



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

FINANCIAL STATEMENTS

JUNE 30, 2015

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

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INDEPENDENT AUDITOR'S REPORT

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September 28, 2015

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 and each major fund 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, 2015, 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 error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Delaware Military Academy Charter School, Wilmington, Delaware, as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, Delaware Military Academy Charter School has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the School's pensions. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Delaware Military Academy Charter School's 2014 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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 to 11, the budgetary comparison information on page 34, and the schedule of proportionate share of net pension liability and contributions on page 35 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delaware Military Academy Charter 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.

Board of Directors
Delaware Military Academy Charter School

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 28, 2015 on our consideration of the Delaware Military Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Delaware Military Academy Charter School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
JUNE 30, 2015**

Our discussion and analysis of the financial performance of Delaware Military Academy Charter School (the "School") provides an overview of the School's financial activities for the year ended June 30, 2015, which is the School's twelfth 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 \$935,324, and general revenues accounted for \$5.1 million or 80 percent of total revenues. In addition, the School continues to receive support and contributions in the amount of approximately \$300,000 annually from the Navy Department of NJROTC.

The School reported a net deficit as of June 30, 2015 in the amount of \$916,842.

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 and liabilities 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 position (deficit) and changes in net position (deficit). The change in net position 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 by State statute, while other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$916,842 at the close of the fiscal year. A comparative net position analysis of fiscal years 2014 - 2015 follows:

**Table 1
NET POSITION**

	Governmental Activities	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	\$ 3,880,782	\$ 2,204,085
Accounts receivable	64,521	103,591
Total Current Assets	<u>3,945,303</u>	<u>2,307,676</u>
Noncurrent Assets:		
Land and land improvements	2,987,665	1,987,665
Capital assets, net of depreciation	8,489,909	8,780,167
Due from State of Delaware	363,099	366,925
Total Noncurrent Assets	<u>11,840,673</u>	<u>11,134,757</u>
Deferred Outflows of Resources:		
Deferred pension contributions	291,849	251,866
Derivative instrument - interest rate swap	-	1,016,047
Total Deferred Outflows of Resources	<u>291,849</u>	<u>1,267,913</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>16,077,825</u>	<u>14,710,346</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)
JUNE 30, 2015**

**Table 1 (continued)
NET POSITION**

	Governmental Activities	
	2015	2014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable	30,664	88,981
Accrued salaries	515,235	471,801
Due to State of Delaware - pension costs	99,539	88,969
Accrued interest payable	163,711	-
Bonds payable, net	123,683	240,000
Notes payable	100,000	-
Total Current Liabilities	<u>1,032,832</u>	<u>889,751</u>
Noncurrent Liabilities:		
Compensated absences	363,099	366,925
Bonds payable, net	13,641,553	10,915,000
Notes payable	600,000	-
Net pension liability	524,175	1,504,141
Total Noncurrent Liabilities	<u>15,128,827</u>	<u>12,786,066</u>
TOTAL LIABILITIES	<u>16,161,659</u>	<u>13,675,817</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension contributions	833,008	-
Derivative instrument liability - interest rate swap	-	1,016,047
Total Deferred Inflows of Resources	<u>833,008</u>	<u>1,016,047</u>
NET POSITION (DEFICIT):		
Net investment in capital assets	(1,675,643)	(387,168)
Restricted	1,352,344	150,396
Unrestricted	<u>(593,543)</u>	<u>255,254</u>
TOTAL NET POSITION	<u>\$ (916,842)</u>	<u>\$ 18,842</u>

**Table 2
CHANGES IN NET POSITION**

	Governmental Activities	
	2015	2014
REVENUES		
General revenue:		
Charges to school districts	\$ 1,711,044	\$ 1,758,891
Payments from primary government	3,404,589	3,353,282
Earnings on cash and investments	11,038	14,756
Program revenue:		
Charges for services	152,013	156,817
Operating grants and contributions	1,098,288	1,043,466
TOTAL REVENUES	<u>6,376,972</u>	<u>6,327,212</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

**Table 2 (continued)
CHANGES IN NET POSITION**

	Governmental Activities	
	2015	2014
EXPENSES		
Instructional services	4,209,010	4,113,498
Support services:		
Operation and maintenance of facilities	534,316	631,948
Transportation	415,821	435,407
Food service	63,142	54,497
Interest and financing costs	1,139,107	587,632
SWAP termination fee	950,900	-
TOTAL EXPENSES	7,312,296	5,822,982
 CHANGE IN NET POSITION	 \$ (935,324)	 \$ 504,230

Governmental Activities

Net position of the School's governmental activities decreased by \$935,324.

