



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

FINANCIAL STATEMENTS

JUNE 30, 2023

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
Statements of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
Statements of Fiduciary Net Position - Custodial Fund	19
Statements of Changes in Fiduciary Net Position - Custodial Fund	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	43
Schedule of the School's Proportionate Share of the Net Pension Liability	44
Schedule of School Pension Contributions	45
Schedule of the School's Proportionate Share of the Net OPEB Liability	46
Schedule of School OPEB Contributions	47

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

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	49
Schedule of Expenditures by Natural Classification - Governmental Funds	50
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 <i>Government Auditing Standards</i>	51



INDEPENDENT AUDITOR'S REPORT

September 18, 2023

Board of Directors
Delaware Military Academy Charter School
Wilmington, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited 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, a component unit of the State of Delaware, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The School's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Delaware Military Academy Charter School

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

Report on Summarized Comparative Information

We have previously audited the School's 2022 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 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12, 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 43 through 47 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.

Supplementary 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

Board of Directors
Delaware Military Academy Charter School

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 18, 2023, 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
BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2023**

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, 2023, which is the School's twentieth 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 increased by \$230,201, and general revenues accounted for \$7,787,087 or 92% of total revenues.

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 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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

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.

Fiduciary Funds

The School is a fiduciary for its student and other activity assets that, due to a fiduciary arrangement, can be used only for student activities. All of the School's fiduciary activities are reported in separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the School's other financial statements since these assets may not be utilized by the School to finance its operations.

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 \$8,579,963 at the close of the fiscal year. A comparative net position analysis of fiscal years 2023 and 2022 follows:

**Table 1
NET POSITION**

	Governmental Activities	
	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current and Other Assets:		
Cash and pooled cash	\$ 5,712,779	\$ 5,982,944
Investments	93,598	86,419
Total Current Assets	<u>5,806,377</u>	<u>6,069,363</u>
Noncurrent Assets:		
Land	2,987,665	2,987,665
Capital assets, net of depreciation	15,691,960	15,673,037
Right-to-use assets, net of amortization	52,055	6,483
Due from State of Delaware	537,774	359,536
Net pension asset	-	1,936,434
Total Noncurrent Assets	<u>19,269,454</u>	<u>20,963,155</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	1,985,067	2,061,416
Deferred outflows - pension	1,311,778	1,179,040
Deferred outflows - OPEB	3,241,838	4,140,381
Total Deferred Outflows of Resources	<u>6,538,683</u>	<u>7,380,837</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>31,614,514</u>	<u>34,413,355</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

**Table 1
NET POSITION**

(cont'd)	Governmental Activities	
	2023	2022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	10,145	8,445
Accrued salaries and related costs	979,184	1,009,831
Bonds and notes payable, net	393,923	386,150
Lease liability	11,747	6,486
Total Current Liabilities	<u>1,394,999</u>	<u>1,410,912</u>
Noncurrent Liabilities:		
Compensated absences	537,774	359,536
Bonds and notes payable, net	18,732,578	19,126,502
Lease liability	40,732	-
Net pension liability	2,019,276	-
Net OPEB liability	12,124,575	15,480,054
Total Noncurrent Liabilities	<u>33,454,935</u>	<u>34,966,092</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	91,470	3,908,499
Deferred inflows - OPEB	5,253,073	2,938,016
Total Deferred Inflows of Resources	<u>5,344,543</u>	<u>6,846,515</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	1,537,767	1,209,463
Restricted	402,366	2,078,406
Unrestricted (deficit)	<u>(10,520,096)</u>	<u>(12,098,033)</u>
TOTAL NET POSITION (DEFICIT)	<u>\$ (8,579,963)</u>	<u>\$ (8,810,164)</u>

**Table 2
CHANGES IN NET POSITION**

REVENUES	Governmental Activities	
	2023	2022
General revenue:		
Charges to school districts	\$ 2,244,406	\$ 2,155,586
Payments from primary government	5,482,290	4,508,487
Earnings (loss) on investments	60,391	(11,947)
Program revenue:		
Charges for services	118,448	136,261
Operating grants and contributions	566,489	806,668
Capital grants and contributions	800	20,500
TOTAL REVENUES	<u>8,472,824</u>	<u>7,615,555</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

**Table 2
CHANGES IN NET POSITION**

(cont'd)	Governmental Activities	
	2023	2022
EXPENSES		
Instructional services	6,277,661	5,360,818
Support services:		
Operation and maintenance of facilities	1,315,675	1,049,981
Transportation	4,491	353,515
Food service	123,130	113,867
Interest on long-term debt	521,666	526,325
TOTAL EXPENSES	<u>8,242,623</u>	<u>7,404,506</u>
CHANGE IN NET DEFICIT	<u>\$ 230,201</u>	<u>\$ 211,049</u>

Governmental Activities

Net deficit of the School's governmental activities decreased by \$230,201.

