



DELAWARE MILITARY ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
WILMINGTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2020

DELAWARE MILITARY ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 22, 2020

Board of Directors
Delaware Military Academy Charter School
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware Military Academy Charter School ("the School"), Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

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Delaware Military Academy Charter School

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware Military Academy Charter School, Wilmington, Delaware, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the School's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 41 through 45 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.

Board of Directors
Delaware Military Academy Charter School

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are the responsibility of management and were derived from and relate 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 combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are 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 22, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2020**

Our discussion and analysis of the financial performance of the Delaware Military Academy Charter School ("the School") provides an overview of the School's financial activities for the year ended June 30, 2020, which is the School's sixteenth full year of operation. Please read it in conjunction with the independent auditor's report and the School's financial statements.

FINANCIAL HIGHLIGHTS

The School's net position decreased by \$406,806, and general revenues accounted for \$6,560,787 or 87 percent of total revenues.

On March 13, the Governor of the State of Delaware issued an executive order due to the COVID-19 pandemic to have all Delaware public school students attend classes virtually instead of in person. This shutdown had many financial impacts on the School's student related accounts as well as some non-student related accounts such as food service. Both revenue and expense lines were impacted as all student activities (spring athletics, prom, field trips, summer camps, musical performances, etc.) were cancelled for the year.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so that the reader can understand the School as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net deficit and changes in net deficit. The change in net deficit provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions in arriving at a conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the School's major funds and fund financial statements provides detailed information about the most significant funds - not the School as a whole. Some funds are required to be established

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

by State statute, while other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

All of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the basic financial statements. Activities related to capital assets, long-term debt, and compensated absences are the primary reconciling items.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources resulting in a deficit of \$8,657,416 at the close of the fiscal year. A comparative net position analysis of fiscal years 2019 and 2020 follows:

**Table 1
NET POSITION**

	Governmental Activities	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	\$ 3,310,445	\$ 4,305,911
Investments	904,902	896,397
Pledges receivable	-	111,593
Total Current Assets	<u>4,215,347</u>	<u>5,313,901</u>
Noncurrent Assets:		
Land	2,987,665	2,987,665
Construction-in-progress	-	962,795
Capital assets, net of depreciation	16,450,934	14,241,260
Pledges receivable	1,600,000	2,155,000
Due from State of Delaware	460,956	504,352
Total Noncurrent Assets	<u>21,499,555</u>	<u>20,851,072</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	931,025	916,359
Deferred outflows - OPEB	1,480,430	995,888
Total Deferred Outflows of Resources	<u>2,411,455</u>	<u>1,912,247</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>28,126,357</u>	<u>28,077,220</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

**Table 1
NET POSITION**

(cont'd)	Governmental Activities	
	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	33,929	151,790
Accrued salaries and related costs	1,011,054	925,056
Accrued interest payable	205,956	208,789
Bonds and note payable, net	347,906	334,756
Total Current Liabilities	<u>1,598,845</u>	<u>1,620,391</u>
Noncurrent Liabilities:		
Compensated absences	460,956	504,352
Bonds and note payable, net	17,748,851	18,096,757
Net pension liability	2,389,224	1,985,657
Net OPEB liability	11,903,797	12,303,464
Total Noncurrent Liabilities	<u>32,502,828</u>	<u>32,890,230</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	21,489	114,698
Deferred inflows - OPEB	2,660,611	1,702,511
Total Deferred Inflows of Resources	<u>2,682,100</u>	<u>1,817,209</u>
NET POSITION (DEFICIT):		
Net investment in capital assets	2,168,470	1,712,893
Restricted	970,728	2,088,558
Unrestricted (deficit)	<u>(11,796,614)</u>	<u>(12,052,061)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (8,657,416)</u>	<u>\$ (8,250,610)</u>

**Table 2
CHANGES IN NET POSITION**

REVENUES	Governmental Activities	
	2020	2019
General revenue:		
Charges to school districts	\$ 2,104,651	\$ 2,074,991
Payments from primary government	4,357,148	4,319,004
Earnings on cash and investments	98,438	69,333
Other income	550	-
Program revenue:		
Charges for services	52,124	192,599
Operating grants and contributions	772,146	632,832
Capital grants and contributions	185,247	2,061,709
TOTAL REVENUES	<u>7,570,304</u>	<u>9,350,468</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

**Table 2
CHANGES IN NET POSITION**

(cont'd)	Governmental Activities	
	2020	2019
EXPENSES		
Instructional services	5,647,040	5,695,666
Support services:		
Operation and maintenance of facilities	1,212,292	948,932
Transportation	3,050	350,000
Food service	50,576	98,884
Interest on long-term debt	773,234	752,770
Financing costs	290,918	266,440
TOTAL EXPENSES	<u>7,977,110</u>	<u>8,112,692</u>
CHANGE IN NET DEFICIT	<u>\$ (406,806)</u>	<u>\$ 1,237,776</u>

Governmental Activities

Net deficit of the School's governmental activities increased by \$406,806.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for governmental activities. General revenues that include charges to school districts, investment earnings, and state entitlements must support the net cost of the School's programs.

	2020		2019	
	Total Cost	Net Cost	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 5,647,040	\$ 4,874,894	\$ 5,695,666	\$ 5,062,834
Support services:				
Operation and maintenance of facilities	1,212,292	1,027,045	948,932	(1,228,312)
Transportation	3,050	3,050	350,000	350,000
Food service	50,576	(1,548)	98,884	21,820
Interest on long-term debt	773,234	773,234	752,770	752,770
Financing costs	290,918	290,918	266,440	266,440
Total Expenses	<u>\$ 7,977,110</u>	<u>\$ 6,967,593</u>	<u>\$ 8,112,692</u>	<u>\$ 5,225,552</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$6,967,593 of support.