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.

	2015		2014	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 4,209,010	\$ 3,526,543	\$ 4,113,498	\$ 3,505,439
Support services:				
Operation and maintenance of facilities	534,316	459,621	631,948	536,453
Transportation	415,821	-	435,407	-
Food service	63,142	(14,176)	54,497	(6,825)
Interest and financing costs	1,139,107	1,139,107	587,632	587,632
SWAP termination fee	950,900	950,900	-	-
 Total Expenses	 \$ 7,312,296	 \$ 6,061,995	 \$ 5,822,982	 \$ 4,622,699

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$6,061,995 of support.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet) as of June 30, 2015 reported a combined fund balance of \$3,299,865 compared to last year's total fund balance of \$1,657,925.

Governmental Funds

The School's fund balance decreased due to a decrease in the amount of funding received from local school districts and due to a large purchase of land that was financed partially with the issuance of a note payable. The table that follows assists in illustrating the financial activities and balance of governmental funds.

REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

	Total Governmental Funds	
	2015	2014
REVENUES		
Charges to school districts	\$ 1,711,044	\$ 1,758,891
State aid	3,824,236	3,789,330
Federal aid	89,518	102,403
Food service	77,318	61,322
Cadet fees	74,695	95,495
Earnings on cash and investments	11,038	14,756
Contributions	592,949	505,656
TOTAL REVENUES	6,380,798	6,327,853
EXPENDITURES		
Current:		
Instructional services	4,366,366	4,090,942
Operation and maintenance of facilities	252,270	349,943
Transportation	415,821	435,407
Food service	63,142	54,497
Capital outlays:		
Property	1,000,000	-
Equipment	25,199	27,831
Debt service:		
Principal	240,000	230,000
Interest	318,034	374,528
Financing costs	87,953	213,104
TOTAL EXPENDITURES	6,768,785	5,776,252
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(387,987)	551,601

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)
JUNE 30, 2015**

	Total Governmental Funds	
	2015	2014
OTHER FINANCING SOURCES (USES)		
Payments to refunding agent	(10,915,000)	-
Bond issuance costs	(573,092)	-
SWAP termination fee	(950,900)	-
Proceeds from issuance of long term debt	14,468,919	-
TOTAL OTHER FINANCING SOURCES	<u>2,029,927</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,641,940	551,601
FUND BALANCES, BEGINNING OF YEAR	<u>1,657,925</u>	<u>1,106,324</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,299,865</u>	<u>\$ 1,657,925</u>

The increase in revenues for the year was due to an increase in state aid during the current fiscal year and increased contributions, offset by a decrease in the amount received from local districts. Revenues from school districts decreased due to changes in the calculation utilized in determining charges to the school districts. Student enrollment increased slightly from year to year.

Revenues and other financing sources exceeded expenditures during the fiscal year, resulting in a \$1,641,940 increase in fund balances.

GENERAL FUND BUDGET INFORMATION

The School's budget is prepared in accordance with the modified accrual basis of accounting. The most significant budgeted funds are the General Fund and Debt Service Fund. The School may amend its revenue and expenditure estimates periodically due to changing conditions. The budget was amended during the year after the refunding of the Series 2008 bond in order to more accurately forecast interest and financing costs.

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 34.

Revenues

Charges to School Districts

An unfavorable variance of \$146,235 is attributed to a decrease in the amount of per-pupil funding received from the local school districts for students in attendance at the Academy. Per-pupil funding decreased an average of \$89 per student from the prior year.

State Aid

A favorable variance of \$114,830 is attributed to increased enrollment. It also includes additional state funding to replace the elimination of some federal aid.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONTD)
JUNE 30, 2015**

Federal Aid

An unfavorable variance of \$3,928 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.

Interest Earnings

A favorable variance of \$11,038 is attributed to higher than anticipated interest rates during the year as well as a higher cash balance throughout the year.

Contributions

A favorable variance of \$73,703 is primarily attributed to receiving additional contributions from the community in preparation of the School's future expansion.

