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Single Audit Report

THOMAS A. EDISON CHARTER SCHOOL
[A Component Unit of the State of Delaware]
Wilmington, Delaware

Years Ended June 30, 2019 and 2018

THOMAS A. EDISON CHARTER SCHOOL
[A Component Unit of the State of Delaware]

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Report of Independent Auditor

To Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School ["the School"], Wilmington, Delaware [a component unit of the State of Delaware] as of and for years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School as of June 30, 2019 and 2018, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require a schedule of budgetary comparison information, a schedule of proportionate share of net pension and OPEB liabilities, and a schedule of pension and OPEB contributions, reflected on pages 27 to 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The School has omitted the management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Thomas A. Edison Charter School's financial statements. The supplementary information reflected on pages 33 and 34 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information reflected on pages 33 and 34 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019 on our consideration of Thomas A. Edison Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Thomas A. Edison Charter School's internal control over financial reporting and compliance.

Restriction on Use

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

Whisman Giordano & Associates, LLC

Newark, Delaware
September 24, 2019

Basic Financial Statements Section

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF NET POSITION
As of June 30, 2019 AND 2018

	2019		2018	
	Primary Government	Component Unit	Primary Government	Component Unit
	Governmental Activities	Foundation	Governmental Activities	Foundation
ASSETS				
Current assets:				
Cash and equivalents	$ 3,149,518	$ 879,060	$ 2,575,830	$ 789,592
Receivables-other	11,263	-	3,661	-
Due from other governments	9,998	-	24,983	-
Restricted assets-replacement reserve:				
Cash and equivalents	-	21,518	-	21,453
Due from component unit	820	-	5,409	-
Total current assets	3,171,599	900,578	2,609,883	811,045
Noncurrent assets:				
Capital assets, net of accumulated depreciation	497,652	4,172,459	559,295	4,390,243
Total noncurrent assets	497,652	4,172,459	559,295	4,390,243
TOTAL ASSETS	3,669,251	5,073,037	3,169,178	5,201,288
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions and changes in proportion related to pension activity	992,162	-	1,200,545	-
Deferred contributions related to other postemployment benefits	803,896	-	648,280	
Total deferred outflows of resouces	1,796,058	-	1,848,825	-
LIABILITIES				
Current liabilities:				
Accounts payable	80,191	-	61,886	30,000
Accrued salaries and related costs	330,462	-	356,230	-
Due to primary government	-	820	-	5,409
Mortgage note payable, current portion	-	264,029	-	244,693
Total current liabilities	410,653	264,849	418,116	280,102
Noncurrent liabilities:				
Compensated absences liability	172,858	-	127,495	-
Net pension liability	2,531,620	-	2,828,473	-
Net other postemployment benefits liability	15,686,338	-	15,563,982	
Mortgage note payable, net of current portion	-	164,445	-	428,474
Total noncurrent liabilities	18,390,816	164,445	18,519,950	428,474
TOTAL LIABILITIES	18,801,469	429,294	18,938,066	708,576
DEFERRED INFLOWS OF RESOURCES				
Deferred investment earnings related to pension activity	144,768	-	79,516	-
Deferred postemployment benefits	1,808,851	-	1,539,829	
Total deferred inflows of resources	1,953,619	-	1,619,345	-
NET POSITION (LIABILITY)				
Net investment in capital assets	497,652	3,743,985	559,295	3,717,076
Restricted for specific programs	271,654	-	110,203	-
Unrestricted	2,316,434	899,758	1,954,069	775,636
Pension and postemployment commitment	(18,375,519)	-	(18,162,975)	-
TOTAL NET POSITION (LIABILITY)	$ (15,289,779)	$ 4,643,743	$ (15,539,408)	$ 4,492,712

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

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue & Changes in Net Position — Governmental Activities	
Functions	Expenses	Charges for Services	Grants and Operating	Contributions Capital	Primary Government	Component Unit
GOVERNMENTAL ACTIVITIES						
Instructional services	$ 7,343,687	$ 13,624	$ 1,651,473	$ -	$ (5,678,590)	$ -
Supporting services:						
Operation and maintenance of facilities	1,173,034	-	-	-	(1,173,034)	-
Transportation	683,651	-	554,450	-	(129,201)	-
Food services	253	-	-	-	(253)	-
Depreciation-unallocated	67,881	-	-	-	(67,881)	-
TOTAL PRIMARY GOVERNMENT	9,268,506	13,624	2,205,923	-	(7,048,959)	-
DISCRETELY PRESENTED COMPONENT UNIT						
Foundation	317,620	467,922	65	-	-	150,367
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	$ 9,586,126	$ 481,546	$ 2,205,988	$ -	$ (7,048,959)	$ 150,367
GENERAL REVENUES AND TRANSFERS						
Charges to school districts					3,033,717	-
State funding not restricted to specific purposes					4,078,638	-
Earnings on cash and equivalents					53,285	664
Miscellaneous revenues					47,686	-
Christina School District settlement					85,262	-
Total general revenues and transfers					7,298,588	664
CHANGES IN NET POSITION					249,629	151,031
NET POSITION (LIABILITY)						
Beginning of year					(15,539,408)	4,492,712
End of year					$ (15,289,779)	$ 4,643,743