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, earnings on cash and investments, and state entitlements must support the net cost of the School's programs.

	2023		2022	
	Total Cost	Net Cost	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 6,277,661	\$ 5,710,372	\$ 5,360,818	\$ 4,533,650
Support services:				
Operation and maintenance of facilities	1,315,675	1,315,675	1,049,981	1,049,981
Transportation	4,491	4,491	353,515	353,515
Food service	123,130	4,682	113,867	(22,394)
Interest on long-term debt	521,666	521,666	526,325	526,325
Total Expenses	<u>\$ 8,242,623</u>	<u>\$ 7,556,886</u>	<u>\$ 7,404,506</u>	<u>\$ 6,441,077</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$7,556,886 of support.

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet) as of June 30, 2023 reported a combined fund balance of \$4,817,048 compared to last year's total fund balance of \$5,051,087.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

Governmental Funds

The School's fund balances decreased overall due to increased capital outlays in the current year. 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	
	2023	2022
REVENUES		
Charges to school districts	\$ 2,244,406	\$ 2,155,586
State aid	4,885,861	4,639,527
Federal aid	302,793	175,683
Food service	118,448	136,261
Cadet fees	378,275	221,791
Contributions	304,412	429,694
Gain (loss) on investments	60,391	(11,947)
TOTAL REVENUES	8,294,586	7,746,595
EXPENDITURES		
Current:		
Instructional services	6,151,309	5,660,498
Operation and maintenance of facilities	794,712	675,509
Transportation	4,491	353,515
Food service	123,130	113,867
Capital outlays:		
Property	544,887	16,574
Equipment	141,694	3,480
Debt service:		
Principal	386,151	377,396
Interest	445,317	449,976
TOTAL EXPENDITURES	8,591,691	7,650,815
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(357,496)	107,727
OTHER FINANCING SOURCES (USES)		
Proceeds from lease	63,066	-
TOTAL OTHER FINANCING SOURCES (USES)	63,066	-
NET CHANGE IN FUND BALANCES	(234,039)	95,780
FUND BALANCES, BEGINNING OF YEAR	5,051,087	4,955,307
FUND BALANCES, END OF YEAR	\$ 4,817,048	\$ 5,051,087

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

The increase in revenues for the year was mainly due to increased revenue from school districts, state, and federal sources.

Expenditures exceeded revenues and other financing sources and other financing uses by \$234,039.

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. The general fund had a fund balance of \$4,414,682 at June 30, 2023. This was a \$494,433 decrease from the prior year. The decrease in fund balance of the general fund is due mainly to transfers out to the Capital Projects and Seahawk CLS funds to cover debt obligations.

Capital Projects Fund

The Capital Projects Fund had a fund balance of \$353,966 at June 30, 2023. This was a \$260,430 increase from the prior year. The Capital Projects Fund was financed by transfers from other funds.

Seahawk CLS Fund

Seahawk CLS LLC is a blended component unit of the School. It had a fund balance of \$48,400 at June 30, 2023. This was a \$36 decrease from the prior year. The Seahawk CLS Fund is funded by transfers from the General Fund, and is utilized to pay the debt service related to the school property.

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 43.

Revenues

Charges to School Districts

An unfavorable variance of \$322,616 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.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

State and Federal Aid

An unfavorable variance of \$256,426 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.

Food Service

An unfavorable variance of \$11,552 is attributed to the School's students bringing more lunches in the current year then purchasing at the School.

Expenditures

Salaries and Benefits

An unfavorable variance of \$271,531 is largely attributed to an increased need for substitute teachers in FY 2022 from COVID-19 absences.

Benefits and Employment Costs

An unfavorable variance of \$183,601 is largely attributed to School having rising benefit costs in the current year.

Contractual Services

A favorable variance of \$482,387 is largely attributed less instructional services in the current year.

Supplies and Materials

An unfavorable variance of \$612,237 is attributed to needing more supplies than the prior year. The School is committed to ensuring that students have the required instructional materials to further their education.

CAPITAL ASSETS

The School has \$18,731,680 invested in capital assets and right-to-use assets net of depreciation/amortization. Acquisitions totaled \$731,433. Depreciation/amortization expense for the year totaled \$666,938. 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 notes payable outstanding of \$19,126,501 and lease liability of \$52,479. The majority of this debt is a direct result of purchasing the School facility and the construction of the new monolithic dome building, and the lease liability is for a copier.