Expenditures

Salaries and Benefits

An unfavorable variance of \$60,675 is attributed to benefit costs higher than initially anticipated, including salaries for extracurricular activities.

Contractual Services

A favorable variance of \$106,542 is attributed to the School's careful management of its costs for professional services and other related expenses.

Public Utility Services

An unfavorable variance of \$15,581 is attributed to an increase in rate charges from the third party energy company.

Transportation

A favorable variance of \$20,391 results from the contract adjustments due to State funding reductions. In addition, the School was able to utilize military buses at no cost when available.

Repairs and Maintenance

An unfavorable variance of \$25,513 results from repairs to the school that were required after damage was incurred from a storm. An insurance reimbursement was received to help defray the costs of these repairs and is included in local revenue.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
JUNE 30, 2015**

Supplies and Materials

A favorable variance of \$7,898 is attributed to staff being more efficient with the utilization of instructional supplies and materials.

Capital Outlay – Property and Equipment

An unfavorable variance of \$923,699 is primarily attributed to the purchase of land adjacent to the School in preparation of its future expansion. The land was acquired at a cost of \$1,000,000, and was purchased with a \$300,000 cash down payment and the issuance of a \$700,000 note.

CAPITAL ASSETS

The School has \$11,477,574 invested in capital assets net of depreciation. Acquisitions totaled \$1,025,199, and depreciation was \$315,457. The majority of the acquisitions were for the purchase of land in preparation of its future expansion. 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, Delaware Military Academy Charter School has total debt outstanding, net of premiums, of \$14,465,236. The majority of this debt is a direct result of purchasing the School facility and paying off outstanding debt.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2015 was the twelfth year of operation as a functioning school. The School has reached ultimate planned capacity.

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 Director of Finance at (302) 998-0745.

BASIC FINANCIAL STATEMENTS

DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENTS OF NET POSITION
JUNE 30, 2015 AND 2014

	Governmental Activities	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 3,880,782	\$ 2,204,085
Accounts receivable	64,521	103,591
Total Current Assets	3,945,303	2,307,676
NONCURRENT ASSETS:		
Land and land improvements	2,987,665	1,987,665
Capital assets, net of depreciation	8,489,909	8,780,167
Due from State of Delaware	363,099	366,925
Total Noncurrent Assets	11,840,673	11,134,757
TOTAL ASSETS	15,785,976	13,442,433
 DEFERRED OUTFLOWS OF RESOURCES:		
Derivative instrument - interest rate SWAP	-	1,016,047
Deferred pension contributions	291,849	251,866
TOTAL DEFERRED OUTFLOWS OF RESOURCES	291,849	1,267,913
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 16,077,825	 \$ 14,710,346
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	\$ 30,664	\$ 88,981
Accrued salaries and related costs	515,235	471,801
Due to State of Delaware - pension costs	99,539	88,969
Accrued interest payable	163,711	-
Bonds payable, net	123,683	240,000
Notes payable	100,000	-
Total Current Liabilities	1,032,832	889,751
NONCURRENT LIABILITIES:		
Compensated absences	363,099	366,925
Bonds payable, net	13,641,553	10,915,000
Notes payable	600,000	-
Net pension liability	524,175	1,504,141
Total Noncurrent Liabilities	15,128,827	12,786,066
TOTAL LIABILITIES	16,161,659	13,675,817
 DEFERRED INFLOWS OF RESOURCES:		
Derivative instrument - interest rate SWAP	-	1,016,047
Deferred pension contributions	833,008	-
TOTAL DEFERRED INFLOWS OF RESOURCES	833,008	1,016,047
 NET POSITION (DEFICIT):		
Net investment in capital assets	(1,675,643)	(387,168)
Restricted	1,352,344	150,396
Unrestricted	(593,543)	255,254
TOTAL NET POSITION	(916,842)	18,482
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 \$ 16,077,825	 \$ 14,710,346

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, 2015

(With Summarized Comparative Data for the Year Ended June 30, 2014)