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

THOMAS A. EDISON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenue & Changes in Net Position — Governmental Activities	
Functions	Expenses	Charges for Services	Grants and Operating	Contributions Capital	Primary Government	Component Unit
GOVERNMENTAL ACTIVITIES						
Instructional services	$ 7,289,052	$ 22,321	$ 1,218,991	$ -	$ (6,047,740)	$ -
Supporting services:						
Operation and maintenance of facilities	1,283,463	-	-	-	(1,283,463)	-
Transportation	701,041	-	484,349	-	(216,692)	-
Food services	429,651	-	547,386	-	117,735	-
Depreciation-unallocated	91,302	-	-	-	(91,302)	-
TOTAL PRIMARY GOVERNMENT	9,794,509	22,321	2,250,726	-	(7,521,462)	-
DISCRETELY PRESENTED COMPONENT UNIT:						
Foundation	346,844	592,922	53	-	-	246,131
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	$10,141,353	$ 615,243	$ 2,250,779	$ -	$ (7,521,462)	$ 246,131

	Primary Government	Component Unit
GENERAL REVENUES AND TRANSFERS		
Charges to school districts	2,868,209	-
State funding not restricted to specific purposes	3,974,879	-
Earnings on cash and equivalents	11,078	235
Miscellaneous revenues	27,301	-
Christina School District settlement	84,059	-
Total general revenues and transfers	6,965,526	235
CHANGES IN NET POSITION	(555,936)	246,366
NET POSITION		
Beginning of year, as previously reported	1,379,612	4,246,346
Adjustment to opening net position [Note 12]	(16,363,084)	-
Beginning of year, as restated	(14,983,472)	4,246,346
End of year	$ (15,539,408)	$ 4,492,712

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

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2019 and 2018

	Governmental Funds	
	2019	2018
ASSETS		
Cash and equivalents	$ 3,149,518	$ 2,575,830
Receivables-other	11,263	3,661
Due from other governments	9,998	24,983
Due from component unit	820	5,409
TOTAL ASSETS	$ 3,171,599	$ 2,609,883
LIABILITIES		
Accounts payable	$ 80,191	$ 61,886
Accrued salaries and related costs	330,462	356,230
Total liabilities	410,653	418,116
FUND BALANCES		
Restricted-specific programs	271,654	110,203
Committed-encumbered	295,096	113,009
Unassigned	2,194,196	1,968,555
Total fund balances	2,760,946	2,191,767
TOTAL LIABILITIES AND FUND BALANCES	$ 3,171,599	$ 2,609,883

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

THOMAS A. EDISON CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
As of June 30, 2019 and 2018

	Governmental Funds	
	2019	2018
Amounts reported for governmental activities in the statements of net position are different because:		
Fund balances-Total governmental funds	$ 2,760,946	$ 2,191,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. At June 30, 2019 and 2018, the total cost of capital assets is $2,027,900 and $2,021,662, and related accumulated depreciation is $1,530,248 and $1,462,367, respectively.	497,652	559,295
Compensated abesences are not due and payable for the period reported, and, are therefore not reported in the fund financial statements.	(172,858)	(127,495)
Some liabilities, including net pension and net OPEB obligations, are not due and payable in the current period and, are therefore not reported in the fund financial statements:		
Net pension liability	(2,531,620)	(2,828,473)
Net other postemployment benefits [OPEB] liability	(15,686,338)	(15,563,982)
Deferred outflows and inflows of resources related to pension and OPEB activities are applicable to future periods and, are therefore not reported in the fund financial statements:		
Deferred outflows of resources related to pension activity of $992,162 and $1,200,545 consist of $524,535 and $794,998 of deferred outflows of resources pension expense and $467,627 and $405,547 of deferred outflows of the 2019 and 2018 employer contributions related to the pension, respectively.	992,162	1,200,545
Deferred inflows of resources related to pension activity.	(144,768)	(79,516)
Deferred outflows of resources related to OPEB activity of $803,896 and $648,280 consist of $337,903 and $219,111 of deferred outflows of resources OPEB expense and $465,993 and $429,169 of deferred outflows for the 2019 and 2018 employer contributions related to the OPEB, respectively.	803,896	648,280
Deferred inflows of resources related to OPEB activity.	(1,808,851)	(1,539,829)
Net position (liability)-Governmental activities	$ (15,289,779)	$ (15,539,408)

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

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GOVERNMENTAL FUNDS
Years Ended June 30, 2019 and 2018

	Governmental Funds	
	2019	2018
REVENUES		
Charges to school districts	$ 3,033,717	$ 2,868,209
State funding-allocation	4,633,088	4,459,228
State funding-other	568,410	267,630
Federal funding	1,083,063	1,498,747
Earnings on cash and equivalents	53,285	11,078
Program services fees	13,624	22,321
Miscellaneous revenues	47,686	27,301
Total revenues	9,432,873	9,154,514
EXPENDITURES		
Current:		
Instructional services	6,994,328	7,021,212
Supporting services:		
Operation and maintenance of facilities	1,173,034	1,283,463
Transportation	683,651	701,041
Food services	253	429,651
Capital outlay	97,690	101,189
Total expenditures	8,948,956	9,536,556
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	483,917	(382,042)
OTHER FINANCING SOURCES (USES)		
Christina School District settlement	85,262	84,059
Total other financing sources	85,262	84,059
NET CHANGE IN FUND BALANCES	569,179	(297,983)
FUND BALANCES		
Beginning of year	2,191,767	2,489,750
End of year	$ 2,760,946	$ 2,191,767

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

THOMAS A. EDISON CHARTER SCHOOL
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	Governmental Funds	
	2019	2018
Amounts reported for governmental activities in the statements of activities are different because:		
Net change in fund balances-Total governmental funds	$ 569,179	$ (297,983)
In the financial statements of the governmental funds capital outlay is reported as expenditures. However, in the statement of activities, assets with an initial, individual cost of $5,000 or more are capitalized and the cost is allocated over the estimated useful lives of the captial assets and reported as depreciation expense. The following table reflects the amount by which depreciation expense either exceeds or is less than capital outlay capitalized as capital assets for the periods presented.		

Description	2019	2018		
Capital assets	6,238	-		
Depreciation expense	(67,881)	(91,302)	(61,643)	(91,302)

In the statement of activities, certain operating expenses such as compensated absences [vacation] are measured by the amounts earned during the period. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used [essentially, amounts actually paid]. Compensated absences liability decreased/(increased) for the periods presented.	(45,363)	(5,063)
Governmental funds report School pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of contributions is reported as an expense.		

Description	2019	2018		
School contributions	$ 933,622	$ 834,716		
Cost of benefits earned net of contributions [expense]	(1,146,166)	(996,304)	(212,544)	(161,588)
Change in net position-Governmental activities			$ 249,629	$ (555,936)

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

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET POSITION-AGENCY FUND
As of June 30, 2019 and 2018

	Student Activities Fund	
	2019	2018
ASSETS		
Cash and equivalents	$ 8,643	$ 15,407
LIABILITIES		
Due to student and other groups	$ 8,643	$ 15,407

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

NOTE 1 - NATURE OF THE GOVERNMENT

Thomas A. Edison Charter School is organized under Title 14, Chapter 5 of the State of Delaware Code. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school operates as an independent public school governed by a Board of Directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions – most notably, they cannot levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. State funds are not provided for charter school facilities. Charter schools may charge for selected additional services consistent with those permitted by the school districts. Because charter schools receive local, state, and federal funds, they may not charge tuition.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Thomas A. Edison Charter School [the "School"] which is located within the limits of the City of Wilmington, Delaware have been prepared in conformity with U.S. generally accepted accounting principles as applied to local governmental units. The GASB [Governmental Accounting Standards Board] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are as follows:

<u>Reporting Entity</u>

The School is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the operation of the State of Delaware. 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.

<u>Discretely Presented Component Unit</u>

On November 12, 1997, Thomas A. Edison Charter School of Wilmington, Inc. [the "Foundation"] was incorporated as a 501(c)(3) nonprofit corporation for the purpose of constructing a school from grades K through 8 by substantially improving an existing 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.

<u>Government-Wide and Fund Financial Statements</u>

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

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

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

<u>Measurement Focus, Accounting Basis, and Financial Statement Presentation</u>

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

The School reports the following major governmental 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 and other organizations. Since the agency fund is custodial in nature, the fund does not present results of operations.

Amounts reported as program revenues include 1) charges to students for special fees, material, 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.

Use of Estimates

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

Cash and Equivalents

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

Interfund Balances

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Capital Assets

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

Leasehold improvements, and furniture and equipment are depreciated using the straight-line method over their estimated useful lives ranging between 5 to 10 years.

Component Unit-Capital assets are stated at cost and consist mostly of leasehold improvements to the school facility. The cost of maintenance and repairs are charged to expense as incurred; the costs of renewals and betterments are capitalized. When capital assets are sold or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. The component unit defines a capital asset as an asset with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year.

The leasehold improvements are depreciated using the straight-line method based on the estimated useful life of the improvements ranging from 15 to 39 years.

Impairment of Long-Lived Assets

In accordance with the Financial Accounting Standards Board statement on *Accounting for the Impairment or Disposal of Long-Lived Assets*, the entities review their capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of a capital asset may not be recoverable. If the fair value is less than the carrying amount of the capital asset, an impairment loss is recognized for the difference. No impairment loss is recognized for the years presented.

Mortgage Financing Costs

Component unit mortgage financing costs of $108,263 are being amortized over the life of the mortgage note [20 years] using the straight-line method. At June 30, 2019 and 2018, the accumulated amortization is $100,596 and $95,182 [Refer to Note 7].

Compensated Absences Liability

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The School has two items that qualify for reporting in this category. The first item is deferred contributions and changes in proportion related to the School's pension activity, and the other item refers to its OPEB activity. The amounts are reported in the statements of net position and deferred and amortized over a six-year period.

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

Net Position and Fund Equity

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

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

- **Non-spendable fund balance-**Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid amounts, inventories, assets held for sale, and long-term receivables.

- **Restricted fund balance-**Constraints placed on the use of these amounts are either externally imposed by creditors [such as debt covenants], grantors, contributors, or other governments; or imposed by law through constitutional provisions or enabling legislation.

- **Committed fund balance-**Amounts that can only be used for specific purposes because of a formal action [resolution] by the School's highest level of decision-making authority: The School Board.

- **Assigned fund balance-**Amounts that are constrained by the School's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the School Board, or by an official to whom that authority has been given. With the exception of the general fund, this is the residual fund balance classification for all the governmental funds with positive balances.

- **Unassigned fund balance-**This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental funds. Encumbrances [e.g., purchase orders and contracts] outstanding at the year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are re-appropriated and honored during the subsequent year. At June 30, 2019 and 2018, encumbrances outstanding are $295,096 and $113,009, respectively.

Accounting System

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

Income Tax Status

The **School** qualifies as a tax-exempt organization under Section 170 of the Internal Revenue Code and is not liable for federal or state income taxes.

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

The Financial Accounting Standards Board on statements pertaining to the *Accounting for Uncertainty in Income Taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the component unit for the prior three fiscal years are subject to examination by the IRS, generally for three years after the returns are filed. The tax positions taken for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

NOTE 3 – CASH AND EQUIVALENTS

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

Deposits Held by the State of Delaware

At June 30, 2019 and 2018, the School has cash and equivalents of $3,158,161 and $2,591,237, respectively consisting of balances from the general fund of $3,149,518 and $2,575,830 and agency fund of $8,643 and $15,407, respectively. These deposits are part of the State investment pool controlled and administered by the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the same State office. The deposits are considered to be highly liquid and available for immediate use and, thus, are reflected as cash equivalents in the financial statements. Deposits held by the State's investment pool, an internal investment pool, are specifically identified for the School; however, the credit risk cannot be categorized for these deposits. Credit risk for such deposits depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with remaining maturity at the time of purchase [one year or less] are stated at cost or amortized cost.

