

NET CHANGE IN FUND BALANCES – TOTAL
GOVERNMENTAL FUNDS \$ (898,829)

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 23,346

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	312,859	
Depreciation expense	<u>(100,570)</u>	
		212,289

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 (23,346)

CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES \$ (686,540)

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, 2011 and 2010

	<u>Student Activities Fund</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ <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, 2011 and 2010

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 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 reappropriated and honored during the subsequent year. At June 30, 2011 and 2010, the School had no outstanding encumbrances.

6. Use of Estimates in the Preparation of Financial Statements

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

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

7. Cash and Cash Equivalents

The cash and cash equivalents of the School and 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, 2011 and 2010, the allowance for doubtful accounts was \$0.

9. Receivables and Payables

Activity between funds that are 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, 2011 and 2010, the School interfund loan (payable) receivable balance was \$3,998 and \$12,931, 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 five to twenty 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:

2012	\$	5,415
2013		5,415
2014		5,415
2015		5,415
2016		5,415
Thereafter		23,897
Total	\$	<u>50,972</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.

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

12. Compensated Absences (Continued)

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.

13. Fund Equity

The governmental funds of the fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources which are subject to change.

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.

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 2007, 2008 and 2009 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 any jurisdiction. Interest and penalties related to income taxes are included in income tax expense when incurred.

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

16. Subsequent Events

The School has evaluated all subsequent events through March 19, 2012, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

At June 30, 2011 and 2010, the School had cash and cash equivalents of \$1,799,346 and \$2,528,208, respectively. A significant portion of the cash and cash equivalents is 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. The deposits held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware.

NOTE C – INTERGOVERNMENTAL RECEIVABLES

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

<u>Description</u>	<u>2011</u>	<u>2010</u>
Passed through the State of Delaware		
State government	\$ -	\$ 10,864
Local food service	76,945	26,126
Total intergovernmental receivables	<u>76,945</u>	<u>36,990</u>
Less: allowance for doubtful accounts	-	-
Net intergovernmental receivables	<u><u>\$ 76,945</u></u>	<u><u>\$ 36,990</u></u>

NOTE D – CAPITAL ASSETS

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 – CAPITAL ASSETS (CONTINUED)

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

	2010			
	Beginning Balances	Additions	Reclassi- fication	Ending Balances
Governmental Activities				
Capital assets not being depreciated				
Construction-in progress	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Leasehold improvements	444,025	15,900	-	459,925
Furniture and equipment	289,247	53,233	-	342,480
Total capital assets being depreciated	733,272	69,133	-	802,405
Less: accumulated depreciation				
Leasehold improvements	(8,539)	(13,800)	-	(22,339)
Furniture and equipment	(42,330)	(58,443)	-	(100,773)
Total accumulated depreciation	(50,869)	(72,243)	-	(123,112)
Capital assets – net	<u>\$ 682,403</u>	<u>\$ (3,110)</u>	<u>\$ -</u>	<u>\$ 679,293</u>
Component Unit				
Capital assets being depreciated				
Leasehold improvements	\$ 7,500,449	\$ -	\$ -	\$ 7,500,449
Less: accumulated depreciation				
Leasehold improvements	(1,722,581)	(192,321)	-	(1,914,902)
Depreciable capital assets – net	<u>\$ 5,777,868</u>	<u>\$ (192,321)</u>	<u>\$ -</u>	<u>\$ 5,585,547</u>

NOTE E – LONG-TERM DEBT OBLIGATIONS

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

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	\$ -

Description	2010				Due Within One Year
	Long-term Obligations			Ending Balance	
	Beginning Balance	Additions	Deletions		
Governmental activity					
Compensated absences	\$ 40,771	\$ -	\$ (29,214)	\$ 11,557	\$ -

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 (DCIC) 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
2012	\$ 148,504	144,418	292,922
2013	159,985	132,937	292,922
2014	172,239	120,683	292,922
2015	185,678	107,244	292,922
2016	200,033	92,889	292,922
Thereafter	1,134,020	208,654	1,342,674
Totals	\$ 2,000,459	\$ 806,825	\$ 2,807,284

NOTE F – 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:

2012	\$ 15,000
2013	15,000
2014	15,000
2015	15,000
2016	19,167
Thereafter through 2025	208,333
Totals	<u>\$ 287,500</u>

The component unit in turn leases the property to Thomas A. Edison Charter School. Total rental income under this lease amounted to \$288,924 and \$294,033 for the years ended June 30, 2011 and 2010, respectively.