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Totals
				2015
				2014
GOVERNMENTAL ACTIVITIES				
Instructional services	\$ (4,209,010)	\$ -	\$ 682,467	\$ -
Support services:				
Operation and maintenance of facilities	(534,316)	74,695	-	-
Transportation	(415,821)	-	415,821	-
Food service	(63,142)	77,318	-	-
Interest and financing costs on long-term debt	(1,139,107)	-	-	-
SWAP termination fee	(950,900)	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ (7,312,296)	\$ 152,013	\$ 1,098,288	\$ -
GENERAL REVENUES				
Charges to school districts				1,711,044
Payments from primary government				3,404,589
Earnings on cash and investments				11,038
TOTAL GENERAL REVENUES				5,126,671
CHANGE IN NET POSITION				(935,324)
NET POSITION, BEGINNING OF YEAR, RESTATED				18,482
NET POSITION, END OF YEAR				\$ (916,842)
				\$ 18,482

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(With Summarized Comparative Data for June 30, 2014)**

	General Fund	Debt Service Fund	Totals	
			2015	2014
ASSETS				
Cash and pooled cash	\$2,528,438	\$1,352,344	\$3,880,782	\$2,204,085
Accounts receivable	64,521	-	64,521	103,591
TOTAL ASSETS	<u>\$2,592,959</u>	<u>\$1,352,344</u>	<u>\$3,945,303</u>	<u>\$2,307,676</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 30,664	\$ -	\$ 30,664	\$ 88,981
Accrued salaries	515,235	-	515,235	471,801
Due to State of Delaware - pension costs	99,539	-	99,539	88,969
Total Liabilities	<u>645,438</u>	<u>-</u>	<u>645,438</u>	<u>649,751</u>
FUND BALANCES:				
Committed	190,669	-	190,669	135,529
Restricted	-	1,352,344	1,352,344	150,396
Unassigned	1,756,852	-	1,756,852	1,372,000
Total Fund Balances	<u>1,947,521</u>	<u>1,352,344</u>	<u>3,299,865</u>	<u>1,657,925</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,592,959</u>	<u>\$1,352,344</u>	<u>\$3,945,303</u>	<u>\$2,307,676</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, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 3,299,865

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. 11,477,574

Long-term assets (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 363,099

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	\$ (363,099)	
Notes payable	(700,000)	
Accrued interest payable	(163,711)	
Bonds payable	(13,765,236)	
Net pension liability	<u>(524,175)</u>	(15,516,221)

Deferred inflows and outflows related to the School's net pension 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 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 contributions	291,849	
Deferred inflows	<u>(833,008)</u>	<u>(541,159)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (916,842)

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, 2015
(With Summarized Comparative Data for the Year Ended June 30, 2014)

	General Fund	Debt Service Fund	Totals	
			2015	2014
REVENUES				
Charges to school districts	\$ 1,711,044	\$ -	\$ 1,711,044	\$ 1,758,891
State aid	3,824,236	-	3,824,236	3,789,330
Federal aid	89,518	-	89,518	102,403
Food service	77,318	-	77,318	61,322
Cadet fees	74,695	-	74,695	95,495
Earnings on cash and investments	11,038	-	11,038	14,756
Contributions	592,949	-	592,949	505,656
TOTAL REVENUES	6,380,798	-	6,380,798	6,327,853
EXPENDITURES				
Current:				
Instructional services	4,366,366	-	4,366,366	4,090,942
Operation and maintenance of facilities	252,270	-	252,270	349,943
Transportation	415,821	-	415,821	435,407
Food service	63,142	-	63,142	54,497
Capital outlays:				
Property	-	1,000,000	1,000,000	-
Equipment	25,199	-	25,199	27,831
Debt service:				
Principal	-	240,000	240,000	230,000
Interest	-	318,034	318,034	374,528
Financing costs	-	87,953	87,953	213,104
TOTAL EXPENDITURES	5,122,798	1,645,987	6,768,785	5,776,252
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,258,000	(1,645,987)	(387,987)	551,601
OTHER FINANCING SOURCES (USES)				
Transfers in	-	818,008	818,008	885,406
Transfers out	(818,008)	-	(818,008)	(885,406)
Payments to refunding agent	-	(10,915,000)	(10,915,000)	-
Bond issuance costs	-	(573,092)	(573,092)	-
SWAP termination fee	-	(950,900)	(950,900)	-
Premium on bonds	-	128,919	128,919	-
Proceeds from debt issuance	-	14,340,000	14,340,000	-
TOTAL OTHER FINANCING SOURCES (USES)	(818,008)	2,847,935	2,029,927	-
NET CHANGE IN FUND BALANCES	439,992	1,201,948	1,641,940	551,601
FUND BALANCES, BEGINNING OF YEAR	1,507,529	150,396	1,657,925	1,106,324
FUND BALANCES, END OF YEAR	\$ 1,947,521	\$ 1,352,344	\$ 3,299,865	\$ 1,657,925

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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,641,940

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 \$1,000 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 in the current period.