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet) as of June 30, 2020 reported a combined fund balance of \$3,170,364 compared to last year's total fund balance of \$4,125,462.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

Governmental Funds

The School's fund balances increased overall due to capital contributions and current year loan drawdowns exceeding current year capital outlays related to the dome project and debt service. The table that follows assists in illustrating the financial activities and balance of governmental activities.

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Total Governmental Funds	
	2020	2019
REVENUES		
Charges to school districts	\$ 2,104,651	\$ 2,074,991
State aid	4,400,544	4,311,858
Federal aid	127,442	154,209
Food service	52,124	77,064
Cadet fees	321,673	115,535
Earnings on cash and investments	98,438	69,333
Contributions	1,174,871	2,586,332
Other income	550	-
TOTAL REVENUES	8,280,293	9,389,322
EXPENDITURES		
Current:		
Instructional services	5,296,534	5,350,048
Operation and maintenance of facilities	737,900	488,538
Transportation	3,050	350,000
Food service	50,576	98,884
Capital outlays:		
Property	1,757,366	824,459
Equipment	12,713	105,929
Debt service:		
Principal	2,331,073	318,001
Interest	779,750	759,145
Financing costs	290,918	266,440
TOTAL EXPENDITURES	11,259,880	8,561,444
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,979,587)	827,878
OTHER FINANCING SOURCES		
Refund of prior year expenditures	24,489	-
Proceeds from debt issuance	2,000,000	-
TOTAL OTHER FINANCING SOURCES	2,024,489	-
NET CHANGE IN FUND BALANCES	(955,098)	827,878
FUND BALANCES, BEGINNING OF YEAR	4,125,462	3,297,584
FUND BALANCES, END OF YEAR	\$ 3,170,364	\$ 4,125,462

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

The increase in revenues for the year was due largely to the School's capital campaign in the current year related to the stadium project. As that project was finished during fiscal year 2020, capital donations increased significantly from the previous year. Other revenues were relatively consistent with the prior year.

Expenditures exceeded revenues during the fiscal year, resulting in a \$955,098 decrease in fund balances.

Debt Service Fund

The Debt Service Fund had a fund balance of \$964,966 at June 30, 2020. This was an \$8,228 increase from the prior year. The Debt Service Fund is funded by transfers from the General Fund.

Capital Projects Fund

The Capital Projects Fund had a fund balance of \$5,762 at June 30, 2020. This was a \$1,126,058 decrease from the prior year. The Capital Projects Fund was financed by contributions and debt proceeds.

GENERAL FUND BUDGET INFORMATION

The School's General Fund budget is prepared in accordance with the modified accrual basis of accounting. The School may amend its revenue and expenditure estimates periodically due to changing conditions. The budget is presented as amended.

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 41.

Revenues

Charges to School Districts

An unfavorable variance of \$202,686 is attributed to the number of students attending the school from the various school districts and the rates charged for each student by district. The rates charged for each student are dependent on the prior year expenditures for each district.

Federal Aid

An unfavorable variance of \$211,251 results from the timing of recognition of federal funds. Federal funds are recognized when they are spent. These funds are typically 15-month grants, and their start/end dates do not align with the fiscal year. More federal funds will be spent in the next fiscal year to obligate the funds prior to the grants' various expiration dates.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

Food Service

An unfavorable variance of \$27,876 is attributed to the School's closing due to the COVID-19 pandemic and the students not being physically in school.

Expenditures

Salaries

An unfavorable variance of \$143,472 is attributed to the annual increases in salaries for cost of living, experience, and education levels of the School's staff.

Benefits and Employment Costs

An unfavorable variance of \$37,437 is attributed to the annual increases in salaries for the School's staff and the associated benefits and employment costs figured on the salaries of School staff.

Supplies and Materials

An unfavorable variance of \$127,111 is attributed to the need for miscellaneous instructional and other supplies exceeding the amount budgeted for the year. The School is committed to ensuring that students have the required instructional materials to further their education.

Debt Service - Financing Costs

An unfavorable variance of \$262,040 is attributed to the costs associated with outstanding debt payments paid by using General Fund funds that were not initially budgeted for.

CAPITAL ASSETS

The School has \$19,438,599 invested in capital assets net of depreciation. Acquisitions totaled \$1,797,992. Depreciation expense for the year totaled \$551,113. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

DEBT ADMINISTRATION

At the end of the current fiscal year, the School has total bonds and a note payable outstanding, net of premiums, of \$18,096,757. The majority of this debt is a direct result of purchasing the School facility and the construction of the new monolithic dome building.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2020 was the seventeenth year of operation as a functioning school. During fiscal year 2019, the School completed a construction on the monolithic dome building, which houses student

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2020**

classrooms, staff offices, and an athletics center. The dome structure will allow the School to increase its enrollment and will also allow the School to host a wider range of athletic and other extracurricular events. The increase in enrollment will increase revenues from both local school districts and the State of Delaware. In fiscal year 2020, the School completed construction on the football stadium. The stadium will house various school sports as well as provide a venue for various other events. The stadium will allow the School to host a wider range of athletic and other extracurricular events.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, parents, investors, potential investors, and creditors with a general overview of the School's finances. If you have questions about this report or need additional financial information, contact the School's Chief Financial Officer at (302) 998-0745.

BASIC FINANCIAL STATEMENTS

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019**

	Governmental Activities	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 3,310,445	\$ 4,305,911
Investments	904,902	896,397
Pledges receivable	-	111,593
Total Current Assets	4,215,347	5,313,901
NONCURRENT ASSETS:		
Land and land improvements	2,987,665	2,987,665
Construction-in-progress	-	962,795
Capital assets, net of depreciation	16,450,934	14,241,260
Pledges receivable	1,600,000	2,155,000
Due from State of Delaware	460,956	504,352
Total Noncurrent Assets	21,499,555	20,851,072
TOTAL ASSETS	25,714,902	26,164,973
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - pension	931,025	916,359
Deferred outflows - OPEB	1,480,430	995,888
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,411,455	1,912,247
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,126,357	\$ 28,077,220
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 33,929	\$ 151,790
Accrued salaries and related costs	1,011,054	925,056
Accrued interest payable	205,956	208,789
Bonds and note payable, net	347,906	334,756
Total Current Liabilities	1,598,845	1,620,391
NONCURRENT LIABILITIES:		
Compensated absences	460,956	504,352
Bonds and note payable, net	17,748,851	18,096,757
Net pension liability	2,389,224	1,985,657
Net OPEB liability	11,903,797	12,303,464
Total Noncurrent Liabilities	32,502,828	32,890,230
TOTAL LIABILITIES	34,101,673	34,510,621
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	21,489	114,698
Deferred inflows - OPEB	2,660,611	1,702,511
TOTAL DEFERRED INFLOWS OF RESOURCES	2,682,100	1,817,209
NET POSITION (DEFICIT):		
Net investment in capital assets	2,168,470	1,712,893
Restricted	970,728	2,088,558
Unrestricted (deficit)	(11,796,614)	(12,052,061)
TOTAL NET POSITION (DEFICIT)	(8,657,416)	(8,250,610)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 28,126,357	\$ 28,077,220

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2020

(With Summarized Comparative Data for the Year Ended June 30, 2019)

	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Deficit	
	Charges for Services	Operating Grants and Contributions			Totals
	Expenses				2020
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (5,647,040)	\$ -	\$ -	\$ (5,062,834)	
Support services:					
Operation and maintenance of facilities	(1,212,292)	-	185,247	1,228,312	
Transportation	(3,050)	-	-	(350,000)	
Food service	(50,576)	52,124	-	(21,820)	
Interest on long-term debt	(773,234)	-	-	(752,770)	
Financing costs	(290,918)	-	-	(266,440)	
TOTAL GOVERNMENTAL ACTIVITIES	\$ (7,977,110)	\$ 52,124	\$ 772,146	(6,967,593)	
GENERAL REVENUES					
Charges to school districts				2,074,991	
Payments from primary government				4,319,004	
Earnings on cash and investments				98,438	
Other revenue				550	
TOTAL GENERAL REVENUES				6,463,328	
CHANGE IN NET DEFICIT			(406,806)	1,237,776	
NET DEFICIT, BEGINNING OF YEAR			(8,250,610)	(9,488,386)	
NET DEFICIT, END OF YEAR			\$ (8,657,416)	\$ (8,250,610)	

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2020

(With Summarized Comparative Data for June 30, 2019)

	General Fund	Debt Service Fund	Capital Projects Fund	2020	Totals 2019
ASSETS					
Cash and pooled cash	\$ 3,167,777	\$ 136,906	\$ 5,762	\$ 3,310,445	\$ 4,305,911
Investments	76,842	828,060	-	904,902	896,397
Pledges receivable	-	-	1,600,000	1,600,000	2,266,593
TOTAL ASSETS	<u>\$ 3,244,619</u>	<u>\$ 964,966</u>	<u>\$ 1,605,762</u>	<u>\$ 5,815,347</u>	<u>\$ 7,468,901</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 33,929	\$ -	\$ -	\$ 33,929	\$ 151,790
Accrued salaries and related benefits	1,011,054	-	-	1,011,054	925,056
Total Liabilities	<u>1,044,983</u>	<u>-</u>	<u>-</u>	<u>1,044,983</u>	<u>1,076,846</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - pledges	-	-	1,600,000	1,600,000	2,266,593
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>2,266,593</u>
FUND BALANCES:					
Committed	387,874	-	-	387,874	365,338
Restricted	-	964,966	5,762	970,728	2,088,558
Unassigned	1,811,762	-	-	1,811,762	1,671,566
Total Fund Balances	<u>2,199,636</u>	<u>964,966</u>	<u>5,762</u>	<u>3,170,364</u>	<u>4,125,462</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,244,619</u>	<u>\$ 964,966</u>	<u>\$ 1,605,762</u>	<u>\$ 5,815,347</u>	<u>\$ 7,468,901</u>

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,170,364

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 19,438,599

Long-term assets (the reimbursement for compensated absences) applicable to governmental activities are not due and receivable in the current period and, therefore, are not reported as fund assets.

Due from State of Delaware 460,956

Some of the School's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,600,000

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

Compensated absences	\$ (460,956)	
Accrued interest payable	(205,956)	
Bonds and note payable	(18,096,757)	
Net pension liability	(2,389,224)	
Net OPEB liability	<u>(11,903,797)</u>	(33,056,690)

Deferred inflows and outflows of resources related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in assumptions, differences in actual and expected experience, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension	931,025	
Deferred inflows - pension	<u>(21,489)</u>	909,536

Deferred inflows and outflows of resources related to the School's net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the School's amount of the total OPEB liability, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - OPEB	1,480,430	
Deferred inflows - OPEB	<u>(2,660,611)</u>	<u>(1,180,181)</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (8,657,416)

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

	General Fund	Debt Service Fund	Capital Projects Fund	Totals	
				2020	2019
REVENUES					
Charges to school districts	\$ 2,104,651	\$ -	\$ -	\$ 2,104,651	\$ 2,074,991
State aid	4,400,544	-	-	4,400,544	4,311,858
Federal aid	127,442	-	-	127,442	154,209
Food service	52,124	-	-	52,124	77,064
Cadet fees	321,673	-	-	321,673	115,535
Earnings on cash and investments	90,210	8,228	-	98,438	69,333
Contributions	323,031	-	851,840	1,174,871	2,586,332
Other income	550	-	-	550	-
TOTAL REVENUES	<u>7,420,225</u>	<u>8,228</u>	<u>851,840</u>	<u>8,280,293</u>	<u>9,389,322</u>
EXPENDITURES					
Current:					
Instructional services	5,296,534	-	-	5,296,534	5,350,048
Operation and maintenance of facilities	737,900	-	-	737,900	488,538
Transportation	3,050	-	-	3,050	350,000
Food service	50,576	-	-	50,576	98,884
Capital outlays:					
Property	67,411	-	1,689,955	1,757,366	824,459
Equipment	12,713	-	-	12,713	105,929
Debt service:					
Principal	-	200,000	2,131,073	2,331,073	318,001
Interest	-	617,869	161,881	779,750	759,145
Financing costs	262,040	9,400	19,478	290,918	266,440
TOTAL EXPENDITURES	<u>6,430,224</u>	<u>827,269</u>	<u>4,002,387</u>	<u>11,259,880</u>	<u>8,561,444</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>990,001</u>	<u>(819,041)</u>	<u>(3,150,547)</u>	<u>(2,979,587)</u>	<u>827,878</u>
OTHER FINANCING SOURCES (USES)					
Refund of prior year expenditures	-	-	24,489	24,489	-
Proceeds from debt issuance	-	-	2,000,000	2,000,000	-
Transfers in	-	827,269	-	827,269	832,937
Transfers out	(827,269)	-	-	(827,269)	(832,937)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(827,269)</u>	<u>827,269</u>	<u>2,024,489</u>	<u>2,024,489</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	162,732	8,228	(1,126,058)	(955,098)	827,878
FUND BALANCES, BEGINNING OF YEAR	<u>2,036,904</u>	<u>956,738</u>	<u>1,131,820</u>	<u>4,125,462</u>	<u>3,297,584</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,199,636</u>	<u>\$ 964,966</u>	<u>\$ 5,762</u>	<u>\$ 3,170,364</u>	<u>\$ 4,125,462</u>

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (955,098)

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

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

Capital outlays	\$ 1,797,992	
Depreciation expense	<u>(551,113)</u>	1,246,879

Some revenues reported in the statement of activities are not available to finance current expenditures and, therefore, are not reported as revenues in the governmental funds. (709,989)

The issuance of long-term debt (e.g., notes, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Similarly, amortization of premium reduces the liability in the statement of net position. Interest on long term debt is not accrued for in the governmental funds but is recognized on the statement of net position; therefore, the change in accrual must be recognized.

Payment of bond and note principal	2,331,073	
Proceeds from issuance of long-term debt	(2,000,000)	
Amortization of bond premium	3,683	
Accrued interest on bonds payable	<u>2,833</u>	337,589

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

Compensated absences		43,396
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Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (295,692)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (73,891)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (406,806)

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2020 AND 2019**

	Student Activities Fund	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 31,037	\$ 30,252
TOTAL ASSETS	\$ 31,037	\$ 30,252
LIABILITIES AND NET POSITION:		
LIABILITIES		
Other current liabilities	\$ 31,037	\$ 30,252
TOTAL LIABILITIES	31,037	30,252
NET POSITION	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 31,037	\$ 30,252

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

The Delaware Military Academy Charter School is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. 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 is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. The Delaware Military Academy Charter School's initial charter was granted for a three-year period, renewable every five years thereafter.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because charter schools receive local, state, and federal funds, they may not charge tuition.

The Delaware Military Academy Charter School was established in November 2002 but did not begin a regular school year until September 2003. The year 2020 was the sixteenth full year of operations, which was funded primarily with state and local funding based upon student enrollment.

The financial statements of the Delaware Military Academy Charter School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Delaware Military Academy Charter School ("the School") are described below.

Reporting Entity

The School is a special purpose 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 State of Delaware's operations.

Blended Component Unit

Seahawk CLS LLC is a non-profit limited liability company established in April 2017 by the School for the purpose of supporting the School's future operations. The School is the sole corporate member of Seahawk CLS LLC. In accordance with the requirements of GASB Statement No. 80, "Blending Requirements for Certain Component Units," Seahawk CLS LLC is considered a

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

blended component unit. As of June 30, 2020, Seahawk CLS LLC had no reportable activity; therefore, no information for this component unit is included in the School's financial statements.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

Amounts reported or to be reported as program revenues include 1) charges to students for special fees, supplies, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The School reports the following major governmental funds:

- **General 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.
- **Debt Service Fund** – This fund is maintained to accumulate resources for the payment of interest and principal on long-term debt.
- **Capital Projects Fund** – This fund is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets.

Fiduciary Funds

Fiduciary funds account for the assets held by the School as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the School's own programs. The School accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of students of the School. The measurement focus and basis of accounting for the agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Cash and Pooled Cash

The School's cash and cash 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, as well as cash deposits held in an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the School uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Pledges Receivable

The School recognizes pledges as support in the period in which the unconditional promise to give is received.

The School estimates an allowance for doubtful accounts based on historical collection rates and an analysis of the collectibility of individual receivables. The allowance for doubtful accounts for pledges receivable was \$0 at June 30, 2020.

Capital Assets

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

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Building	40 years
Land improvements	15 years
Furniture and fixtures	10 years
Equipment	7 years

Compensated Absences

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Sick Leave – Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year, and annual employees earn one day of sick leave for each month worked. Any unused sick days shall be accumulated to the employee's credit up to a maximum of 90 days. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50 percent of the per diem rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

Fund Equity

Fund balance is displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Commandant may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unassigned fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board or the Commandant have provided otherwise in their commitment or assignment actions.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation and unspent bond proceeds, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School reports deferred pension and OPEB contributions resulting from pension and OPEB contributions subsequent to the measurement date of the net pension and OPEB liabilities and certain other items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports certain items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods.

In the governmental fund financial statements, deferred inflows of resources consist of unavailable revenue from pledges. Deferred inflows of resources represent an acquisition of fund balance that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2019 basic financial statements to be comparative with the current year presentation.

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS

Deposits

At June 30, 2020, the School had a cash and pooled cash balance of \$3,341,482. Of that amount, \$3,167,777 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware. All investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State of Delaware. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

At June 30, 2020, the reported amount of the School's deposits not held with the State Treasurer's Office was \$173,705, and the bank balance was \$173,705, all of which was covered by federal depository insurance.

Investments

State statutes authorize the School to invest in U.S. government securities, government agency securities, certificates of deposit, time deposits and bankers' acceptances, corporate debt instruments, money market funds, and other similar instruments that are insured by the Federal

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS (cont'd)

Deposit Insurance Corporation ("FDIC") or are backed by the full faith and credit of the United States of America or any of its agencies or instrumentalities.

The School categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The School has the following recurring fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market	\$ 828,060	\$ 828,060	\$ -
Delaware Community Foundation	<u>76,842</u>	<u>-</u>	<u>76,842</u>
TOTAL	<u>\$ 904,902</u>	<u>\$ 828,060</u>	<u>\$ 76,842</u>

The School's Level 1 investments in money markets are valued based unadjusted quoted market prices within active markets. All money market funds held by the School at year end mature within one year. The School's Level 2 investments are valued based on the value at which the investment could be redeemed as of the report date.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of June 30, 2020, none of School's investments were subject to custodial credit risk.

Interest Rate Risk

The School's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The School's investment policy does not limit its investment choices to those with certain credit ratings.

NOTE 3 PLEDGES RECEIVABLE

As of June 30, 2020, the School has unconditional promises to give in the amount of \$1,600,000. The portion of the pledges receivable that have not been collected within 60 days of year-end are not considered to be available and have been reported as unavailable

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 3 PLEDGES RECEIVABLE (cont'd)

revenues in the fund level financial statements. Total pledges receivable are expected to be collected as follows:

Due in:	
More than five years	<u>\$ 1,600,000</u>
Total pledges receivable	<u><u>\$ 1,600,000</u></u>

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increase	Disposals	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 2,987,665	\$ -	\$ -	\$ 2,987,665
Construction-in-progress	962,795	1,690,105	2,652,900	-
Total Capital Assets Not Being Depreciated	<u>3,950,460</u>	<u>1,690,105</u>	<u>2,652,900</u>	<u>2,987,665</u>
Capital assets being depreciated:				
Buildings	18,428,105	2,684,951	-	21,113,056
Land improvements	64,125	15,299	-	79,424
Equipment	318,878	60,537	-	379,415
Furniture and fixtures	285,240	-	-	285,240
Total Capital Assets Being Depreciated	<u>19,096,348</u>	<u>2,760,787</u>	<u>-</u>	<u>21,857,135</u>
Accumulated depreciation:				
Buildings	(4,323,998)	(521,924)	-	(4,845,922)
Land improvements	(7,646)	(4,870)	-	(12,516)
Equipment	(273,870)	(19,251)	-	(293,121)
Furniture and fixtures	(249,574)	(5,068)	-	(254,642)
Total accumulated depreciation	<u>(4,855,088)</u>	<u>(551,113)</u>	<u>-</u>	<u>(5,406,201)</u>
Total Capital Assets Being Depreciated, Net	<u>14,241,260</u>	<u>2,209,674</u>	<u>-</u>	<u>16,450,934</u>
Governmental Activities Capital Assets, Net	<u>\$18,191,720</u>	<u>\$3,899,779</u>	<u>\$2,652,900</u>	<u>\$19,438,599</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 24,319
Operation and maintenance of facilities	<u>526,794</u>
	<u>\$ 551,113</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES

On November 18, 2014, the School issued \$13,640,000 of Series of 2014 Revenue Bonds through the Delaware Economic Development Authority for the purpose of refunding the Series of 2008 bonds and to purchase land for future expansion. The bonds bear interest at rates from 4.00 to 5.00 percent. Interest is payable semiannually on March 1 and September 1 of each year, and the bond matures on September 1, 2049. At June 30, 2020, accrued interest related to the Series of 2014 Revenue Bonds amounted to \$208,789. At June 30, 2020, the outstanding principal and unamortized bond premium amounted to \$12,770,000 and \$106,820, respectively.

Under the terms of the bond agreement, the School is required to maintain a bank account with a trustee. As of June 30, 2020, these funds held with the trustee totaled \$956,738 and consisted of cash available to fund future principal and interest payments.

The School is in compliance with the covenants to maintain a debt service coverage ratio at or above 1.10 for the fiscal year and to maintain not less than 60 days cash on hand.

On March 9, 2019, the School was issued a \$5,500,000 note through the United States Department of Agriculture as part of the Community Facilities Loans and Grants program. The funds from this issuance were used to fully refund the Series of 2016 Revenue Bonds. The note is secured by real estate and bears interest at a fixed rate of 2.375 percent per annum fixed for the life of the debt. The note matures March 9, 2048. The outstanding balance at year ended June 30, 2020 was \$5,219,936.

Interest expense was \$773,234 for the year ended June 30, 2020.

An analysis of debt service requirements to maturity on this obligation is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 344,223	\$ 735,923	\$ 1,080,146
2022	352,444	723,671	1,076,115
2023	350,747	711,599	1,062,346
2024	364,123	699,623	1,063,746
2025	372,584	687,262	1,059,846
2026 - 2030	2,077,807	3,215,665	5,293,472
2031 - 2035	2,512,662	2,781,307	5,293,969
2036 - 2040	3,050,098	2,229,227	5,279,325
2041 - 2045	3,736,700	1,524,375	5,261,075
2046 - 2050	4,828,548	638,588	5,467,136
Total	<u>\$ 17,989,936</u>	<u>\$ 13,947,240</u>	<u>\$ 31,937,176</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 LONG-TERM LIABILITIES (cont'd)

A schedule of changes in long-term liabilities is as follows:

	Beginning 07/01/2019	Additions	Retirements	Outstanding 06/30/2020	Amounts Due within One Year
<i>Governmental Activities</i>					
Bonds payable	\$12,970,000	\$ 2,000,000	\$2,200,000	\$12,770,000	\$ 210,000
Bond premium	110,504	-	3,683	106,821	3,683
Note payable	5,351,009	-	131,073	5,219,936	134,223
Bonds and notes payable, net	18,431,513	-	334,756	18,096,757	347,906
Compensated absences	504,352	-	43,396	460,956	-
Net OPEB liability	12,303,464	-	399,667	11,903,797	-
Net pension liability	1,985,657	403,567	-	2,389,224	-
Total	<u>\$33,224,986</u>	<u>\$ 403,567</u>	<u>\$ 777,819</u>	<u>\$32,850,734</u>	<u>\$ 347,906</u>

Bonds and note payable are expected to be funded by the capital projects and debt service funds. All other liabilities are expected to be funded by the general fund.

NOTE 6 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer defined benefit public employees' retirement system ("the State PERS") defined by the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees ("the Board").

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

There are two tiers within this plan: 1) employees hired prior to January 1, 2012, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0 percent and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85 percent and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting

Employees hired before January 1, 2012 vest in the plan after five years of credited service. Employees hired on or after January 1, 2012 vest in the plan after ten years of credited service.

Retirement

Employees hired before January 1, 2012 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired on or after January 1, 2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

Disability benefits for those employees hired before January 1, 2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired on or after January 1, 2012 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 75 percent with a three percent reduction of the

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

Burial benefits are established at \$7,000 per plan member.

Contributions

Member Contributions

Employees hired before January 1, 2012 contribute three percent of earnings in excess of \$6,000. Employees hired on or after January 1, 2012 contribute five percent of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2020, the rate of employer contribution was 11.96 percent of covered payroll. The School's contribution to PERS for the years ended June 30, 2020 was \$390,357.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the Pension Trust is a reduction of the net pension liability of each participating employer.

At June 30, 2020, the School reported a liability of \$2,389,224 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.1534 percent, which was a decrease of 0.0004 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense in the amount of \$686,049. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 27,118	\$ -
Changes of assumptions	248,021	-
Changes in proportions	64,573	3,952
Differences between actual and expected experience	200,956	17,537
Contributions subsequent to the date of measurement	390,357	-
	\$ 931,025	\$ 21,489

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

An amount of \$390,357 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2021	\$ 251,186
2022	31,140
2023	86,586
2024	114,312
2025	35,955
	\$ 519,179

Actuarial Assumptions

The total pension liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return/discount rate – 7.0 percent, including inflation of 2.5 percent
- Salary increases – 2.5 percent plus merit, including inflation of 2.5 percent
- Cost-of-living adjustments – ad hoc

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. 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 actual experience deviates, the larger the impact on future financial statements.

Mortality rates were 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 patterns 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 weighting 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 Plan are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation
Domestic equity	5.7%	30.7%
International equity	5.7%	13.9%
Fixed income	2.0%	23.3%
Alternative investments	7.8%	24.4%
Cash and equivalents	0.0%	7.7%

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. 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 contributions from employers will be made at rates determined by the Board of Pension Trustees, as actuarially determined. Based on

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate.

	1% Decrease <u>6.0%</u>	Current Rate Discount Rate <u>7.0%</u>	1% Increase <u>8.0%</u>
School's proportionate share of the net pension liability	\$ 4,315,846	\$ 2,389,224	\$ 771,463

Pension Plan Fiduciary Net Position

Detailed information about the PERS' fiduciary net position is available in the PERS Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits ("OPEB") Fund Trust ("the Plan"), which is a cost-sharing, multiple-employer defined benefit plan defined by the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions; administrative rules and regulations are adopted and maintained by the DPERS Board of Pension Trustees, which acts as the Board of Trustees ("the Board") for the Plan and is responsible for the financial management of the Plan.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The Plan is a cost-sharing multiple employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of Plan benefits is variable based on years of service. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional five percent of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Contributions

Employer Contributions

Participating employers 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. For the year ended June 30, 2020, the rate of the employer contribution was 12.51 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2020 was \$408,373.

Other Postemployment Benefits Plan Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the School reported a liability of \$11,903,797 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.1494 percent, which was a decrease of 0.0005 percent from its proportion measured as of June 30, 2018.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

For the year ended June 30, 2020, the School recognized OPEB expense of \$482,264. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 10,781
Changes in proportions	492,524	38,210
Changes in assumptions	579,533	1,275,317
Net difference between expected and actual experience	-	1,336,303
Contributions subsequent to the date of measurement	<u>408,373</u>	<u>-</u>
	<u>\$ 1,480,430</u>	<u>\$ 2,660,611</u>

An amount of \$408,373 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (457,829)
2022	(457,829)
2023	(451,725)
2024	(160,684)
2025	<u>(60,487)</u>
	<u>\$ (1,588,554)</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Discount rate – 3.50 percent
- Salary increases – 3.25 percent + merit
- Healthcare cost trend rates – 6.60 percent

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are projected to 2021.

The total OPEB liabilities are measured based on the assumptions pertaining to 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. 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 actual experience deviates, the larger the impact on future financial statements.

Discount Rate

The discount rate to measure the total OPEB liability was 3.87 percent at the beginning of the current measurement period and 3.50 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan 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 rates used at the June 30, 2019 and 2018 measurement dates are 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 net OPEB liability, calculated using the discount rate of 3.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate.

	1% Decrease 2.50%	Current Rate Discount Rate 3.50%	1% Increase 4.50%
School's proportionate share of the net OPEB liability	\$ 14,114,922	\$ 11,903,797	\$ 10,149,543

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.6 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.6 percent) or one percentage point higher (7.6 percent) than the current rate.

	1% Decrease 5.6%	Current Rate Healthcare Trend Rate 6.6%	1% Increase 7.6%
School's proportionate share of the net OPEB liability	\$ 10,172,587	\$ 11,903,797	\$ 13,970,536

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 8 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in the past year.

NOTE 9 UNCERTAINTIES

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the State Office of Auditor of Accounts and other federal agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 9 UNCERTAINTIES (cont'd)

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which was ongoing at June 30, 2020, economic and operational uncertainties have arisen which may impact the School in fiscal year 2021. There exist uncertainties surrounding the School's operations in the 2020 - 2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School incurred expenditures in excess of appropriations in the following categories for the year ended June 30, 2020:

Salaries	\$	143,472
Benefit and employment costs	\$	37,437
Travel	\$	5,473
Insurance	\$	3,503
Supplies and materials	\$	127,111
Equipment	\$	10,713
Financing costs	\$	262,040

The excess expenditures were funded from other financing uses coming in under budget and the use of the budgeted contingency.

NOTE 11 FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Committed:				
Delaware Community Foundation	\$ 76,842	\$ -	\$ -	\$ 76,842
Capital	275,000	-	-	275,000
JROTC	36,032	-	-	36,032

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 11 FUND BALANCES (cont'd)

(cont'd)	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Restricted:				
Capital projects	-	-	5,762	5,762
Debt service	-	964,966	-	964,966
Unassigned	<u>1,811,762</u>	<u>-</u>	<u>-</u>	<u>1,811,762</u>
Total Fund Balances	<u>\$ 2,199,636</u>	<u>\$ 964,966</u>	<u>\$ 5,762</u>	<u>\$ 3,170,364</u>

During 2007, the School received contributions of \$30,014 to be held with the Delaware Community Foundation. The monies held are to be spent at the discretion of the Board of Directors. As of June 30, 2020, the balance was \$76,842. In addition, the Board has committed \$275,000 for future capital needs and \$36,032 for the JROTC program as of June 30, 2020.

NOTE 12 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2020 are as follows:

Transfer In	Transfer Out	Amount
Debt Service Fund	General Fund	\$ 827,269

Transfers from the general fund to the debt service fund were to cover current year debt service payments. There were no interfund payables or receivables as of June 30, 2020.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$11,796,614 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension liability and net OPEB liability, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension liability and OPEB liability, and the deferred inflows related to the pension and OPEB plans.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 22, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 2,256,067	\$ 2,307,337	\$ 2,104,651	\$ (202,686)
State aid	4,151,787	4,320,401	4,400,544	80,143
Federal aid	209,758	338,693	127,442	(211,251)
Food service	80,000	80,000	52,124	(27,876)
Cadet fees	343,000	343,000	321,673	(21,327)
Earnings on cash and investments	-	-	90,210	90,210
Contributions	256,600	256,600	323,031	66,431
Other income	-	-	550	550
TOTAL REVENUES	<u>7,297,212</u>	<u>7,646,031</u>	<u>7,420,225</u>	<u>(225,806)</u>
EXPENDITURES				
Current:				
Salaries	3,354,498	3,314,045	3,457,517	(143,472)
Benefits and employment costs	1,578,588	1,570,124	1,607,561	(37,437)
Travel	1,500	1,500	6,973	(5,473)
Contractual services	64,265	204,500	142,861	61,639
Communications	44,599	44,599	44,231	368
Public utility services	113,100	125,704	92,215	33,489
Insurance	32,000	32,000	35,503	(3,503)
Land/building/facilities	70,000	70,000	67,411	2,589
Transportation	350,000	390,000	-	390,000
Repairs and maintenance	75,000	100,000	46,871	53,129
Student activities	66,500	66,500	40,509	25,991
Supplies and materials	467,835	486,708	613,819	(127,111)
Capital outlays:				
Equipment	-	2,000	12,713	(10,713)
Debt service:				
Financing costs	-	-	262,040	(262,040)
TOTAL EXPENDITURES	<u>6,217,885</u>	<u>6,407,680</u>	<u>6,430,224</u>	<u>(22,544)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,079,327</u>	<u>1,238,351</u>	<u>990,001</u>	<u>(248,350)</u>
OTHER FINANCING USES				
Transfers out	(1,079,327)	(1,088,359)	(827,269)	261,090
Contingency	-	(149,992)	-	149,992
TOTAL OTHER FINANCING USES	<u>(1,079,327)</u>	<u>(1,238,351)</u>	<u>(827,269)</u>	<u>411,082</u>
NET CHANGE IN FUND BALANCE	-	-	162,732	162,732
FUND BALANCE, BEGINNING OF YEAR	<u>2,036,904</u>	<u>2,036,904</u>	<u>2,036,904</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,036,904</u>	<u>\$ 2,036,904</u>	<u>\$ 2,199,636</u>	<u>\$ 162,732</u>

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
PROPORTIONATE SHARE OF NET PENSION LIABILITY						
School's proportion of the net pension liability	0.1534%	0.1538%	0.1461%	0.1460%	0.1418%	0.1424%
School's proportion of the net pension liability - dollar value	\$ 2,389,224	\$ 1,985,657	\$ 2,142,456	\$ 2,200,789	\$ 943,136	\$ 524,175
School's covered employee payroll	\$ 3,184,387	\$ 3,052,668	\$ 2,846,952	\$ 2,785,292	\$ 2,643,954	\$ 2,603,839
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.03%	65.05%	75.25%	79.01%	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability	85.41%	87.49%	85.31%	84.11%	92.67%	95.80%

Note: The above information is provided as of the plan's measurement date.

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 390,357	\$ 376,713	\$ 318,088	\$ 272,738	\$ 266,831	\$ 252,762
Contributions in relation to the contractually required contribution	<u>390,357</u>	<u>376,713</u>	<u>318,088</u>	<u>272,738</u>	<u>266,831</u>	<u>252,762</u>
Contribution excess	<u>\$ -</u>					
School's covered employee payroll	\$ 3,263,855	\$ 3,184,387	\$ 3,052,668	\$ 2,846,952	\$ 2,785,292	\$ 2,643,954
Contributions as a percentage of covered-employee payroll	11.96%	11.83%	10.42%	9.58%	9.58%	956.00%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>		
	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1494%	0.1499%	0.1428%
School's proportion of the net OPEB liability - dollar value	\$ 11,903,797	\$ 12,303,464	\$ 11,789,102
School's covered employee payroll	\$ 3,184,387	\$ 3,052,668	\$ 2,846,952
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	4.89%	4.44%	4.13%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 408,373	\$ 375,396	\$ 336,615
Contributions in relation to the contractually required contribution	<u>408,373</u>	<u>375,396</u>	<u>336,615</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,263,855	\$ 3,184,387	\$ 3,052,668
Contributions as a percentage of covered-employee payroll	12.51%	11.79%	11.03%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUPPLEMENTARY INFORMATION

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2020**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and pooled cash	\$ 80,608	\$ 3,087,169	\$ -	\$ 3,167,777
Investments	-	76,842	-	76,842
TOTAL ASSETS	<u>\$ 80,608</u>	<u>\$ 3,164,011</u>	<u>\$ -</u>	<u>\$ 3,244,619</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	33,929	\$ -	\$ 33,929
Accrued salaries and employment costs	-	1,011,054	-	1,011,054
TOTAL LIABILITIES	<u>-</u>	<u>1,044,983</u>	<u>-</u>	<u>1,044,983</u>
FUND BALANCES:				
Committed	-	387,874	-	387,874
Unassigned	80,608	1,731,154	-	1,811,762
TOTAL FUND BALANCES	<u>80,608</u>	<u>2,119,028</u>	<u>-</u>	<u>2,199,636</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 80,608</u>	<u>\$ 3,164,011</u>	<u>\$ -</u>	<u>\$ 3,244,619</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	\$ -	\$ 2,104,651	\$ -	\$ 2,104,651
State aid	4,400,544	-	-	4,400,544
Federal aid	-	-	127,442	127,442
Food service	-	52,124	-	52,124
Cadet fees	-	321,673	-	321,673
Earnings on cash and investments	-	90,210	-	90,210
Contributions	-	323,031	-	323,031
Other income	-	550	-	550
TOTAL REVENUES	<u>4,400,544</u>	<u>2,892,239</u>	<u>127,442</u>	<u>7,420,225</u>
EXPENDITURES				
Current:				
Instructional services	3,667,330	1,515,257	113,947	5,296,534
Operation and maintenance of facilities	635,382	89,023	13,495	737,900
Transportation	2,801	249	-	3,050
Food service	-	50,576	-	50,576
Capital outlays:				
Property	67,411	-	-	67,411
Equipment	1,340	11,373	-	12,713
Debt service:				
Financing costs	-	262,040	-	262,040
TOTAL EXPENDITURES	<u>4,374,264</u>	<u>1,928,518</u>	<u>127,442</u>	<u>6,430,224</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>26,280</u>	<u>963,721</u>	<u>-</u>	<u>990,001</u>
OTHER FINANCING USES				
Transfers out	-	(827,269)	-	(827,269)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(827,269)</u>	<u>-</u>	<u>(827,269)</u>
NET CHANGE IN FUND BALANCES	26,280	136,452	-	162,732
FUND BALANCES, BEGINNING OF YEAR	<u>54,328</u>	<u>1,982,576</u>	<u>-</u>	<u>2,036,904</u>
FUND BALANCES, END OF YEAR	<u>\$ 80,608</u>	<u>\$ 2,119,028</u>	<u>\$ -</u>	<u>\$ 2,199,636</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

EXPENDITURES

Current:

Salaries	\$ 3,457,517
Benefits and employment costs	1,607,561
Travel	6,973
Contractual services	142,861
Communications	44,231
Public utility services	92,215
Insurance	35,503
Land/building/facilities	67,411
Repairs and maintenance	46,871
Student activities	40,509
Supplies and materials	613,819

Capital outlays:

Property	1,689,955
Equipment	12,713

Debt service:

Principal	2,331,073
Interest	779,750
Financing costs	<u>290,918</u>

TOTAL EXPENDITURES

\$ 11,259,880



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

September 22, 2020

Board of Directors
Delaware Military Academy Charter School
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Delaware Military Academy Charter School ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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.

Board of Directors
Delaware Military Academy Charter School

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

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP