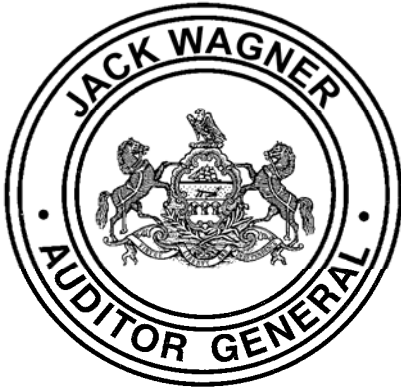


FELL CHARTER SCHOOL
LACKAWANNA COUNTY, PENNSYLVANIA
PERFORMANCE AUDIT REPORT

NOVEMBER 2008

FELL CHARTER SCHOOL
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The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Mr. Edward Skorupa, Board President
Fell Charter School
777 Main Street
Simpson, Pennsylvania 18407

Dear Governor Rendell and Mr. Skorupa:

We have conducted a performance audit of the Fell Charter School for the years ended June 30, 2006, 2005 and 2004, and in certain areas extending beyond June 30, 2006. Our audit was conducted pursuant to 72 P.S. § 403 and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

To plan and perform our audit of the Fell Charter School, we considered the school's internal controls pertinent to our audit objectives. Based on our consideration of these internal controls, we determined audit procedures for the purpose of reporting on our audit objectives, but not to provide assurances on the effectiveness of the school's internal controls. However, any significant internal control deficiencies found during our audit were included in our report.

The results of our tests indicated that, in all significant respects, the Fell Charter School was in compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, except as noted in the following two findings.

Independent Auditor's Report (Continued)

The findings are discussed in detail in the Conclusion section of this report:

Finding No. 1 – Public Official and Employee Ethics Act Violations

Finding No. 2 – Documentation Supporting Pupil Membership for the
2003-04 School Year Was Not Available for Audit

We believe that our recommendations, if implemented by the charter school, will help ensure compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit.

Sincerely,

/s/

JACK WAGNER
Auditor General

November 13, 2008

cc: Mr. John Tomsy, Board Vice-President
Ms. Rachele Gorel, Board Secretary
Mrs. Michele Kelsch, Board of Trustees
Ms. Linda Phelps, Board of Trustees
Ms. Mary Jo Walsh, Chief Administrative Officer

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

History of Charter Schools in Pennsylvania

Pennsylvania's charter schools were established by the Charter School Law (Law), enacted through Act 22 of 1997. In the preamble of the Law, the General Assembly stated its intent to provide teachers, parents, pupils, and community members with the opportunity to establish schools that were independent of the existing school district structure.¹ In addition, the preamble provides that charter schools are intended to, among other things, improve pupil learning, encourage the use of different and innovative teaching methods, and offer parents and students expanded educational choices.²

The Law permits the establishment of charter schools by a variety of persons and entities, including, among others, an individual; a parent or guardian of a student who will attend the school; any nonsectarian corporation not-for-profit; and any nonsectarian college, university or museum.³ Applications must be submitted to the local school board where the charter school will be located by November 15 of the school year preceding the school year in which the school will be established,⁴ and that board must hold at least one public hearing before approving or rejecting the application.⁵ If the local school board denies the application, the applicant can appeal the decision to the State Charter School Appeal Board,⁶ which is comprised of the Secretary of Education and six members appointed by the Governor.⁷

Initial charters are valid for a period of no less than three years and no more than five years.⁸ After that, the local school board can choose to renew a school's charter every five years, based on a variety of information, such as the charter school's most recent annual report, financial audits and standardized test scores. The board can immediately revoke a charter if the school has endangered the health and welfare of its students and/or faculty. However under those circumstances, the board must hold a public hearing on the issue before it makes its final decision.⁹

¹ 24 P.S. § 17-1702-A.

² Id.

³ 24 P.S. § 17-1717-A (a).

⁴ 24 P.S. § 17-1717-A (c).

⁵ 24 P.S. § 17-1717-A (d).

⁶ 24 P.S. § 17-1717-A (f).

⁷ 24 P.S. § 17-1721-A (a).

⁸ 24 P.S. § 17-1720-A.

⁹ Pennsylvania Department of Education, Basic Education Circular, "Charter Schools," Issued 10/1/2004.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
HISTORY OF CHARTER SCHOOLS IN PENNSYLVANIA

History of Charter Schools in Pennsylvania (Continued)

Act 88 of 2002 amended the Law to allow for the establishment of cyber charter schools, which conduct a significant portion of their curriculum and instruction through the Internet or other electronic means.¹⁰ Unlike charter schools, cyber charter schools must submit their application to the Department of Education (DE), which determines whether the application for charter should be granted or denied. However, if DE denies the application, the applicant can still appeal the decision to the State Charter School Appeal Board. In addition, DE is responsible for renewing and revoking the charters of cyber charter schools.¹¹ As of September 14, 2007, there are 122 charter schools operating in Pennsylvania, 11 of which are cyber charter schools.¹² According to DE, nearly 50,000 children are enrolled in these schools.¹³

¹⁰ 24 P.S. § 17-1703-A.

¹¹ 24 P.S. § 17-1745-A (a), (f).

¹² DE expects the total number of charter schools to increase by five to seven for the 2007-08 school year based on new charter school applications pending final approval.

¹³ Department of Education Web site at http://www.pde.state.pa.us/charter_schools/site/default.asp.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background

The Fell Charter School, located in Lackawanna County, opened in September of 2002. The Fell Charter School was originally chartered on May 2, 2002 for a period of five years by the Carbondale Area School District. The administrative offices are located at 777 Main Street, Simpson, Pennsylvania. Educational and business support is provided by Mosaica Education, Inc., located at 61 Broadway, Suite 2924, New York, New York.

According to the charter school's mission the overall mission of Fell Charter School is to empower students to learn by fostering their development as independent thinkers. We will set our students up to succeed by teaching them the tools and the content knowledge necessary to participate as full citizens in our increasingly global culture. Fell Charter School will promote educational reform by offering an additional choice in public education unique to the Carbondale Area School District.

The founders of Fell Charter School have made a commitment to improve the quality of life and well being for the community. To further this mission, they desire to provide quality education and supportive services. Fell Charter School will provide an honest environment to promote creative collaboration of the entire school organization with the focus on the students, parents, community members and their needs. The school will facilitate the learning process within an environment that encourages high ethical and academic standards and encourages the development of a positive value system.

During the school year ended June 30, 2006, the Fell Charter School provided educational services to 255 students from 10 sending school districts through the employment of 1 administrator, 15 teachers, and 2 full-time and part-time support personnel. The charter school also provided educational services to 219 students during the 2004-05 school year, and 187 students during the 2003-04 school year.

Expenditures for the school years¹⁴ 2005-06, 2004-05 and 2003-04 were \$2,470,434, \$1,803,804 and \$1,520,295 respectively. Revenues of \$2,498,011, \$1,693,005 and \$1,833,977 supporting these expenditures were derived from local, state, federal and other sources for the 2005-06, 2004-05 and 2003-04 school years, respectively, (see Summary of Charter School Revenue, page 7).

State revenue was received in the form of reimbursements for rental and sinking fund¹⁵ payments, health services, subsidy for milk, lunch and breakfast program, Social Security and Medicare Taxes, and retirement obligations (see Appendix III Schedule of State Revenue, page 17).

¹⁴ A "school year" is synonymous to a "fiscal year" and covers the time period from July 1st to June 30th.

¹⁵ A "sinking fund" is an account established to repay monies that were borrowed through a bond issue.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

Background (Continued)

The charter school derives the majority of its operating revenue from the school districts whose students attend the charter school. These sending school districts are required by Section 1725-A of the Charter School Law¹⁶ and instructions from the Department of Education to provide the charter school with a calculation of allowable expenditures referred to as “selected expenditures” for non-special education students and special education students,¹⁷ based upon the school districts’ general fund budgeted expenditures and average daily membership (ADM) for the immediately preceding school year. (ADM refers to the number of days each student is enrolled at the charter school or school district over the course of the school year. This average is used to calculate various subsidies and reimbursements for school districts and charter schools.) This funding calculation is to be paid to the charter school by the sending school districts, based on the actual ADM of their students who attend the charter school.

¹⁶ 24 P.S. § 17-1725-A.

¹⁷ Charter schools receive additional funding for special education students as calculated on the basis of 24 P.S. § 17-1725-A(a)(3).

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
BACKGROUND

SUMMARY OF CHARTER SCHOOL REVENUE

[UNAUDITED]

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>CHARTER SCHOOL REVENUES</u>			
Local Revenue*	\$2,101,848	\$1,544,927	\$1,194,799
Federal Revenue	151,707	88,620	62,781
State Revenue	<u>84,456</u>	<u>59,458</u>	<u>101,119</u>
<u>TOTAL REVENUE</u>	<u>\$2,338,011</u>	<u>\$1,693,005</u>	<u>\$1,358,699</u>

*Local revenue represents both local and state taxpayer dollars paid through the sending school district.

Note: Refer to Appendices for support schedules of all dollar figures.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE

The objectives of our audit were to determine if the Fell Charter School complied with applicable state laws, regulations, contracts, grant requirements, and administrative procedures pertaining to charter schools in Pennsylvania. Some examples of the objectives included in our audit of the Fell Charter School were:

- to determine overall compliance with the Public School Code of 1949¹⁸ (Code) and the Charter School Law (Law);¹⁹
- to determine whether at least 75 percent of the charter school's professional staff members, including teachers and administrators, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;²⁰
- to determine whether the charter school complied with Sections 1109 and 1209 of the Code,²¹ to which charter schools are made subject by Section 1724-A(b) of the Law,²² requiring that non certified professional employees of the charter school present evidence that they are: 1) at least 18 years of age, 2) a U.S. citizen, and 3) certified by a licensed Pennsylvania physician to be neither mentally nor physically disqualified from successful performance of the duties of a professional employee of the charter school;
- to verify membership numbers reported to DE and determine whether ADM and tuition billings were accurate;
- to determine whether the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Code²³ and Chapter 11 of the State Board of Education Regulations²⁴ (Regulations) and, if not, whether the charter school removed days in excess of ten consecutive unexcused absences from the school's reported membership totals pursuant to Section 11.24 of the Regulations;²⁵

¹⁸ 24 P.S. § 1-101 *et seq.*

¹⁹ 24 P.S. § 17-1701-A *et seq.*

²⁰ 24 P.S. § 17-1724-A(a).

²¹ 24 P.S. §§ 11-1109 and 12-1209.

²² 24 P.S. § 17-1724-A(b).

²³ 24 P.S. § 13-1327 (Charter schools are subject to the compulsory school attendance requirements of the Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).)

²⁴ 22 Pa. Code, Chapter 11.

²⁵ 22 Pa. Code § 11.24.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES AND SCOPE (Continued)

- to determine whether each of the charter school's trustees and administrators and each of the school board members of the host school district complied with the Code and the Public Official and Employee Ethics Act²⁶ (Ethics Act) by filing their Statement of Financial Interests Forms and to determine whether any violations of the Ethics Act occurred or any potential conflicts of interests exist;
- to determine whether the charter school is in compliance with Section 1724-A(c) of the Law²⁷ requiring that all employees of the charter school be enrolled in the Public School Employees' Retirement System at the time of filing the charter school application unless the board of trustees has a retirement plan that covers the employees or the employees are enrolled in another retirement program; and
- to determine whether the charter school is in compliance with Section 1728-A of the Law²⁸ requiring each charter school to assess whether it is meeting the goals of its charter and to submit a report of its assessment to DE no later than August 1 of each year.

Unless otherwise indicated, the scope of our audit covered the years ended June 30, 2006, 2005 and 2004.

²⁶ 65 Pa.C.S. § 1101 *et seq.*

²⁷ 24 P.S. § 17-1724-A(c).

²⁸ 24 P.S. § 17-1728-A.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE AND METHODOLOGY

METHODOLOGY

Our audit was conducted under authority of 72 P.S. § 403, and does not supplant the local annual audit required by the Public School Code.

The proper administration of a charter school requires its board of trustees to establish and maintain internal controls to provide reasonable assurances that specific charter school objectives will be achieved. Charter school trustees are responsible for the adoption and use of policies and procedures that promote the economical and efficient execution of its assigned duties and responsibilities. In completing our audit, we obtained an understanding of the charter school's internal controls as they relate to the charter school's compliance with applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. We evaluated and tested documents, files, reports, agreements, and systems, and performed analytical procedures to the extent necessary to satisfy our audit objectives. Additionally, we interviewed selected administrators and operations personnel.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

CONCLUSION

The results of our tests indicate that, with respect to the audit objectives and items tested, the Fell Charter School complied with some of the applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit. For example, we determined that Fell Charter School met the following provisions:

- the charter school demonstrated that at least 75 percent of the charter school's professional staff members, including administrators and teachers, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;²⁹
- to determine whether at least 75 percent of the charter school's professional staff members, including teachers and administrators, were properly certified and, if applicable, teaching in their areas of certification in accordance with Section 1724-A(a) of the Law;³⁰
- the charter school complied with the compulsory attendance provisions in accordance with both Section 1327 of the Public School Code³¹ and Chapter 11 of the State Board of Education Regulations³²; and
- the charter school is in compliance with Section 1724-A(c) of the Law³³ requiring that all employees be enrolled in the Public School Employees' Retirement System unless at the time of filing the charter school application the sponsoring school district or the board of trustees of the charter school has a retirement plan that covers the employees or the employees are currently enrolled in another retirement program.

However, we determined that the Fell Charter School did not comply with other applicable state laws, regulations, contracts, grant requirements, and administrative procedures falling within the scope of our audit, as noted in the two findings listed on the following pages. The findings and recommendations were reviewed with representatives of the Fell Charter School, and their comments have been included in this report.

²⁹ 24 P.S. § 17-1724-A(a).

³⁰ 24 P.S. § 17-1724-A(a).

³¹ 24 P.S. § 13-1327; Please note that charter schools are subject to the compulsory school attendance requirements of the Public School Code pursuant to Section 17-1732-A(a) of the Law, 24 P.S. § 17-1732-A(a).

³² 22 Pa. Code, Chapter 11.

³³ 24 P.S. § 17-1724-A(c).

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 – Public Official and Employee Ethics Act Violations

Our audit of charter school records for the calendar years ended December 31, 2006, 2005, 2004 and 2003 found that 6 of 9 board members and 3 of 3 school principals, who served during some period covered in this audit report, failed to file their Statement of Financial Interests form with the State Ethics Commission. Additionally, a total of 3 of the 9 board members failed to file their Statement of Financial Interests form on time on one or more occasions. The following chart below provides a summary of this information.

Statement of Financial Interests Summary Chart
For the Calendar Years Ended December 31, 2006, 2005, 2004 and 2003

<u>Position</u>	<u>Failed to File Statement</u>				<u>Filed Statement Late</u>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Board President	-	-	-	1	-	1	1	-
Board Vice President	-	-	-	1	-	1	1	-
Board Secretary	-	-	-	1	-	1	1	-
Board Members	1	1	2	2	-	-	-	-
Principals	1	1	1	1	-	-	-	-

Of the Statement of Financial Interests forms that were on file for the audit period, we found no evidence of potential conflicts of interests.

Public office is a public trust sustained by assuring the people of the impartiality and honesty of public officials and public employees. Accordingly, the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requires all candidates for public office, public officials and certain public employees to complete a Statement of Financial Interests for the preceding calendar year annually, no later than May 1st of each year they hold their positions and of the year after leaving such positions.

The Ethics Act specifically requires public officials and certain public employees to disclose matters on the Statement of Financial Interests that currently or potentially create conflicts of interest with their public duties. When a public official does not properly file a required disclosure, the public cannot examine the disclosure in order to determine whether conflicts of interest exist. This in turn erodes the public’s trust. In addition, the board members’ failure to file the Statement of Financial Interests constituted a violation of the Ethics Act.

Section 1104(d) of the Ethics Act, 65 Pa.C.S. § 1104(d), which pertains to the failure to file the required Statement of Financial Interests, provides in pertinent part, as follows:

No public official shall be allowed to take the oath of office or enter or continue upon his duties, nor shall he receive compensation from public funds, unless he has filed a statement of financial interests . . .

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 1 (Continued)

Section 1109(b), 65 Pa.C.S. § 1109(b) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so may be found guilty of a misdemeanor and may be fined not more than \$1,000 or imprisoned for not more than one year.

Section 1109(f), 65 Pa.C.S. § 1109(f) provides, in pertinent part that any person who is required to file a Statement of Financial Interests but fails to do so in a timely manner or who files a deficient Statement of Financial Interests may be subject to a civil penalty, at a rate of not more than \$25 for each day such statement remains delinquent or deficient, with a maximum penalty under this chapter of \$250.

A copy of this finding will be forwarded to the State Ethics Commission for additional review and investigation as it deems necessary.

Recommendations

The board of trustees should:

- seek the advice of its solicitor in regard to the board of trustees' responsibility when administrators and members fail to file a Statement of Financial Interests; and
- develop procedures to ensure that all individuals required to file Statements of Financial Interests do so in compliance with the Ethics Act.

Response of Management

Management provided the following response agreeing with the finding:

Some forms were lost or misplaced during various office moves and transitions through administration. We cannot accurately account for the missing or delayed documents. We have made mandatory that in July of each year forms will be distributed, collected and properly maintained. This has become part of our board programming for each school year.

FELL CHARTER SCHOOL
PERFORMANCE AUDIT REPORT

Finding No. 2 – Documentation Supporting Pupil Membership for the 2003-04 School Year Was Not Available for Audit

District personnel did not maintain adequate documentation to support the membership reports filed with the Department of Education (DE) for the 2003-04 school year. Specifically, source documentation for the membership days reported and tuition billings were not maintained. The membership reports generated tuition subsidies in the amount of \$1,184,144.

Child accounting data is used to report membership numbers to DE and for the billing of sending school districts, therefore it is critical that forms, along with source documentation, be maintained so that the Department of the Auditor General can determine whether public resources were properly accounted for and used as they were intended. It is management's responsibility to maintain relevant evidence to support that average daily membership (ADM) and tuition billings were accurate.

Section 518 of the Public School Code requires that financial records of the school district be retained for a period of not less than six years. This lack of documentation resulted due to a change in the child accounting coordinator. Without such documentation, we could not verify the accuracy of membership numbers reported to DE, and whether ADM and tuition billings were accurate.

Recommendations

Charter school personnel should:

- strengthen internal controls for obtaining, recording, and reviewing data prior to submission of reports to DE;
- develop and implement procedures to ensure supporting documentation for data reported to DE is available for audit;
- review the accuracy of the district's child accounting software to ensure the calendar used to compute membership is the same as the actual days students were in session; and
- ensure adequate training is provided when there is a change in the child accounting coordinator.

Response of Management

Management agreed with the finding but declined to respond at this time.

FELL CHARTER SCHOOL
APPENDIX I

[UNAUDITED]

Schedule of Local Revenue

The charter school reported local revenue for the years ended June 30, 2006, 2005 and 2004 as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>LOCAL REVENUE</u>			
Earnings on Investments	\$ -	\$ 3	\$ -
Food Service	9,217	9,164	7,158
Contributions and Donations from Private Sources	-	20,772	-
Payments from Sending School Districts ³⁴			
Carbondale Area	1,242,462	907,131	644,462
Forest City Regional	97,902	66,074	63,708
Lakeland	200,388	128,551	83,880
Mid Valley	4,000	-	-
Mountain View	122,350	90,555	63,314
Scranton City	7,362	23,930	-
Susquehanna Community	16,016	30,754	13,305
Valley View	46,512	11,761	9,354
Wallenpaupack Area	-	-	13,493
Wayne Highlands	85,858	87,592	77,152
Western Wayne	252,374	168,640	215,476
All Other Local Revenues Not Specified	<u>17,407</u>	<u>-</u>	<u>3,497</u>
<u>TOTAL PAYMENTS</u>	<u>\$2,101,848</u>	<u>\$1,544,927</u>	<u>\$1,194,799</u>

³⁴ These dollar amounts represent actual payments made to the Fell Charter School from the sending school districts.

FELL CHARTER SCHOOL
APPENDIX II

[UNAUDITED]

Schedule of Federal Revenue

The charter school reported federal revenue of \$151,707, \$88,620 and \$62,781, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>FEDERAL REVENUE</u>			
Unrestricted Federal Grants-in Aid Direct – Fed. Govt.	\$ 1,570	\$ -	\$ -
IDEA, Part B	11,516	-	-
NCLB (1), Title 1, Improving the Academic Achievement of the Disadvantaged	62,757	40,879	49,708
NCLB (1), Title II, Preparation/Training/Recruitment HQ Teachers/Principal	19,853	10,350	11,519
NCLB (1), Title V, Promoting Informed Parental Choice and Innovative Programs	393	673	1,350
Child Nutrition Program	54,707	36,668	-
Drug Free Schools	<u>911</u>	<u>50</u>	<u>204</u>
<u>TOTAL FEDERAL REVENUE</u>	<u>\$151,707</u>	<u>\$88,620</u>	<u>\$62,781</u>

FELL CHARTER SCHOOL
APPENDIX III

[UNAUDITED]

Schedule of State Revenue

The charter school reported state revenue of \$84,456, \$59,458 and \$101,119, respectively, for the years ended June 30, 2006, 2005 and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>STATE REVENUE</u>			
Charter Schools	\$ -	\$ -	\$ 66,875
Rental and Sinking Fund Payments	22,121	20,855	7,341
Health Services	3,897	1,889	2,871
Milk, Lunch and Breakfast Programs	2,856	2,154	-
Social Security and Medicare Taxes	33,752	22,966	19,846
Retirement	<u>21,830</u>	<u>11,594</u>	<u>4,186</u>
<u>TOTAL STATE REVENUE</u>	<u>\$84,456</u>	<u>\$59,458</u>	<u>\$101,119</u>

FELL CHARTER SCHOOL
APPENDIX IV

[UNAUDITED]

Description of State Revenue (Source: Pennsylvania Accounting Manual)

Charter Schools

Revenue received from the Commonwealth to fund the Charter Schools initiative. The state subsidy received includes revenue for startup funding, nonpublic transfers, and transitional grants.

Rental and Sinking Fund Payments

Revenue received from the Commonwealth as a full or partial subsidy payment for approved lease rentals, sinking fund obligations, or any approved charter school debt obligations for which the Department of Education has assigned a lease number.

Health Services

Revenue received from the Commonwealth as subsidy for health services. Payments are made in accordance with Section 2505.1 of the Public School Code and include revenue for medical, dental, nurse and health services.

Milk, Lunch and Breakfast Programs

Revenue received from the Commonwealth as subsidy for expenditures incurred in food and nutrition programs.

Social Security and Medicare Taxes

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of the Social Security and Medicare taxes for covered employees who are not federally funded.

Retirement

Revenue received from the Commonwealth as subsidy designated as the Commonwealth's matching share of the employer's contribution of retirement contributions for active members of the Public School Employees' Retirement System.

FELL CHARTER SCHOOL
APPENDIX V

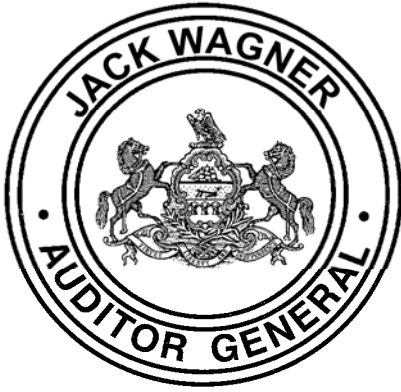
[UNAUDITED]

Schedule of Other Financial Sources

The charter school reported other financial sources of \$160,000, \$0 and \$475,278, respectively, for the years ended June 30, 2006, 2005, and 2004, as detailed in the following schedule:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>OTHER FINANCIAL SOURCES</u>			
Proceeds from Extended Term Financing ³⁵	<u>\$160,000</u>	<u>\$ -</u>	<u>\$475,278</u>
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>\$160,000</u>	<u>\$ -</u>	<u>\$475,278</u>

³⁵ Charter school did not record any figures for other financial sources for the year ended 2005.



BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST

This report was initially distributed to the chief executive officer of the charter school, the board of trustees, our website address at www.auditorgen.state.pa.us, and the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Gerald Zahorchak, D.Ed.
Secretary of Education
1010 Harristown Building #2
333 Market Street
Harrisburg, PA 17126

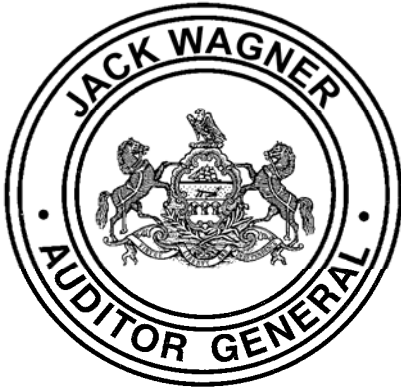
The Honorable Robin L. Wiessmann
State Treasurer
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BUREAU OF SCHOOL AUDITS

AUDIT REPORT DISTRIBUTION LIST (Continued)

Mr. John J. Contino
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State Ethics Commission
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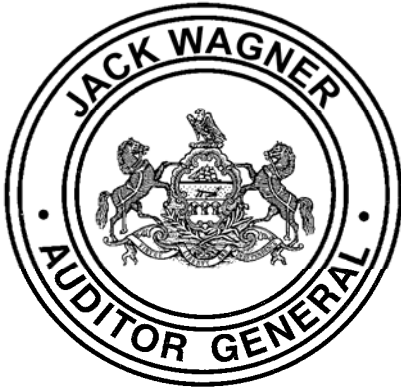
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Senator Gerald LaValle
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Senator Gibson Armstrong
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