Deposits Held by Financial Institutions

At June 30, 2019 and 2018, the reported amount of deposits maintained by the **component unit** outside of the State Treasurer's Office is $900,638 [book values of $879,060 and $21,518] and $811,045 [book values of $789,592 and $21,453], respectively. The deposits held by the one financial institution totaling $900,578 and $811,045 were in excess of the Federal Deposit Insurance Corporation [FDIC] limits in the amount of $650,578 and $561,045, respectively, and therefore, any excess [or non-coverage] is exposed to custodial credit risk. The custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Organization.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

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

Description	2019	2018
Passed through the State of Delaware:		
Local school districts	$ -	$ -
Federal government-Department of Agriculture	-	8,706
Federal government-Department of Education	9,998	16,277
Total amount due from other governments	$ 9,998	$ 24,983
Component unit:		
State of Delaware Division of Social Services	$ -	$ -

NOTE 5 - CAPITAL ASSETS

The following tables summarize the annual changes to the capital assets:

Description	As of and Year Ended June 30, 2019 Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	$ 899,060	$ -	$ -	$ 899,060
Furniture and equipment	1,122,602	6,238	-	1,128,840
Totals	2,021,662	6,238	-	2,027,900
Less accumulated depreciation:				
Leasehold improvements	349,606	57,165	-	406,771
Furniture and equipment	1,112,761	10,716	-	1,123,477
Totals	1,462,367	67,881	-	1,530,248
Governmental activities capital assets, net	$ 559,295	$ (61,643)	$ -	$ 497,652
Component unit:				
Capital assets, being depreciated:				
Leasehold improvements	$ 7,882,397	$ -	$ -	$ 7,882,397
Less accumulated depreciation:				
Leasehold improvements	3,492,154	217,784	-	3,709,938
Component unit capital assets, net	$ 4,390,243	$ (217,784)	$ -	$ 4,172,459

Description	As of and Year Ended June 30, 2018 Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets, being depreciated:				
Leasehold improvements	$ 899,060	$ -	$ -	$ 899,060
Furniture and equipment	1,122,602	-	-	1,122,602
Totals	2,021,662	-	-	2,021,662
Less accumulated depreciation:				
Leasehold improvements	293,206	56,400	-	349,606
Furniture and equipment	1,077,859	34,902	-	1,112,761
Totals	1,371,065	91,302	-	1,462,367
Governmental activities capital assets, net	$ 650,597	$ (91,302)	$ -	$ 559,295
Component unit:				
Capital assets, being depreciated:				
Leasehold improvements	$ 7,797,855	$ 84,542	$ -	$ 7,882,397
Less accumulated depreciation:				
Leasehold improvements	3,277,659	214,495	-	3,492,154
Component unit capital assets, net	$ 4,520,196	$ (129,953)	$ -	$ 4,390,243

NOTE 6 - RISK MANAGEMENT

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

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

The following table summarizes the School's annual changes to long-term obligations:

	As of and Year Ended June 30, 2019				
	Long-Term Obligations				Due
Description	Beginning Balance	Additions	Deletions	Ending Balance	Within One Year
Governmental activity:					
Other long-term debt:					
Compensated absences	$ 127,495	$ 45,363	$ -	$ 172,858	$ -

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

Component Unit

On December 12, 2000, the **component unit** entered into a mortgage note agreement with the Delaware Community Investment Corporation [DCIC] in the amount of $3,037,000. The mortgage note is secured by a leasehold mortgage and a security agreement on the property located at 2200 Locust, Wilmington, Delaware. The terms of the mortgage note require 240 monthly payments of $24,410, including interest at 7.47%, and the note matures on January 1, 2021. The mortgage note obligation, including interest, is as follows:

Years Ending June 30	Principal	Financing Costs	Interest	Total
2020	269,443	(5,414)	23,479	$ 287,508
2021	166,698	(2,253)	4,287	168,732
Total mortgage obligation	436,141	(7,667)	27,766	456,240
Less: Current portion	269,443	(5,414)	23,479	287,508
Long-term portion	$ 166,698	$ (2,253)	$ 4,287	$ 168,732

NOTE 8 - PENSION PLAN

The School's pension plan is part of the State Employees' Pension Plan [the Plan] which is a cost sharing multiple-employer defined benefit pension plan established in the Delaware Code. The General Assembly of the State of Delaware is responsible for setting benefits and contributions and amending the Plan's provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the Board]. The management of the Plan is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofacial members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2018 and 2017. For a complete description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

Separately issued financial statements for DPERS are available from the State of Delaware pension office: McArdle Building, Suite 1; 860 Silver Lake Blvd; Dover, Delaware 19904.

NOTE 8 - PENSION PLAN [continued]

General Information About the Plan

Plan Description and Eligibility: The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities such as the School.

There are two tiers within the Plan: 1) Employees hired prior to January 1, 2012 [Pre-2012], and 2) Employees hired on or after January 1, 2012 [Post-2011].

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

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

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

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

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

Burial Benefit: $7,000 per member.

Contributions:
- Employer: Determined by the Board. Employer contributions were 10.33% and 9.69% of earnings for fiscal years 2018 and 2017, respectively.
- Pre-2012 date of hire Member: 3% of earnings in excess of $6,000.
- Post-2011 date of hire Member: 5% of earnings in excess of $6,000.

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

At June 30, 2019 and 2018, the School reported a pension liability of $2,531,620 and $2,828,473, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportion of the net pension liability was based on a projection of the School’s long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating schools, actuarially determined. At June 30, 2018 and 2017, the School’s proportion was 0.1960 and 0.1929 percent, which was an increase of 0.0031 and 0.0019 percent from its proportion measured as of June 30, 2017 and 2016, respectively.

NOTE 8 - PENSION PLAN [continued]

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

As a result of its requirement to contribute to DPERS, the School recognized pension expense of $444,411 and $474,688 for the years ended June 30, 2019 and 2018, respectively. At June 30, 2019 and 2018, the School reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

	Deferred Resources			
	2019		2018	
Description	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	$ 110,255	$ 30,448	$ 27,209	$ 41,557
Changes of assumptions	367,320	-	463,132	-
Net difference between projected and actual earnings on pension plan investments	-	85,851	264,527	-
Contributions subsequent to measurement date	467,629	-	405,547	-
Change in proportion and differences between School contributions and proportionate share of contributions	46,958	28,469	40,130	37,959
Totals	$ 992,162	$ 144,768	$ 1,200,545	$ 79,516

$467,629 and $405,547 reported as deferred outflows of resources related to the pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Years Ending June 30	2019	2018
2019	$ -	$ (156,323)
2020	(71,661)	(156,323)
2021	(253,703)	(338,365)
2022	45,858	(38,804)
2023	26,831	(57,832)
2024	(127,090)	32,165
Totals	$ (379,765)	$ (715,482)

Actuarial assumptions: The total pension liability in the June 30, 2018 and 2017 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Percentages	
Description	2018	2017
Inflation	2.50%	2.50%
Projected salary increases	2.50% plus merit	2.50% plus merit
Investment rate of return/discount rate	7.00%, net of pension investment expense	7.00%, net of pension investment expense
Cost-of-living adjustments	0.00%	0.00%

NOTE 8 - PENSION PLAN [continued]

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

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

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

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

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

	Long-Term Expected Real Rate of Return		Asset Allocation	
Asset Class	2018	2017	2018	2017
Domestic equity	5.70%	5.70%	30.70%	33.50%
International equity	5.70%	5.70%	13.90%	13.70%
Fixed income	2.00%	2.00%	23.30%	26.60%
Alternative investments	7.80%	7.80%	24.40%	22.70%
Cash and equivalents	0.00%	0.00%	7.70%	3.50%

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - PENSION PLAN [continued]

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

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate: The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease [6.00%]	Discount Rate [7.00%]	1% Increase [8.00%]
Employees of			
Thomas A. Edison Charter School:			
Fiscal year 2019	$ 4,912,883	$ 2,531,620	$ 532,188
Fiscal year 2018	$ 5,091,949	$ 2,828,473	$ 909,615

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB]

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

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

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

Contributions: Participating employers, such as the School, fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan. The School's contractually required contribution rate for the years ended June 30, 2018 and 2017, were 10.92% and 11.61% of covered-employee payroll, respectively. Total contributions for the years ended June 30, 2018 and 2017 were $429,169 and $447,223, respectively.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB] [continued]

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

At June 30, 2019 and 2018, the School reported a liability of $15,686,338 and $15,563,982, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities and affiliates, actuarially determined. At June 30, 2018 and 2017, the School's proportion was 0.1911 and 0.1885 percent, which was an increase of 0.0026 and 0.0034 percent from its proportion measured as of June 30, 2017 and 2016, respectively.

For the year ended June 30, 2019 and 2018, the School recognized OPEB expense of $701,755 and $521,616, respectively. At June 30, 2019 and 2018, the School reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Resources			
	2019		2018	
Description	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	$ -	$ -	$ -	$ -
Changes of assumptions	-	1,776,008	-	1,514,148
Net difference between projected and actual earnings on pension plan investments	-	32,843	-	25,681
Contributions subsequent to measurement date	465,993	-	429,169	-
Change in proportion and differences between School contributions and proportionate share of contributions	337,903	-	219,111	-
Totals	$ 803,896	$ 1,808,851	$ 648,280	$ 1,539,829

$465,993 and $429,169 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended June 30, 2020 and 2019, respectively. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	2019	2018
2019	$ -	$ 264,144
2020	294,189	264,144
2021	294,189	264,144
2022	294,189	264,144
2023	294,189	264,142
2024	294,192	-
Totals	$ 1,470,948	$ 1,320,718

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB] [continued]

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> [continued]

Actuarial assumptions: The total OPEB liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Description	Percentages 2018	2017
Discount rate	3.87%	3.58%
Salary increases	3.25% plus merit	3.25% plus merit
Investment rate of return	n/a	n/a
Healthcare cost trend rate	6.80%	7.00%

Mortality rates are based on the sex-distinct employee healthy annuitant and disabled annuitant mortality tables derived from RP-2014 Total Dataset Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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

Discount rate: The discount rate used to measure the total OPEB liability was 3.58% at the beginning of the current measurement period and 3.87% at the end, based on the Bond Buyer GO 20-year Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2018 and 2017 measurement dates is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Plan	1% Decrease	Discount Rate	1% Increase
Employees of			
Thomas A. Edison Charter School:			
Fiscal Year 2019 [see Discount Rate above]	$ 18,670,220	$ 15,686,338	$ 13,345,958
Fiscal Year 2018 [see Discount Rate above]	$ 18,661,888	$ 15,563,982	$ 13,149,914

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS [OPEB] [continued]

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The healthcare trend rate used to measure the total OPEB liability was 7.00% at the beginning of the current measurement period and 6.80% at the end. The following presents the School's proportionate share of the net OPEB liability as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Plan	1% Decrease	Healthcare Trend	1% Increase
Employees of			
Thomas A. Edison Charter School:			
Fiscal Year 2019 [see Healthcare Rate above]	$ 13,358,761	$ 15,686,338	$ 18,527,993
Fiscal Year 2018 [see Healthcare Rate above]	$ 13,177,953	$ 15,563,982	$ 18,486,654

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

Government Awards

The School participates in certain state and local awards not subject to the audit requirements under the Uniform Guidance. These awards may be subjected to oversight audits by the grantors and/or their representatives. No audits of these awards have been conducted as of June 30, 2019. Accordingly, the School's compliance with applicable award requirements will be established at some future date. The amount of costs which may be disallowed by these agencies cannot be determined at this time although the School expects such amounts, if any, not to be significant to the basic financial statements.