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
JUNE 30, 2023**

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2023 was the twentieth year of operation as a functioning school. 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, 2023 AND 2022**

	Governmental Activities	
	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 5,712,779	\$ 5,982,944
Investments	93,598	86,419
Total Current Assets	5,806,377	6,069,363
NONCURRENT ASSETS:		
Land	2,987,665	2,987,665
Capital assets, net of depreciation	15,691,960	15,673,037
Right-to-use assets, net of amortization	52,055	6,483
Due from State of Delaware	537,774	359,536
Net pension asset	-	1,936,434
Total Noncurrent Assets	19,269,454	20,963,155
TOTAL ASSETS	25,075,831	27,032,518
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amount on refunding	1,985,067	2,061,416
Deferred outflows - pension	1,311,778	1,179,040
Deferred outflows - OPEB	3,241,838	4,140,381
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,538,683	7,380,837
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 31,614,514	\$ 34,413,355
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,145	\$ 8,445
Accrued salaries and related costs	979,184	1,009,831
Notes payable	393,923	386,150
Lease liability	11,747	6,486
Total Current Liabilities	1,394,999	1,410,912
NONCURRENT LIABILITIES:		
Compensated absences	537,774	359,536
Notes payable	18,732,578	19,126,502
Lease liability	40,732	-
Net pension liability	2,019,276	-
Net OPEB liability	12,124,575	15,480,054
Total Noncurrent Liabilities	33,454,935	34,966,092
TOTAL LIABILITIES	34,849,934	36,377,004
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	91,470	3,908,499
Deferred inflows - OPEB	5,253,073	2,938,016
TOTAL DEFERRED INFLOWS OF RESOURCES	5,344,543	6,846,515
NET POSITION (DEFICIT):		
Net investment in capital assets	1,537,767	1,209,463
Restricted for:		
Capital projects	353,966	93,536
Seahawk CLS	48,400	48,436
Net pension asset	-	1,936,434
Unrestricted (deficit)	(10,520,096)	(12,098,033)
TOTAL NET POSITION (DEFICIT)	(8,579,963)	(8,810,164)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 31,614,514	\$ 34,413,355

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, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2023	2022
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ (6,277,661)	\$ -	\$ 566,489	\$ 800	\$ (5,710,372)	\$ (4,533,650)
Support services:						
Operation and maintenance of facilities	(1,315,675)	-	-	-	(1,315,675)	(1,049,981)
Transportation	(4,491)	-	-	-	(4,491)	(353,515)
Food service	(123,130)	118,448	-	-	(4,682)	22,394
Interest on long-term debt	(521,666)	-	-	-	(521,666)	(526,325)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (8,242,623)</u>	<u>\$ 118,448</u>	<u>\$ 566,489</u>	<u>\$ 800</u>	<u>(7,556,886)</u>	<u>(6,441,077)</u>
			GENERAL REVENUES			
					2,244,406	2,155,586
					5,482,290	4,508,487
					60,391	(11,947)
					<u>7,787,087</u>	<u>6,652,126</u>
					230,201	211,049
					<u>(8,810,164)</u>	<u>(9,021,213)</u>
					<u>\$ (8,579,963)</u>	<u>\$ (8,810,164)</u>

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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023
(With Summarized Comparative Data for June 30, 2022)

	General Fund	Capital Projects Fund	Seahawk CLS Fund	Totals	
				2023	2022
ASSETS					
Cash and pooled cash	\$ 5,310,413	\$ 353,966	\$ 48,400	\$ 5,712,779	\$ 5,982,944
Investments	93,598	-	-	93,598	86,419
TOTAL ASSETS	<u>\$ 5,404,011</u>	<u>\$ 353,966</u>	<u>\$ 48,400</u>	<u>\$ 5,806,377</u>	<u>\$ 6,069,363</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 10,145	\$ -	\$ -	\$ 10,145	\$ 8,445
Accrued salaries and related benefits	979,184	-	-	979,184	1,009,831
Total Liabilities	<u>989,329</u>	<u>-</u>	<u>-</u>	<u>989,329</u>	<u>1,018,276</u>
FUND BALANCES:					
Committed	786,814	-	-	786,814	667,941
Restricted	-	353,966	48,400	402,366	141,972
Unassigned	3,627,868	-	-	3,627,868	4,241,174
Total Fund Balances	<u>4,414,682</u>	<u>353,966</u>	<u>48,400</u>	<u>4,817,048</u>	<u>5,051,087</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,404,011</u>	<u>\$ 353,966</u>	<u>\$ 48,400</u>	<u>\$ 5,806,377</u>	<u>\$ 6,069,363</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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,817,048

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 and right to use assets net of accumulated depreciation and amortization as detailed in the footnotes are included in the statement of net position. 18,731,680

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 537,774

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	\$ (537,774)	
Notes payable	(19,126,501)	
Lease liability	(52,479)	
Net pension liability	(2,019,276)	
Net OPEB liability	<u>(12,124,575)</u>	(33,860,605)

Refunded debt resulted in deferred outflows of resources which will be amortized over the life of new debt but do not represent current rights. 1,985,067

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	1,311,778	
Deferred inflows - pension	<u>(91,470)</u>	1,220,308

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	3,241,838	
Deferred inflows - OPEB	<u>(5,253,073)</u>	<u>(2,011,235)</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (8,579,963)

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, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	General Fund	Capital Projects Fund	Seahawk CLS Fund	Totals	
				2023	2022
REVENUES					
Charges to school districts	\$ 2,244,406	\$ -	\$ -	\$ 2,244,406	\$ 2,155,586
State aid	4,885,861	-	-	4,885,861	4,639,527
Federal aid	302,793	-	-	302,793	175,683
Food service	118,448	-	-	118,448	136,261
Cadet fees	378,275	-	-	378,275	221,791
Gain (loss) on investments	60,391	-	-	60,391	(11,947)
Contributions	303,612	800	-	304,412	429,694
TOTAL REVENUES	<u>8,293,786</u>	<u>800</u>	<u>-</u>	<u>8,294,586</u>	<u>7,746,595</u>
EXPENDITURES					
Current:					
Instructional services	6,151,309	-	-	6,151,309	5,660,498
Operation and maintenance of facilities	794,676	-	36	794,712	675,509
Transportation	4,491	-	-	4,491	353,515
Food service	123,130	-	-	123,130	113,867
Capital outlays:					
Property	45,754	499,133	-	544,887	16,574
Equipment	78,628	63,066	-	141,694	3,480
Debt service:					
Principal	-	140,730	245,421	386,151	377,396
Interest	-	120,138	325,179	445,317	449,976
TOTAL EXPENDITURES	<u>7,197,988</u>	<u>823,067</u>	<u>570,636</u>	<u>8,591,691</u>	<u>7,650,815</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,095,798</u>	<u>(822,267)</u>	<u>(570,636)</u>	<u>(297,105)</u>	<u>95,780</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from lease	-	63,066	-	63,066	-
Transfers in	-	1,019,631	570,600	1,590,231	827,340
Transfers out	(1,590,231)	-	-	(1,590,231)	(827,340)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,590,231)</u>	<u>1,082,697</u>	<u>570,600</u>	<u>63,066</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(494,433)</u>	<u>260,430</u>	<u>(36)</u>	<u>(234,039)</u>	<u>95,780</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,909,115</u>	<u>93,536</u>	<u>48,436</u>	<u>5,051,087</u>	<u>4,955,307</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,414,682</u>	<u>\$ 353,966</u>	<u>\$ 48,400</u>	<u>\$ 4,817,048</u>	<u>\$ 5,051,087</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, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (234,039)

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 and amortization expense. This is the amount by which depreciation and amortization expense exceeded capital outlays in the current period.

Capital outlays	\$ 731,433	
Depreciation and amortization expense	<u>(666,938)</u>	64,495

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. 178,238

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 note principal	386,151	
Payment on lease	17,073	
Lease proceeds	(63,066)	
Amortization of deferred amount on refunding	<u>(76,349)</u>	263,809

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	(178,238)
----------------------	-----------

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. (5,943)

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. 141,879

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ 230,201

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2023 AND 2022**

	Student Activities Fund	
	2023	2022
ASSETS:		
Cash	\$ 52,484	\$ 39,063
TOTAL ASSETS	\$ 52,484	\$ 39,063
LIABILITIES AND NET POSITION:		
LIABILITIES		
Other current liabilities	\$ -	\$ -
TOTAL LIABILITIES	-	-
NET POSITION		
Restricted for student activities	52,484	39,063
TOTAL LIABILITIES AND NET POSITION	\$ 52,484	\$ 39,063

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

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Student Activities Fund	
	2023	2022
ADDITIONS		
Fundraising	\$ 54,921	\$ 61,481
TOTAL ADDITIONS	54,921	61,481
 DEDUCTIONS		
Student activities	41,500	42,075
TOTAL DEDUCTIONS	41,500	42,075
 CHANGE IN NET POSITION	13,421	19,406
 BEGINNING NET POSITION	39,063	19,657
 ENDING NET POSITION	\$ 52,484	\$ 39,063

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 2023 was the twentieth 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 nonprofit 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 blended component unit.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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.
- **Capital Projects Fund** – This fund is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets.
- **Seahawk CLS Fund** – This fund is used to account for rentals and debt service.

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 a custodial fund. The custodial fund accounts for funds held on behalf of students of the School. The custodial fund reports additions to and deductions from the custodial account. The measurement focus and basis of accounting for the custodial funds is the same as for entity-wide financial statements.

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.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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

Capital and Right to use 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. Right to use assets are defined as assets with term cost of more than \$5,000. 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. Right to use assets are amortized over the term of the lease. 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.

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% of the per diem rate of pay not to exceed

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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.

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/amortization, 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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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.

The Seahawk CLS LLC 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(c)(2) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Seahawk CLS LLC 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, certain other items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods, and deferred amounts of refundings which are amortized over the life of the note. 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.

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.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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, 2022 basic financial statements to be comparative with the current year presentation.

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS

Deposits

At June 30, 2023, the School had a cash and pooled cash balance of \$5,765,263. Of that amount, \$5,310,413 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, 2023, the reported amount of the School's deposits not held with the State Treasurer's Office was \$454,850, and the bank balance was \$457,645. Of the bank balance, \$305,279 was covered by federal depository insurance, and \$152,366 was exposed to custodial credit risk because the collateral held was not in the School's name.

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 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, 2023:

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 2</u>
Delaware Community Foundation	\$ 93,598	\$ 93,598
TOTAL	<u>\$ 93,598</u>	<u>\$ 93,598</u>

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, 2023, 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 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated/ amortized:				
Land	\$ 2,987,665	\$ -	\$ -	\$ 2,987,665
Total Capital Assets Not Being Depreciated/Amortized	<u>2,987,665</u>	<u>-</u>	<u>-</u>	<u>2,987,665</u>
Capital assets being depreciated/ amortized:				
Buildings	21,171,756	51,771	-	21,223,527
Land improvements	79,424	442,659	-	522,083
Equipment	616,438	94,505	-	710,943
Right-to-use assets	68,070	63,066	-	131,136
Furniture and fixtures	<u>377,602</u>	<u>79,432</u>	<u>-</u>	<u>457,034</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

(cont'd)	Beginning Balance	Increase	Disposals	Ending Balance
Total Capital Assets Being Depreciated/Amortized	22,313,290	731,433	-	23,044,723
Accumulated depreciation/amortization:				
Buildings	(5,903,044)	(530,588)	-	(6,433,632)
Land improvements	(23,106)	(34,806)	-	(57,912)
Equipment	(374,737)	(62,185)	-	(436,922)
Right-to-use assets	(61,587)	(17,494)	-	(79,081)
Furniture and fixtures	(271,296)	(21,865)	-	(293,161)
Total accumulated depreciation/ amortization	<u>(6,633,770)</u>	<u>(666,938)</u>	-	<u>(7,300,708)</u>
Total Capital Assets Being Depreciated/ Amortized, Net	<u>15,679,520</u>	<u>64,495</u>	-	<u>15,744,015</u>
Governmental Activities Capital Assets, Net	<u>\$18,687,185</u>	<u>\$ 64,495</u>	<u>\$ -</u>	<u>\$18,731,680</u>

Depreciation and amortization expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 84,050
Operation and maintenance of facilities	<u>582,888</u>
	<u>\$ 666,938</u>

NOTE 4 LONG-TERM LIABILITIES

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% per annum fixed for the life of the debt. The note matures on March 9, 2048. The outstanding balance at June 30, 2023 was \$4,807,931.

On August 27, 2020 Seahawk CLS LLC issued two notes in the amounts of \$9,000,000 and \$6,000,000. The notes are secured by real estate and bear interest at a fixed rate of 2.25% per annum fixed for the lives of the debts. The notes mature on August 27, 2060. The outstanding balances at June 30, 2023 were \$8,591,142 and \$5,727,428, respectively. The proceeds were used to purchase the property from the School.

Interest expense was \$521,666 for the year ended June 30, 2023.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (cont'd)

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>
2024	\$ 393,923	\$ 433,417	\$ 827,340
2025	404,247	423,093	827,340
2026	413,626	413,714	827,340
2027	423,223	404,117	827,340
2028	431,960	395,380	827,340
2029 - 2033	2,319,536	1,817,164	4,136,700
2034 - 2038	2,601,522	1,535,178	4,136,700
2039 - 2043	2,917,821	1,218,879	4,136,700
2044 - 2048	3,222,108	864,543	4,086,651
2049 - 2053	2,302,803	550,197	2,853,000
2054 - 2058	2,576,852	276,148	2,853,000
2059 - 2061	1,118,880	26,543	1,145,423
Total	<u>\$ 19,126,501</u>	<u>\$ 8,358,373</u>	<u>\$ 27,484,874</u>

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

	<u>Beginning 07/01/2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 06/30/2023</u>	<u>Amounts Due within One Year</u>
<i>Governmental Activities</i>					
Notes payable	\$19,512,652	\$ -	\$ 386,151	\$19,126,501	\$ 393,923
Compensated absences	359,536	178,238	-	537,774	-
Lease liability	6,486	63,066	17,073	52,479	11,747
Net OPEB liability	15,480,054	-	3,355,479	12,124,575	-
Net pension liability	-	2,019,276	-	2,019,276	-
Total	<u>\$35,358,728</u>	<u>\$ 2,260,580</u>	<u>\$ 3,758,703</u>	<u>\$33,860,605</u>	<u>\$ 405,670</u>

Notes payable are expected to be funded by the capital projects fund and Seahawk CLS fund. All other liabilities are expected to be funded by the general fund.

Lease Payable

The School has entered a leasing arrangement for copiers in August 2022. The monthly cost of the lease is \$1,050 for 63 months and is set to expire in October 2027.

The total principal and interest maturities are as follows:

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (cont'd)

<u>For the Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,747	\$ 853	\$ 12,600
2025	11,963	637	12,600
2026	12,181	419	12,600
2027	12,402	198	12,600
2028	4,186	14	4,200
Totals	<u>\$ 52,479</u>	<u>\$ 2,121</u>	<u>\$ 54,600</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 pension plan ("the State PERS") established in the Delaware Code. The Plan is administered by the Delaware Public Employees Retirement System ("DPERS").

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, 2022. For a more complete description, please refer to the Delaware Employees' Pension Plan Annual Comprehensive 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 is a cost-sharing multiple employer defined benefit plan that 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 (Pre-2012), and 2) employees hired on or after January 1, 2012 (Post-2011).

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of twelve consecutive months of compensation.

Vesting

Pre-2012 date of hire: 5 years of credited service. Post-2011 date of hire: 10 years of credited service (5 of which must be consecutive).

Retirement

Employees hired Pre-2012 may retire at age 62 with 5 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 Post-2011 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

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

Survivor and Burial Benefits

If employee is receiving a pension, the eligible survivor receives 50% of pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of pension the employee would have received at age 62. Amount payable to a surviving spouse under age 50 at the time the survivor's pension begins, shall be reduced for each month under 50 in accordance with actuarial tables approved by the Board. Any actuarial reduction for such a spouse shall however not apply for the period during which the spouse has in his or her care, an unmarried child or children.

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

Contributions

Member Contributions

Employees hired Pre-2012 contribute 3% of earnings in excess of \$6,000. Employees hired Post-2011 contribute 5% 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, 2023, the rate of employer contribution was 11.15% of covered payroll. The School's contribution to PERS for the years ended June 30, 2023 was \$415,811.

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, 2023, the School reported an liability of \$2,019,276 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2022, the School's proportion was 0.1476%, which was a decrease of 0.0113% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized pension expense in the amount of \$421,754. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 387,505	\$ -
Changes of assumptions	218,339	-
Changes in proportions	81,604	91,470
Differences between actual and expected experience	208,519	-
Contributions subsequent to the date of measurement	415,811	-
	<u>\$ 1,311,778</u>	<u>\$ 91,470</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

An amount of \$415,811 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2022 measurement date and will be recognized as an adjustment of the net pension liability in the year ended June 30, 2024. 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,

2024	\$ 24,627
2025	(50,767)
2026	(2,913)
2027	831,932
2028	1,618
	<u>\$ 804,497</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return/discount rate – 7.0%, including inflation of 2.5%
- Salary increases – 2.5% plus merit, including inflation of 2.5%
- Cost-of-living adjustments – 0.0%

The total pension liability is 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 assumptions are based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees, as well as an adjusted version on MP-2020 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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	31.8%
International equity	5.7%	15.0%
Fixed income	2.0%	23.6%
Alternative investments	7.8%	21.5%
Cash and equivalents	0.0%	8.1%

Discount Rate

The discount used to measure the total pension liability was 7.0%. 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 7.0%, 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%) or one percentage point higher (8.0%) than the current rate.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 4,216,549	\$ 2,019,276	\$ 330,186

Pension Plan Fiduciary Net Position

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

NOTE 6 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 established 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.

The following are brief descriptions of the Plan in effect as of June 30, 2022. For a more complete description, please refer to the Delaware Public Employees' Retirement System Annual Comprehensive 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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Contributions

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, 2023, the rate of the employer contribution was 14.98% of covered payroll. The School's contribution to the Plan for the year ended June 30, 2023 was \$558,602.

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

At June 30, 2023, the School reported a liability of \$12,124,575 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. 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, 2022, the School's proportion was 0.1430%, which was a decrease of 0.0105% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$416,723. At June 30, 2023, 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	\$ 306,655	\$ 1,485,574
Changes in proportions	476,661	980,731
Changes in assumptions	1,871,609	2,786,768
Net difference between expected and actual experience	28,311	-
Contributions subsequent to the date of measurement	<u>558,602</u>	<u>-</u>
	<u>\$ 3,241,838</u>	<u>\$ 5,253,073</u>

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$558,602 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2022 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. 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>	
2024	\$ (427,778)
2025	(331,843)
2026	(183,804)
2027	(645,260)
2028	(540,984)
Thereafter	<u>(440,168)</u>
	<u>\$ (2,569,837)</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.54%
- Salary increases – 3.25% plus merit
- Healthcare cost trend rates – 5.17%

Mortality rates are based on the Sex-distinct Employee, Healthy Annuitant, and Disabled Annuitant Mortality Tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment facts. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate to measure the total OPEB liability was 2.16% at the beginning of the current measurement period and 3.54% 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, 2022 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.54%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate.

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
School's proportionate share of the net OPEB liability	\$ 14,295,272	\$ 12,124,575	\$ 10,396,484

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 5.17%, 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 (4.17%) or one percentage point higher (6.17%) than the current rate.

	1% Decrease 4.17%	Current Healthcare Trend Rate 5.17%	1% Increase 6.17%
School's proportionate share of the net OPEB liability	\$ 10,413,162	\$ 12,124,575	\$ 14,159,281

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Plan Fiduciary Net Position

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

NOTE 7 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 8 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.

NOTE 9 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School incurred expenditures in excess of appropriations in the following categories for the year ended June 30, 2023:

Salaries	\$	271,531
Benefits and employment costs	\$	183,601
Travel	\$	3,930
Public utility services	\$	5,470
Insurance	\$	4,047
Supplies and materials	\$	612,237
Capital outlays – equipment	\$	76,628

The excess expenditures were covered through the use of existing fund balance.

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 10 FUND BALANCES

As of June 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>	<u>Seahawk CLS Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Committed:				
Delaware Community Foundation	\$ 93,598	\$ -	\$ -	\$ 93,598
Capital	575,000	-	-	575,000
JROTC	118,216	-	-	118,216
Restricted:				
Capital projects	-	-	353,966	353,966
Debt service	-	48,400	-	48,400
Unassigned	<u>3,627,868</u>	<u>-</u>	<u>-</u>	<u>3,627,868</u>
Total Fund Balances	<u>\$ 4,414,682</u>	<u>\$ 48,400</u>	<u>\$ 353,966</u>	<u>\$ 4,817,048</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, 2023, the balance was \$93,598. In addition, the Board has committed \$575,000 for future capital needs and \$118,216 for the JROTC program as of June 30, 2023.

NOTE 11 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2023 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 1,019,631
Seahawk CLS Fund	General Fund	\$ 570,600

Transfers from the general fund to the capital projects and the Seahawk CLS funds were to cover current year debt service payments and capital outlays. There were no interfund payables or receivables as of June 30, 2023.

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$10,520,096 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

DELAWARE MILITARY ACADEMY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 12 DEFICIT NET POSITION (cont'd)

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 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 18, 2023, 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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 2,547,022	\$ 2,567,022	\$ 2,244,406	\$ (322,616)
State aid	4,510,361	4,510,361	4,885,861	375,500
Federal aid	438,782	559,219	302,793	(256,426)
Food service	130,000	130,000	118,448	(11,552)
Cadet fees	335,000	315,000	378,275	63,275
Gain on investments	-	-	60,391	60,391
Contributions	286,632	286,632	303,612	16,980
TOTAL REVENUES	<u>8,247,797</u>	<u>8,368,234</u>	<u>8,293,786</u>	<u>(74,448)</u>
EXPENDITURES				
Current:				
Salaries	3,771,411	3,771,411	4,042,942	(271,531)
Benefits and employment costs	1,624,877	1,624,877	1,808,478	(183,601)
Travel	2,500	2,500	6,430	(3,930)
Contractual services	650,000	650,000	167,613	482,387
Communications	36,000	36,000	11,362	24,638
Public utility services	106,000	106,000	111,470	(5,470)
Insurance	45,447	45,447	49,494	(4,047)
Land/building/facilities	109,398	109,398	45,754	63,644
Repairs and maintenance	177,730	177,730	28,908	148,822
Student activities	108,632	103,632	38,172	65,460
Supplies and materials	191,500	196,500	808,737	(612,237)
Capital outlays:				
Equipment	2,000	2,000	78,628	(76,628)
TOTAL EXPENDITURES	<u>6,825,495</u>	<u>6,825,495</u>	<u>7,197,988</u>	<u>(372,493)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,422,302</u>	<u>1,542,739</u>	<u>1,095,798</u>	<u>(446,941)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(827,340)	(827,340)	(1,590,231)	(762,891)
Contingency	(156,180)	(156,180)	-	156,180
TOTAL OTHER FINANCING SOURCES (USES)	<u>(983,520)</u>	<u>(983,520)</u>	<u>(1,590,231)</u>	<u>(606,711)</u>
NET CHANGE IN FUND BALANCE	438,782	559,219	(494,433)	(1,053,652)
FUND BALANCE, BEGINNING OF YEAR	<u>4,909,115</u>	<u>4,909,115</u>	<u>4,909,115</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,347,897</u>	<u>\$ 5,468,334</u>	<u>\$ 4,414,682</u>	<u>\$ (1,053,652)</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**

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE								
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
School's proportion of the net pension liability (asset)	0.1476%	0.1589%	0.1514%	0.1534%	0.1538%	0.1461%	0.1460%	0.1418%	0.1424%
School's proportion of the net pension liability (asset) - dollar value	\$ 2,019,276	\$ (1,936,434)	\$ 2,128,243	\$ 2,389,224	\$ 1,985,657	\$ 2,142,456	\$ 2,200,789	\$ 943,136	\$ 524,175
School's covered employee payroll	\$ 3,404,353	\$ 3,472,839	\$ 3,263,855	\$ 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 (asset) as a percentage of its covered employee payroll	59.31%	-55.76%	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.76%	110.48%	87.27%	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, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</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	\$ 415,811	\$ 423,842	\$ 428,201	\$ 390,357	\$ 376,713	\$ 318,088	\$ 272,738	\$ 266,831	\$ 252,762
Contributions in relation to the contractually required contribution	<u>415,811</u>	<u>423,842</u>	<u>428,201</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,729,247	\$ 3,404,353	\$ 3,472,839	\$ 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	11.15%	12.45%	12.33%	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, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1430%	0.1535%	0.1478%	0.1494%	0.1499%	0.1428%
School's proportion of the net OPEB liability - dollar value	\$ 12,124,575	\$ 15,480,054	\$ 15,387,048	\$ 11,903,797	\$ 12,303,464	\$ 11,789,102
School's covered employee payroll	\$ 3,404,353	\$ 3,472,839	\$ 3,263,855	\$ 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	356.15%	445.75%	471.44%	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	6.43%	6.06%	4.27%	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, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 558,602	\$ 390,843	\$ 409,883	\$ 408,373	\$ 375,396	\$ 336,615
Contributions in relation to the contractually required contribution	<u>558,602</u>	<u>390,843</u>	<u>409,883</u>	<u>408,373</u>	<u>375,396</u>	<u>336,615</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,729,247	\$ 3,404,353	\$ 3,472,839	\$ 3,263,855	\$ 3,184,387	\$ 3,052,668
Contributions as a percentage of covered employee payroll	14.98%	11.48%	11.80%	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, 2023**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and pooled cash	\$ 15,589	\$ 5,294,824	\$ -	\$ 5,310,413
Investments	-	93,598	-	93,598
TOTAL ASSETS	<u>\$ 15,589</u>	<u>\$ 5,388,422</u>	<u>\$ -</u>	<u>\$ 5,404,011</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ 4,453	\$ 5,692	\$ -	\$ 10,145
Accrued salaries and employment costs	-	979,184	-	979,184
TOTAL LIABILITIES	<u>4,453</u>	<u>984,876</u>	<u>-</u>	<u>989,329</u>
FUND BALANCES:				
Committed	-	786,814	-	786,814
Unassigned	11,136	3,616,732	-	3,627,868
TOTAL FUND BALANCES	<u>11,136</u>	<u>4,403,546</u>	<u>-</u>	<u>4,414,682</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 15,589</u>	<u>\$ 5,388,422</u>	<u>\$ -</u>	<u>\$ 5,404,011</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	\$ -	\$ 2,244,406	\$ -	\$ 2,244,406
State aid	4,885,861	-	-	4,885,861
Federal aid	-	-	302,793	302,793
Food service	-	118,448	-	118,448
Cadet fees	-	378,275	-	378,275
Gain on investments	-	60,391	-	60,391
Contributions	-	303,612	-	303,612
TOTAL REVENUES	<u>4,885,861</u>	<u>3,105,132</u>	<u>302,793</u>	<u>8,293,786</u>
EXPENDITURES				
Current:				
Instructional services	3,937,671	2,064,060	149,578	6,151,309
Operation and maintenance of facilities	713,757	-	80,919	794,676
Transportation	4,491	-	-	4,491
Food service	-	123,130	-	123,130
Capital outlays:				
Property	27,400	18,354	-	45,754
Equipment	2,700	3,632	72,296	78,628
TOTAL EXPENDITURES	<u>4,686,019</u>	<u>2,209,176</u>	<u>302,793</u>	<u>7,197,988</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES)	<u>199,842</u>	<u>895,956</u>	<u>-</u>	<u>1,095,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(214,817)	(1,375,414)	-	(1,590,231)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(214,817)</u>	<u>(1,375,414)</u>	<u>-</u>	<u>(1,590,231)</u>
NET CHANGE IN FUND BALANCES	(14,975)	(479,458)	-	(494,433)
FUND BALANCES, BEGINNING OF YEAR	<u>26,111</u>	<u>4,883,004</u>	<u>-</u>	<u>4,909,115</u>
FUND BALANCES, END OF YEAR	<u>\$ 11,136</u>	<u>\$ 4,403,546</u>	<u>\$ -</u>	<u>\$ 4,414,682</u>

**DELAWARE MILITARY ACADEMY CHARTER SCHOOL
 SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023**

EXPENDITURES

Current:

Salaries	\$ 4,042,942
Benefits and employment costs	1,808,478
Travel	6,430
Contractual services	167,613
Communications	11,362
Public utility services	111,470
Insurance	49,494
Land/building/facilities	544,887
Repairs and maintenance	28,908
Student activities	38,172
Supplies and materials	808,737
Miscellaneous	36

Capital outlays:

Equipment	141,694
-----------	---------

Debt service:

Principal	386,151
Interest	445,317

TOTAL EXPENDITURES

\$ 8,591,691



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 18, 2023

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, 2023, 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 18, 2023.

Report on 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") as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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
BARBACANE, THORNTON & COMPANY LLP