NOTE G – 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 three percent of salary in excess of \$6,000 up to social security maximum and three percent for any salary above social security maximum. The School's pension expense for the years ended June 30, 2011 and 2010 was \$650,248 and \$554,246, respectively, and is included in the financial statements. Certain significant plan provisions follow:

NOTE G – PENSION PLAN (CONTINUED)

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)

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 five 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 H – 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 I – 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 \$4,276,526 and \$4,563,083 for the years ended June 30, 2011 and 2010, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

THOMAS A. EDISON CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

For the Year Ended June 30, 2011

	Budgeted Amounts*	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
State funds	\$ 4,600,000	\$ 4,276,526	\$ (323,474)
Federal funds	2,135,553	1,932,045	(203,508)
Local funds	2,300,000	2,350,835	50,835
Food service fees	525,000	500,415	(24,585)
Earning on cash and investments	-	19,660	19,660
Local – other	-	13,818	13,818
Total revenue	9,560,553	9,093,299	(467,254)
EXPENDITURES			
Current			
Salaries	4,104,004	4,100,612	3,392
Other employment costs	1,604,255	1,697,119	(92,864)
Travel	35,930	16,518	19,412
Contractual services	469,914	415,111	54,803
Communications	43,500	47,109	(3,609)
Insurance	200,000	46,609	153,391
Public utility services	199,232	179,040	20,192
Transportation	751,650	847,741	(96,091)
Land/building/facilities	303,760	298,512	5,248
Repairs and maintenance	492,874	767,079	(274,205)
Food services	452,500	553,486	(100,986)
Supplies and materials	470,000	710,333	(240,333)
Capital outlays			
Equipment	160,600	244,798	(84,198)
Property	120,000	68,061	51,939
Contingency reserve	139,000	-	139,000
Total expenditures	9,547,219	9,992,128	(444,909)
Net change in fund balance	13,334	(898,829)	(912,163)
Fund balance – beginning of year	404,214	404,214	-
Fund balance – end of year	\$ 417,548	\$ (494,615)	\$ (912,163)

*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, 2011

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and investments	\$ 131	\$ 1,798,513	\$ -	\$ 1,798,644
Receivables – net				
Food service customers	-	2,005	-	2,005
Interfund receivable	-	3,998	-	3,998
Due from other governments	-	38,044	3,998	42,042
TOTAL ASSETS	\$ 131	\$ 1,842,560	\$ 3,998	\$ 1,846,689
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 96,367	\$ 198,210	\$ -	\$ 294,577
Accrued salaries and related costs	264,866	72,895	-	337,761
Interfund payable	-	(3,998)	3,998	-
Due to State of Delaware – pension costs	55,125	-	-	55,125
Total liabilities	416,358	267,107	3,998	687,463
 FUND BALANCES				
Unreserved	(416,227)	1,575,453	-	1,159,226
TOTAL LIABILITIES AND FUND BALANCES	\$ 131	\$ 1,842,560	\$ 3,998	\$ 1,846,689

THOMAS A. EDISON CHARTER SCHOOL

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

For the Year Ended June 30, 2011

	State Allocation	Local Funding	Federal Funding	Totals
REVENUE				
Charges to school districts	\$ -	\$ 2,350,835	\$ -	\$ 2,350,835
State aid	4,276,526	-	-	4,276,526
Federal aid	-	-	1,932,045	1,932,045
Food service – grants	-	486,731	-	486,731
Food service – charges to students	-	13,684	-	13,684
Earnings on cash and investments	-	19,660	-	19,660
Contributions	-	13,818	-	13,818
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	4,276,526	2,884,728	1,932,045	9,093,299
EXPENDITURES				
Current				
Instructional services	2,499,593	3,170,913	1,549,099	7,219,605
Operation and maintenance facilities	987,379	11,182	59,876	1,058,437
Transportation	749,460	12,020	86,261	847,741
Food service costs	2,626	540,003	10,857	553,486
Capital outlays				
Property	32,778	35,283	-	68,061
Equipment	5,805	13,041	225,952	244,798
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	4,277,641	3,782,442	1,932,045	9,992,128
Net change in fund balances	(1,115)	(897,714)	-	(898,829)
Fund balances (deficit) – beginning of year	<hr/> (415,112)	<hr/> 2,473,167	<hr/> -	<hr/> 2,058,055
Fund balances (deficit) – end of year	<u>\$ (416,227)</u>	<u>\$ 1,575,453</u>	<u>\$ -</u>	<u>\$ 1,159,226</u>

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION – GENERAL FUND

For the Year Ended June 30, 2011

EXPENDITURES

Current	
Salaries	\$ 4,100,612
Employment costs	1,697,119
Travel	16,518
Contractual services	415,111
Communications	47,109
Public utility services	179,040
Insurance	46,609
Transportation	847,741
Land/building/facilities	298,512
Repairs and maintenance	767,079
Food services	553,486
Supplies and materials	710,333
Capital outlays	
Equipment	244,798
Property	<u>68,061</u>
Total expenditures	\$ <u><u>9,992,128</u></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, 2011, which collectively comprise Thomas A. Edison Charter School's basic financial statements, and have issued our report thereon dated March 19, 2012. 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

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.

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.

Board of Directors
Thomas A. Edison Charter School

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #11-1, #11-2, #10-1 and #10-2.

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.



Charles T. J. [unclear] PA

March 19, 2012
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, 2011. 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.

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, 2011. 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 #11-1, #11-2, #10-1 and #10-2.

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.

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, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items #11-1, #11-2, #10-1 and #10-2. *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.

Board of Directors
Thomas A. Edison Charter School

Thomas A. Edison Charter School responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.



A handwritten signature in cursive script, appearing to read "William E. J. ... PA", is written above a horizontal line.

March 19, 2012
Wilmington, Delaware

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

<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	\$ 447,103
Fresh Fruit and Vegetable Program	I	10.582	<u>39,628</u>
Total U.S. Department of Agriculture			486,731
U.S. DEPARTMENT OF EDUCATION			
<u>Passed through State of Delaware – Department of Education</u>			
Title I Grants to Local Educational Agencies	I	84.010	547,858
Special Education – Grants to States	I	84.027	187,833
Title IV-Part A: Safe and Drug-Free Schools and Community	I	84.186A	850
21st Century Grants	I	84.287C	605,296
Title II-Part D: Enhancing Education through Technology	I	84.318X	11,127
Title II-Part A: Improving Teacher Quality – State Grants	I	84.367A	112,333
Title I ARRA / SFSF	I	84.389A	281,914
Race to the Top	I	84.395A	106,883
Education Jobs Fund	I	84.410A	<u>77,951</u>
Total U.S. Department of Education			<u>1,932,045</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,418,776</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, 2011

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, 2011

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 X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? X 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*?

 X yes _____ no

Identification of major programs:

<u>CFDA#</u>	<u>Program Name</u>
10.555	National School Lunch Program
84.010	Title 1 – Grants to Local Educational Agencies
84.287C	21 st Century Grants

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

Auditee qualified as low-risk auditee: _____ yes X no

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2011

SECTION B – FINANCIAL STATEMENT FINDINGS

Current Year Findings

There were no current year findings or recommendations.

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, 2011

SECTION C – FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

Current 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.

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.

Status: 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.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2011

Current Year Findings and Recommendations

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

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.

Status: 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. 84.289
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.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2011

Current Year Findings and Recommendations

11-3 21st Century – CFDA No. 84.289
Period May 1, 2010 to April 30, 2011 (Continued)

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.

Status: 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.

Status of Prior Year Findings and Recommendations

10-1 Title 1 – Grants to Local Educational Agencies – CFDA No. 84.010
Period July 1, 2009 to June 30, 2010

Criteria: In order to be compliant with the grant agreement requirements, the School is required to submit these reports by specific due dates.

Condition: The School did not submit the required Annual Expenditure Report or a Final Expenditure Report.

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.

THOMAS A. EDISON CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

For the Year Ended June 30, 2011

Status of Prior Year Findings and Recommendations

**10-1 Title 1 – Grants to Local Educational Agencies – CFDA No. 84.010
Period July 1, 2009 to June 30, 2010 (Continued)**

Status: 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.

**10-2 National School Lunch Program – CFDA No. 10.555
Period July 1, 2009 to June 30, 2010**

Criteria: In order to be compliant with the grant agreement requirements, the School is required to submit this report by a specific due date.

Condition: The School did not report the results of operations to the State of Delaware Board of Education for the period January 1, 2010 through June 30, 2010.

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: The School should review its policies and procedures regarding reporting requirements and adhere to State of Delaware requirements.

Status: Going forward, to ensure these reports are completed in a timely manner, the cafeteria manager has been trained and assigned the responsibility of completion of these reports. The business manager is the back-up preparer. The CFO reviews and approves reports prior to submission to the Department of Education. As of the date of our prior year audit report, all current filings and prior delinquent filings have been completed and submitted to the State Board of Education, and the School anticipates providing timely filings going forward.