Government Awards Subject to the Uniform Guidance

The School participates in certain federal grant awards subject to the audit requirements under the Uniform Guidance. A compliance audit of the federal grant awards was conducted under the Uniform Guidance as of and for the year ended June 30, 2019. The compliance audit did not identify any questioned costs; however, questioned costs may exist which have not been identified. The amount of costs not identified which could be disallowed by federal agencies at some future date cannot be determined at this time although the School expects such amounts, if any, not to be significant to the basic financial statements.

NOTE 11 - LEASING ARRANGEMENTS

The **component unit** leases the land and building shell from an unrelated third party under the terms of an operating leasing arrangement dated August 25, 1999. The arrangement has a term of 45 years, commencing September 1, 2000 [original commitment date was September 1, 1999] and ending August 31, 2044. Thereafter, the lessee shall have the right and option to extend the term of this lease for five consecutive extended terms of ten years each [the "extended terms"] unless and until this lease shall be sooner terminated. The annual lease payment is due and payable the first day of each lease year as follows:

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

At June 30, 2019, the minimum future rental payments required under the leasing arrangement having remaining terms in excess of one year for the remaining years in the aggregate are:

Years Ending June 30	Amount
2020	25,000
2021	25,000
2022	25,000
2023	25,000
2024	25,000
Minimum future rental payments required	$ 125,000

The **component unit** in turn subleases the property to the School. Total rental revenue under the leasing arrangement amounted to $467,922 and $592,922 for years ended June 30, 2019 and 2018, respectively.

NOTE 12 – RESTATEMENT OF BEGINNING NET POSITION

The net position of the School at June 30, 2017 has been decreased by $16,363,084. The restatement resulted from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

NOTE 13 – RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. This reclassification had no effect on the reported results of operations.

NOTE 14 - GASB STATEMENT IMPLEMENTATION

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

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

NOTE 15 – PENDING GASB STATEMENTS

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

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

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

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* Implementation is required for periods beginning after December 15, 2019; however, the Statement should be applied prospectively. The Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for the financial statements prepared using the economic resources measurement focus. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the business-type activity or enterprise fund. The statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. Such interest includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No.14 and No. 61.* Implementation is required for periods beginning December 15, 2018, with earlier application encouraged. The primary objective of the Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement defines equity interest and specifies that equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. Implementation is required for periods beginning after December 15, 2020, with earlier application encouraged. The primary objectives of the Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with [1] commitments extended by issuers, [2] arrangements associated with conduit debt obligations, and [3] related note disclosures. The Statement achieves the objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

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

Required Supplementary Information [RSI] Section

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive	
	Original	Final	Amounts	(Negative)	
REVENUES					
Charges to school districts	$ 2,899,555	$ 2,899,555	$ 3,033,717	$ 134,162	
State funding-allocation	4,568,422	4,568,422	4,633,088	64,666	
State funding-other	216,417	216,417	568,410	351,993	1
Federal funding-education	1,032,041	1,032,041	1,083,063	51,022	
Federal funding-food service	565,000	565,000	-	(565,000)	2
Earnings on cash and equivalents	15,000	15,000	53,285	38,285	
Program service fees	90,500	90,500	13,624	(76,876)	3
Miscellaneous revenues	14,250	14,250	47,686	33,436	
Total revenues	9,401,185	9,401,185	9,432,873	31,688	
EXPENDITURES					
Current:					
Salaries	4,097,554	4,097,554	4,019,973	77,581	
Employment costs	1,966,534	1,966,534	1,911,546	54,988	
Travel	27,500	27,500	33,190	(5,690)	
Contracted services	445,534	445,534	467,330	(21,796)	
Communications	22,100	22,100	17,448	4,652	
Public utility services	155,000	155,000	153,367	1,633	
Insurance	46,000	46,000	43,316	2,684	
Transportation	739,996	739,996	683,651	56,345	
Land/Building/Facilities	592,922	592,922	551,467	41,455	
Repairs and maintenance	498,350	498,350	424,884	73,466	
Other contracted services	163,521	163,521	194,420	(30,899)	
Supplies and materials	160,000	160,000	251,524	(91,524)	
Operating supplies	134,000	134,000	98,897	35,103	
Food services	550,000	550,000	253	549,747	2
Contingencies	139,000	139,000	-	139,000	
Capital outlay	25,000	25,000	97,690	(72,690)	
Total expenditures	9,763,011	9,763,011	8,948,956	814,055	
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	(361,826)	(361,826)	483,917	845,743	
OTHER FINANCING SOURCES (USES)					
Christina School District settlement	84,059	84,059	85,262	1,203	
Appropriations from component unit	300,000	300,000	-	(300,000)	4
Total other financing sources (uses)	384,059	384,059	85,262	(298,797)	
NET CHANGE IN FUND BALANCES	22,233	22,233	569,179	546,946	
FUND BALANCES					
Beginning of year	-	-	2,191,767	2,191,767	
End of year	$ 22,233	$ 22,233	$ 2,760,946	$ 2,738,713	

See Report of Independent Auditor

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

<u>Budget Variances in Excess of 10% of budget</u>

1. The favorable variance in State funding-other is due to budget being based on prior year actual. There were new grants available and received in the current fiscal year.

2. The unfavorable variance in Federal funding-food service and favorable variance in Food services expenditures is due to the budget being based on prior year actual; however, the School decided to turn the food program over to a school district within the State of Delaware for more efficient operation.

3. The unfavorable variance in Program service fees is a result of removing the food service program, the School no longer receives the program service fees associated with students paying for lunch.

4. The unfavorable variance in Appropriations from component unit is due to the actual excess revenues over expenditures and the School not needing the additional funds for operations.

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
As of and Years Ended June 30,

	2019	2018	2017	2016	2015
School's proportion of net pension liability (asset)	0.1960%	0.1929%	0.1910%	0.1987%	0.1968%
School's proportionate share of net pension liability (asset)	$ 2,531,620	$ 2,828,473	$ 2,877,704	$ 1,321,860	$ 724,534
School's covered-employee payroll	$ 4,029,520	$ 3,931,516	$ 3,852,415	$ 3,932,693	$ 3,794,866
School's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	62.83%	71.94%	74.70%	33.61%	19.09%
Plan's fiduciary net position as percentage of total pension liability	87.49%	85.31%	84.11%	92.67%	95.80%

Note to Schedule:

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

See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULES OF PENSION CONTRIBUTIONS
Years Ended June 30,

	2019	2018	2017	2016	2015
Contractually required contribution	$ 467,629	$ 405,547	$ 360,069	$ 348,903	$ 354,261
Contributions in relation to contractually required contribution	467,629	405,547	360,069	348,903	354,261
Annual contribution (deficiency) excess	$ -	$ -	$ -	$ -	$ -
School covered-employee payroll	$ 4,039,646	$ 4,029,520	$ 3,931,516	$ 3,932,693	$ 3,794,866
Contributions as percentage of covered-employee payroll	11.58%	10.06%	9.16%	8.87%	9.34%

See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULES OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
As of and Years Ended June 30,

	2019	2018	2017
School's proportion of net OPEB liability	0.1911%	0.1885%	0.1851%
School's proportionate share of net OPEB liability (asset)	$ 15,686,338	$ 15,563,982	$ 16,810,307
School's covered-employee payroll	$ 4,029,520	$ 3,931,516	$ 3,852,415
School's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll	389.29%	395.88%	436.36%
Plan's fiduciary net position as percentage of total OPEB liability	0.05%	0.04%	0.03%

Note to Schedule:

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

See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOL
SCHEDULES OF OPEB CONTRIBUTIONS
Years Ended June 30,

	2019	2018	2017
Contractually required contribution	$ 465,993	$ 429,169	$ 447,223
Contributions in relation to contractually required contribution	465,993	429,169	447,223
Annual contribution (deficiency) excess	$ -	$ -	$ -
School covered-employee payroll	$ 4,039,646	$ 4,029,520	$ 3,931,516
Contributions as percentage of covered-employee payroll	11.54%	10.65%	11.38%

See Report of Independent Auditor

Supplementary Information Section

THOMAS A. EDISON CHARTER SCHOOL
BALANCE SHEETS-GENERAL FUND
As of June 30, 2019 and 2018

	2019				2018			
	State Fund	Local Fund	Federal Fund	Total General Fund	State Fund	Local Fund	Federal Fund	Total General Fund
ASSETS								
Cash and equivalents:								
Unrestricted	$ 305,100	$2,572,764	$ -	$2,877,864	$ 170,686	$2,294,941	$ -	$2,465,627
Restricted	161,451	110,203	-	271,654	-	110,203	-	110,203
Receivables-other	-	11,263	-	11,263	-	3,661	-	3,661
Due from other governments	-	-	9,998	9,998	-	8,706	16,277	24,983
Due from component unit	-	820	-	820	-	5,409	-	5,409
TOTAL ASSETS	$ 466,551	$2,695,050	$ 9,998	$3,171,599	$ 170,686	$2,422,920	$ 16,277	$2,609,883
LIABILITIES								
Accounts payable	$ 18,998	$ 51,195	$ 9,998	$ 80,191	$ 18,834	$ 26,775	$ 16,277	$ 61,886
Accrued salaries and related costs	330,462	-	-	330,462	356,230	-	-	356,230
Total liabilities	349,460	51,195	9,998	410,653	375,064	26,775	16,277	418,116
FUND BALANCES								
Restricted-specific programs	161,451	110,203	-	271,654	-	110,203	-	110,203
Committed-encumbered	295,096	-	-	295,096	113,009	-	-	113,009
Unassigned (deficit)	(339,456)	2,533,652	-	2,194,196	(317,387)	2,285,942	-	1,968,555
Total fund balances	117,091	2,643,855	-	2,760,946	(204,378)	2,396,145	-	2,191,767
TOTAL LIABILITIES AND FUND BALANCES	$ 466,551	$2,695,050	$ 9,998	$3,171,599	$ 170,686	$2,422,920	$ 16,277	$2,609,883

See Report of Independent Auditor

THOMAS A. EDISON CHARTER SCHOOL
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES-GENERAL FUND
Years Ended June 30, 2019 and 2018

	2019				2018			
	State Fund	Local Fund	Federal Fund	Total General Fund	State Fund	Local Fund	Federal Fund	Total General Fund
REVENUES								
Charges to school districts	$ –	$3,033,717	$ –	$3,033,717	$ –	$2,868,209	$ –	$2,868,209
State funding-allocation	4,633,088	–	–	4,633,088	4,459,228	–	–	4,459,228
State funding-other	450,200	118,210	–	568,410	126,838	140,792	–	267,630
Federal funding	–	–	1,083,063	1,083,063	–	547,386	951,361	1,498,747
Earnings on cash and equivalents	–	53,285	–	53,285	–	11,078	–	11,078
Program services fees	–	13,624	–	13,624	–	22,321	–	22,321
Miscellaneous revenues	–	47,686	–	47,686	–	27,301	–	27,301
Total revenues	5,083,288	3,266,522	1,083,063	9,432,873	4,586,066	3,617,087	951,361	9,154,514
EXPENDITURES								
Current:								
Salaries	1,722,650	1,818,960	478,363	4,019,973	1,703,972	2,013,353	342,677	4,060,002
Employment costs	849,893	859,832	201,821	1,911,546	806,930	934,794	157,357	1,899,081
Travel	7,433	9,597	16,160	33,190	363	2,768	22,503	25,634
Contracted services	186,152	57,542	223,636	467,330	114,921	86,597	277,344	478,862
Communications	8,293	9,155	–	17,448	3,911	19,176	–	23,087
Public utility services	131,183	22,184	–	153,367	159,882	–	–	159,882
Insurance	29,702	13,614	–	43,316	21,048	21,048	–	42,096
Transportation	631,041	–	52,610	683,651	613,399	22,426	65,216	701,041
Land/Building/Facilities	467,922	83,545	–	551,467	592,922	46,974	–	639,896
Repairs and maintenance	352,167	72,717	–	424,884	362,930	78,659	–	441,589
Other contracted services	154,883	37,440	2,097	194,420	73,454	52,594	21,486	147,534
Supplies and materials	148,630	26,943	75,951	251,524	65,558	55,205	63,521	184,284
Operating supplies	19,742	59,089	20,066	98,897	12,837	188,634	1,257	202,728
Food services costs	–	253	–	253	–	429,651	–	429,651
Capital outlay	52,128	33,203	12,359	97,690	32,274	68,915	–	101,189
Total expenditures	4,761,819	3,104,074	1,083,063	8,948,956	4,564,401	4,020,794	951,361	9,536,556
EXCESS (DEFICIT) REVENUES OVER EXPENDITURES	321,469	162,448	–	483,917	21,665	(403,707)	–	(382,042)
OTHER FINANCING SOURCES (USES)								
Christina School District settlement	–	85,262	–	85,262	–	84,059	–	84,059
Total other financing sources	–	85,262	–	85,262	–	84,059	–	84,059
NET CHANGE IN FUND BALANCES	321,469	247,710	–	569,179	21,665	(319,648)	–	(297,983)
FUND BALANCES (DEFICIT)								
Beginning of year	(204,378)	2,396,145	–	2,191,767	(226,043)	2,715,793	–	2,489,750
End of year	$ 117,091	$2,643,855	$ –	$2,760,946	$ (204,378)	$2,396,145	$ –	$2,191,767

See Report of Independent Auditor

Reports Required by

the Uniform Guidance

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

To Members of the School Board
Thomas A. Edison Charter School
Wilmington, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School [a component unit of the State of Delaware], as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Thomas A. Edison Charter School's basic financial statements and have issued our report thereon dated September 24, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Thomas A. Edison Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Thomas A. Edison Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whisman Giordano & Associates, LLC

Newark, Delaware
September 24, 2019

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Report of Independent Auditor
on Compliance for Each Major Program
and on Internal Control Over Compliance
and Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Thomas A. Edison Charter School's [a component unit of the State of Delaware] compliance with types of compliance requirements described in the *OMB 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, 2019. Thomas A. Edison Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Thomas A. Edison Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* [CFR] Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* [Uniform Guidance]. Those standards and the Uniform Guidance 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 Thomas A. Edison Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Thomas A. Edison Charter School's compliance.

Opinion on Each Major Federal Program

In our opinion, Thomas A. Edison Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

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Report on Internal Control Over Compliance

Management of Thomas A. Edison Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Thomas A. Edison Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Thomas A. Edison Charter School's internal control over compliance.

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

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

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

Report of Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Thomas A. Edison Charter School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Thomas A. Edison Charter School's basic financial statements. We issued our report thereon dated September 24, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Whisman Giordano & Associates, LLC

Newark, Delaware
September 24, 2019

Federal Grantor/ Pass-Through Grantor Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through State of Delaware, Department of Education [DOE]:			
Title I Grants to Local Educational Agencies	**84.010**	Title I FSF-40554	$ 471,329
Special Education Grants to States	**84.027**	IDEA-B FSF-40564	109,910
21st Century Community Learning Centers	**84.287**	21st Century FSF-40240	380,298
Improving Teacher Quality State Grant	**84.367**	TITLE II FSF-40114	90,760
Student Support and Academic Enrichment Program	**84.424**	TITLE IV-A FSF-40532	30,766
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 1,083,063
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,083,063

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards [the “Schedule”] includes the federal award activity of Thomas A. Edison Charter School under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* [Uniform Guidance]. Because the Schedule represents only a selected portion of the operation of Thomas A. Edison Charter School, it is not intended to and does not present the financial position, change in net assets, or cash flows of Thomas A. Edison Charter School.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this Schedule are reflected on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- Thomas A. Edison Charter School has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weakness(es) identified? ___ yes **x** no
- Significant deficiency(ies) identified? ___ yes **x** none reported

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

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ___ yes **x** no
- Significant deficiency(ies) identified? ___ yes **x** none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ yes **x** no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.287	**21st Century Community Learning Centers**

Dollar threshold used to distinguish between type A and type B programs: **$750,000**

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

SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT

None reported.

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

None reported.

SECTION II - FINDINGS-FINANCIAL STATEMENTS AUDIT

None reported or outstanding.

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

None reported or outstanding.