Capital outlays	\$ 1,025,199	
Depreciation expense	<u>(315,457)</u>	709,742

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. (3,826)

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.

Payment of bond principal	240,000	
Refunding of bond principal	10,915,000	
Proceeds from issuance of long-term debt	(14,340,000)	
Premiums on bond issued	(128,919)	
Amortization of bond premium	3,683	
Accrued interest on bonds payable	<u>(163,711)</u>	(3,473,947)

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	3,826
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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 organization'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.

186,941

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ (935,324)

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, 2015 AND 2014**

	Student Activities Fund	
	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 30,757	\$ 28,375
TOTAL ASSETS	\$ 30,757	\$ 28,375
LIABILITIES AND NET POSITION:		
LIABILITIES		
Other current liabilities	\$ 30,757	\$ 28,375
TOTAL LIABILITIES	30,757	28,375
NET POSITION	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 30,757	\$ 28,375

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

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. 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.

Delaware Military Academy Charter School was established in November 2002 but did not begin a regular school year until September 2003. The year 2015 was the twelfth full year of operations, which was funded primarily with state and local funding based upon student enrollment.

The financial statements of Delaware Military Academy Charter School have been prepared in conformity with generally accepted accounting principles 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 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. The School has no component units for which it is considered to be financially accountable.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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

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.

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.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal 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
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.

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 will be 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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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 Delaware Military Academy. 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 Superintendent may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted 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 has provided otherwise in its commitment or assignment actions.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, 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

No provision has been made for income taxes since the School qualifies as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the School's tax returns remain open for federal income tax examination for three years from the date of filing.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

Deferred Inflows/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 contributions resulting from pension contributions subsequent to the measurement date of the net pension liability and certain other items which represent differences related to changes in the net pension liability 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 liability which will be amortized over future periods.

Use of Estimates in the Preparation of Financial Statements

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

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 generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2014 basic financial statements to be comparative with the current year presentation.

Implementation of GASB Statements

During the year ended June 30, 2015, the School implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability, or, for multi-employer cost sharing plans, the entity's share of the net pension liability, in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED CASH

At June 30, 2015, the School had a cash and pooled cash balance of \$3,911,539. Of that amount, \$2,462,171 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, 2015, the reported amount of the School's deposits not held with the State Treasurer's Office was \$1,449,368, and the bank balance was \$1,450,568. Of the bank balance, \$291,874 was covered by federal depository insurance, and \$1,092,427 was exposed to custodial credit risk because it was uninsured. The School also maintains accounts within the Delaware Community Foundation. The accounts contain cash, money market funds, and securities on a commingled, unitized basis. There are no securities independently held in the School's name. The total amount invested with Delaware Community Foundation at June 30, 2015 was \$66,267. This amount is included in the total cash and pooled cash amount at June 30, 2015.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increase	Disposals	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 1,987,665	\$1,000,000	\$ -	\$ 2,987,665
Total Capital Assets Being Depreciated	<u>1,987,665</u>	<u>1,000,000</u>	<u>-</u>	<u>2,987,665</u>
Capital assets being depreciated:				
Buildings	11,280,206	4,900	-	11,285,106
Equipment	255,450	20,299	-	275,749
Furniture and fixtures	244,441	-	-	244,441
Total Capital Assets Being Depreciated	<u>11,780,097</u>	<u>25,199</u>	<u>-</u>	<u>11,805,296</u>
Accumulated depreciation:				
Buildings	(2,614,293)	(282,046)	-	(2,896,339)
Equipment	(205,200)	(14,973)	-	(220,173)
Furniture and fixtures	(180,437)	(18,438)	-	(198,875)
Total accumulated depreciation	<u>(2,999,930)</u>	<u>(315,457)</u>	<u>-</u>	<u>(3,315,387)</u>
Total Capital Assets Being Depreciated, Net	<u>8,780,167</u>	<u>(290,258)</u>	<u>-</u>	<u>8,489,909</u>
Governmental Activities Capital Assets, Net	<u>\$10,767,832</u>	<u>\$ 709,742</u>	<u>\$ -</u>	<u>\$11,477,574</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following activities:

Governmental activities:	
Instructional services	\$ 33,411
Operation and maintenance of facilities	<u>282,046</u>
	<u>\$ 315,457</u>

NOTE 4 LONG-TERM DEBT

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 bond, and to purchase land for future expansion. The bonds bear interest at rates from 4.0 to 5.0 percent. The rate was 4.0 percent at June 30, 2015. Interest is payable semiannually on March 1 and September 1 each year, and the bond matures on September 1, 2049. Interest expense on the bond for the year ended June 30, 2015 was \$163,711.

Under the terms of the bond agreement, the School is required to maintain a bank account with a trustee. As of June 30, 2015, these funds held with the trustee totaled \$811,406 and consisted of cash available to fund future principal and interest payments, which are included in the debt service fund in the accompanying financial statements.

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 June 30, 2015, the School issued a \$700,000 note payable to purchase additional property in preparation of future expansion. The note bears interest at three percent and is payable annually each year on July 1 beginning in 2016. The note matures on July 1, 2022.

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>
2016	\$ 220,000	\$ 591,438	\$ 811,438
2017	275,000	664,025	939,025
2018	285,000	653,375	938,375
2019	290,000	642,406	932,406
2020	300,000	631,119	931,119
2021 - 2025	1,280,000	2,987,500	4,267,500
2026 - 2028	1,285,000	2,724,772	4,009,772
2031 - 2035	1,620,000	2,390,269	4,010,269
2036 - 2040	2,045,000	1,950,625	3,995,625
2041 - 2045	2,605,000	1,372,375	3,977,375
2046 - 2050	<u>4,135,000</u>	<u>614,625</u>	<u>4,749,625</u>
Total	<u>\$14,340,000</u>	<u>\$15,222,529</u>	<u>\$29,562,529</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

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

	Beginning 07/01/2014	Additions	Retirements	Outstanding 06/30/2015	Amounts Due within One Year
Governmental Activities:					
Bonds payable	\$11,155,000	\$13,640,000	\$11,155,000	\$13,640,000	\$ 120,000
Bond premium	-	128,919	3,683	125,236	3,683
Bonds payable, net	11,155,000	13,768,919	11,158,683	13,765,236	123,683
Notes payable	-	700,000	-	700,000	100,000
Total	<u>\$11,155,000</u>	<u>\$14,468,919</u>	<u>\$11,158,683</u>	<u>\$14,465,236</u>	<u>\$ 223,683</u>

NOTE 5 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, 2014. 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.

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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 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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2015, the rate of the employer contribution was 9.56 percent of covered payroll. The School's contribution to PERS for the years ended June 30, 2015, 2014, and 2013 was \$258,183, \$251,866, and \$237,714, respectively.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc post-retirement 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.

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

At June 30, 2015, the School reported a liability of \$524,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School's proportion was 0.1424 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School recognized a net negative pension expense of \$186,491. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 833,008
Changes in proportions	31,217	-
Difference between employer contributions and proportionate share of total contributions	2,449	-
Contributions subsequent to the date of measurement	<u>258,183</u>	<u>-</u>
	<u>\$ 291,849</u>	<u>\$ 833,008</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

An amount of \$258,183 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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,

2016	\$ 201,519
2017	201,519
2018	201,519
2019	201,519
2020	<u>(6,734)</u>
	<u>\$ 799,342</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.2 percent, including inflation of 3.0 percent
- Salary increases – 3.5 percent to 11.5 percent, including inflation of 3.0 percent
- Cost-of-living adjustments – ad hoc

The total pension 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 2011. 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 Sex Distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%
Cash and equivalents	0.0%

Due to the fact that Plan assets are commingled with other State funds for investment purposes, a target allocation of each asset class specific to the Plan is not available. However, assets of the Plan may be used only for the payment of benefits to the members of the Plan.

Discount Rate

The discount used to measure the total pension liability was 7.2 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 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 7.2 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 (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

	1% Decrease 6.2%	Current Rate Discount Rate 7.2%	1% Increase 8.2%
School's proportionate share of the net pension liability	\$ 1,965,056	\$ 524,175	\$ (693,358)

Pension Plan Fiduciary Net Position

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

NOTE 6 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 7 COMMITMENTS AND CONTINGENCIES

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

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.

NOTE 8 BOARD COMMITTED FUNDS

During 2007, Delaware Military Academy Charter 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. During the year ended June 30, 2015, there were net contributions of \$3,929 deposited with the Delaware Community Foundation. As of June 30, 2015, the balance was \$66,267. In addition, the Board has committed \$100,000 for future capital needs and \$24,402 for the JROTC program as of June 30, 2015.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 9 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School incurred expenditures in excess of appropriations in the following categories for the year ended June 30, 2015:

Salaries and benefits	\$	60,675
Travel	\$	2,747
Public utilities	\$	15,581
Repairs and maintenance	\$	25,513
Property	\$	906,000
Equipment	\$	17,699

The excess expenditures were covered by other current year expenditure appropriations that were under budget and from the issuance of a note payable in the amount of \$700,000 to assist in the purchase of property.

See the Management's Discussion and Analysis on pages 4 to 11 for further explanations of the significant variances.

NOTE 10 FUND BALANCES

As of June 30, 2015, fund balances are composed of the following:

	General Fund	Debt Service Fund	Total Governmental Funds
Committed:			
Delaware Community Foundation	\$ 66,267	\$ -	\$ 66,267
Capital	100,000	-	100,000
JROTC	24,402		24,402
Restricted:			
Capital projects	-	552,344	552,344
Debt service	-	800,000	800,000
Unassigned	1,756,852	-	1,756,852
Total Fund Balances	<u>\$ 1,947,521</u>	<u>\$ 1,352,344</u>	<u>\$ 3,299,865</u>

NOTE 11 RESTATEMENT

The School has restated its July 1, 2013 net position in its governmental activities to record the net pension liability and deferred outflows at June 30, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$1,252,275 in governmental activities net position.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 28, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 1,857,279	\$ 1,857,279	\$ 1,711,044	\$ (146,235)
State aid	3,709,406	3,709,406	3,824,236	114,830
Federal aid	93,446	93,446	89,518	(3,928)
Food service	75,000	75,000	77,318	2,318
Cadet fees	71,000	71,000	74,695	3,695
Earnings on cash and investments	-	-	11,038	11,038
Contributions	519,246	519,246	592,949	73,703
TOTAL REVENUES	<u>6,325,377</u>	<u>6,325,377</u>	<u>6,380,798</u>	<u>55,421</u>
EXPENDITURES				
Current:				
Salaries and benefits	3,972,565	3,972,565	4,033,240	(60,675)
Contractual services	302,450	302,450	195,908	106,542
Travel	3,000	3,000	5,747	(2,747)
Communications	9,000	9,000	6,426	2,574
Public utility services	90,000	90,000	105,581	(15,581)
Insurance	30,000	30,000	22,995	7,005
Land/building/facilities	16,288	16,288	14,779	1,509
Transportation	436,212	436,212	415,821	20,391
Repairs and maintenance	52,750	52,750	78,263	(25,513)
Supplies and materials	223,925	223,925	216,027	7,898
Capital outlays:				
Property	94,000	94,000	1,000,000	(906,000)
Equipment	7,500	7,500	25,199	(17,699)
Debt service:				
Principal	240,000	240,000	240,000	-
Interest	456,589	366,211	318,034	48,177
Financing costs	189,591	175,527	90,765	84,762
TOTAL EXPENDITURES	<u>6,123,870</u>	<u>6,019,428</u>	<u>6,768,785</u>	<u>(749,357)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>201,507</u>	<u>305,949</u>	<u>(387,987)</u>	<u>(693,936)</u>
OTHER FINANCING SOURCES (USES)				
Payments to refunding agent	-	-	(10,915,000)	(10,915,000)
Bond issuance costs	-	-	(573,092)	(573,092)
SWAP termination fee	-	-	(950,900)	(950,900)
Premium on bonds	-	-	128,919	128,919
Proceeds from issuance of long-term debt	-	-	14,340,000	14,340,000
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>2,029,927</u>	<u>2,029,927</u>
NET CHANGE IN FUND BALANCE	201,507	305,949	1,641,940	1,335,991
FUND BALANCE, BEGINNING OF YEAR	<u>1,657,925</u>	<u>1,657,925</u>	<u>1,657,925</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,859,432</u>	<u>\$ 1,963,874</u>	<u>\$ 3,299,865</u>	<u>\$ 1,335,991</u>

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION
LIABILITY AND CONTRIBUTIONS**

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>JUNE 30, 2014</u>
School's proportion of the net pension liability	0.1424%
School's proportion of the net pension liability - dollar value	\$ 524,175
School's covered employee payroll	\$ 2,634,582
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	19.90%
Plan fiduciary net position as a percentage of the total pension liability	95.80%
 <u>CONTRIBUTIONS</u>	
Contractually required contribution	\$ 248,927
Contributions in relation to the contractually required contribution	<u>251,866</u>
Contribution excess	<u>\$ (2,939)</u>
School's covered employee payroll	\$ 2,634,582
Contributions as a percentage of covered-employee payroll	9.56%

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.

SUPPLEMENTARY SECTION

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2015**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and pooled cash	\$ 88,833	\$2,439,605	\$ -	\$2,528,438
Accounts receivable	<u>-</u>	<u>64,521</u>	<u>-</u>	<u>64,521</u>
TOTAL ASSETS	<u><u>\$ 88,833</u></u>	<u><u>\$2,504,126</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,592,959</u></u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 9,785	\$ 20,879	\$ -	\$ 30,664
Accrued salaries and employment costs	-	515,235	-	515,235
Due to State of Delaware - pension costs	<u>-</u>	<u>99,539</u>	<u>-</u>	<u>99,539</u>
TOTAL LIABILITIES	<u>9,785</u>	<u>635,653</u>	<u>-</u>	<u>645,438</u>
FUND BALANCES:				
Committed	-	190,669	-	190,669
Unassigned	<u>79,048</u>	<u>1,677,804</u>	<u>-</u>	<u>1,756,852</u>
TOTAL FUND BALANCES	<u>79,048</u>	<u>1,868,473</u>	<u>-</u>	<u>1,947,521</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 88,833</u></u>	<u><u>\$2,504,126</u></u>	<u><u>\$ -</u></u>	<u><u>\$2,592,959</u></u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
REVENUES				
Charges to school districts	\$ -	\$ 1,711,044	\$ -	\$ 1,711,044
State aid	3,824,236	-	-	3,824,236
Federal aid	-	-	89,518	89,518
Food service	-	77,318	-	77,318
Cadet fees	-	74,695	-	74,695
Earnings on cash and investments	-	11,038	-	11,038
Contributions	-	592,949	-	592,949
TOTAL REVENUES	<u>3,824,236</u>	<u>2,467,044</u>	<u>89,518</u>	<u>6,380,798</u>
EXPENDITURES				
Current:				
Instructional services	3,162,664	1,114,184	89,518	4,366,366
Operation and maintenance of facilities	198,781	53,489	-	252,270
Transportation	368,001	47,820	-	415,821
Food service	-	63,142	-	63,142
Capital outlays:				
Equipment	21,410	3,789	-	25,199
TOTAL EXPENDITURES	<u>3,750,856</u>	<u>1,282,424</u>	<u>89,518</u>	<u>5,122,798</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>73,380</u>	<u>1,184,620</u>	<u>-</u>	<u>1,258,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(818,008)	-	(818,008)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(818,008)</u>	<u>-</u>	<u>(818,008)</u>
NET CHANGE IN FUND BALANCES	73,380	366,612	-	439,992
FUND BALANCES, BEGINNING OF YEAR	<u>5,668</u>	<u>1,501,861</u>	<u>-</u>	<u>1,507,529</u>
FUND BALANCES, END OF YEAR	<u>\$ 79,048</u>	<u>\$ 1,868,473</u>	<u>\$ -</u>	<u>\$ 1,947,521</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

EXPENDITURES

Current:

Salaries and benefits	\$ 4,033,240
Contractual services	195,908
Travel	5,747
Communications	6,426
Public utility services	105,581
Insurance	22,995
Land/building/facilities	14,779
Transportation	415,821
Repairs and maintenance	78,263
Supplies and materials	216,027

Capital outlays:

Property	1,000,000
Equipment	25,199

Debt service:

Principal	240,000
Interest	318,034
Financing costs	90,765

TOTAL EXPENDITURES

\$ 6,768,785

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

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September 28, 2015

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 and each major fund of the Delaware Military Academy Charter School, Wilmington, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Delaware Military Academy Charter School's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delaware Military Academy Charter 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 Delaware Military Academy Charter 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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Delaware Military Academy Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delaware Military Academy Charter 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP