PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

(A Component Unit of the State of Delaware)

CLAYTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2015

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 15, 2015

Board of Director's
Providence Creek Academy Charter School, Inc.
Clayton, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Providence Creek Academy Charter School, Inc. (the "School"), Clayton, Delaware, (a component unit of the State of Delaware) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

BARBACANE THORNTON &COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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

Opinions

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

Emphasis of a Matter

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

As discussed in Note 12 to the financial statements, the beginning governmental activities net position of the School and the beginning General Fund fund balance have been restated to correct errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9, the budgetary comparison schedule on page 33, and the schedule of proportionate share of net pension liability and contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Board of Directors
Providence Creek Academy Charter School, Inc.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, and schedule of expenditures by natural classification - governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2015 on our consideration of Providence Creek Academy Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Providence Creek Academy Charter School, Inc.'s internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the School's financial performance provides an overview of the financial activities for the year ended June 30, 2015. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3, and the School's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The net position of the School increased by $327,212, or 76.90 percent. Program revenues accounted for $578,381, or 8.32 percent of total revenues, and the general revenues accounted for $6,371,415, or 91.68 percent of total revenues. Also, the general fund reported a positive fund balance of $2,648,236.

During the year ended June 30, 2015, the School adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The objective of GASB Statement No. 68 is to improve the accounting and financial reporting of state and local governments for pensions. GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provision on the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

By implementing the requirements of GASB Statement No. 68 and GASB Statement No. 71, the School recognized a beginning deferred outflow of $249,862 and a beginning net pension liability of $1,438,328. These adjustments reduced the School's beginning net position by $1,188,466.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and related notes to those statements. The statements are organized so the reader can understand the School as a whole, and then 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 which is similar to the accounting used by private sector corporations. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their 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 begins on page 12. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be 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 the 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 an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The statement of the governmental funds provides 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 less financial resources available to spend in the near future to finance the School's programs. The difference between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $98,306 at the close of the fiscal year. The School's total assets are comprised of cash and equivalents (22.32 percent); accounts receivable (0.31 percent), and capital assets net of depreciation (77.37 percent). The School uses capital assets to provide services; consequently, capital assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt obligations.

A summarized comparative analysis for the fiscal year 2015 to 2014 follows:

TABLE 1 – NET POSITION

	2015	2014
Current and Other Assets		
Current assets	$ 3,249,047	$ 3,292,534
Capital assets, net of depreciation	11,106,627	11,219,875
Total Assets	14,355,674	14,512,409
Deferred Outflows of Resources	316,927	249,862
Liabilities		
Current liabilities	812,098	793,769
Long-term liabilities	12,821,086	13,922,376
Total Liabilities	13,633,184	14,716,145

TABLE 1 – NET POSITION (cont'd)

	2015	2014
Deferred Inflows of Resources	1,137,723	471,644
Total Liabilities and Deferred Inflows of Resources	14,770,907	15,187,789
Net Position		
Net investment in capital assets	(1,218,995)	(1,264,173)
Unrestricted	1,120,689	838,655
Total Net Position (Deficit)	$ (98,306)	$ (425,518)

The School may use the balance of unrestricted net position of $1,120,689, reflected above in Table 1, to meet future operating activities.

Table 2, which follows, reflects the School's revenues received by funding source and how the funding received was expended by function.

TABLE 2 – CHANGE IN NET POSITION

	2015	2014
General Revenues		
Charges to school districts	$ 794,469	$ 789,142
State aid not restricted to specific purposes	5,125,407	4,976,497
Earnings on cash and cash equivalents	172,752	117,521
Other revenues	278,787	404,453
Total General Revenues	6,371,415	6,287,613
Program Revenues		
Federal aid	401,773	284,217
Facilities rental	2,390	-
School cafeteria fees	106,506	261,080
Summer camp fees	67,712	-
Total Revenues	6,949,796	6,832,910
Expenses		
Instructional services	4,614,946	4,105,161
Support services:		
Operation and maintenance of facilities	660,720	982,122
Transportation	533,354	403,985
School food services	227,877	206,950
Interest on long-term debt	585,687	472,917
Total Expenses	6,622,584	6,171,135
Change in Net Position	$ 327,212	$ 661,775

Government Activities

The net position of the School's governmental activities increased by $327,212, and unrestricted net position reflects a positive balance of $1,120,689. The increase in the net position for both the current and prior years is primarily the result of the School's increases in the level of funding and also an increase in operating grants and contributions to assist the School with its operations.

The statement of activities shows the cost of program services and the charges for services, and grants and contributions 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 the governmental activities. General revenues which include charges to school districts, State aid not restricted for specific purposes, cash and investment earnings, and other local revenues must support the net cost of the programs.

	SERVICES			
	2015		2014	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	$ 4,614,946	$ 4,290,801	$ 4,105,161	$ 3,820,944
Support services:				
Operation and maintenance of facilities	660,720	658,330	982,122	982,122
Transportation	533,354	533,354	403,985	403,985
School food services	227,877	(23,969)	206,950	(54,130)
Interest on long-term debt	585,687	585,687	472,917	472,917
Total Expenses	$ 6,622,584	$ 6,044,203	$ 6,171,135	$ 5,625,838

The reliance on general revenues to support the governmental activities is reflected by the net cost services' columns, which basically indicate the need for general support to fund School operations.

THE SCHOOL'S FUNDS

The governmental funds (as presented on the balance sheet on page 12) reported a fund balance of $2,676,016, which is a decrease from the prior year's amount by $49,635. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2014 to June 30, 2015.

	2015	2014	Increase (Decrease)
Governmental Fund Balance			
Restricted - debt service	$ 27,780	$ -	$ 27,780
Assigned - specific purposes	6,261	-	6,261
Unassigned - general fund	2,641,975	2,725,651	(83,676)
Total Fund Balance	$ 2,676,016	$ 2,725,651	$ (49,635)

General Fund

The decrease in the School's fund balance of the general fund is due to transfers to the debt service fund. This was partially offset by increases in the level of funding from charges to school districts, state sources, federal sources, contributions, and miscellaneous revenues. Expenditures increased as well; however, they did not increase at the same level as the increase in revenues.

The tables that follow will assist the reader in evaluating the financial activities as compared to the prior year.

	Amounts		Percentage
	2015	2014	(%) Change
Revenues			
Charges to school districts	$ 794,469	$ 789,142	0.68%
State sources	5,125,407	4,976,497	2.99%
Federal sources	401,773	239,777	67.56%
Food service revenue	106,506	261,080	-59.21%
Earnings on cash and cash investments	15,303	7,413	106.43%
Facilities rental	2,390	-	100.00%
Summer camp	67,712	-	100.00%
Contributions	65,078	-	100.00%
Miscellaneous revenue	213,709	404,453	-47.16%
Total Revenues	$6,792,347	$6,678,362	1.71%

The largest portions of general fund expenditures are for personnel costs, which include salaries and related employment costs. The School is a service-oriented organization and, as such, is very labor intensive.

	Amounts		Percentage
	2015	2014	(%) Change
Expenditures by Object			
Instructional services	$4,756,136	$ 4,122,710	-15.36%
Support services:			
Operation and maintenance of facilities	355,102	841,390	57.80%
Transportation	403,611	376,973	-7.07%
School food services	232,462	206,950	-12.33%
Capital outlay	322,081	289,648	-11.20%
Debt services	457,198	737,505	38.01%
Total Expenditures by Object	$6,526,590	$6,575,176	0.74%

GENERAL FUND BUDGET INFORMATION

The most significant budgeted fund is the general fund, which is presented on the modified accrual basis of accounting.

CAPITAL ASSETS

The School has $11,106,627 invested in capital assets, net of depreciation. During the current year, the School made capital acquisitions of $285,238 and incurred depreciation.

Major capital asset events during the fiscal year included the purchases of buses for $285,238. Detailed information regarding capital asset is reflected in Note 3 of the financial statements.

DEBT ADMINISTRATION

As of June 30, 2015, the School had total outstanding debt of $12,325,622 in the form of bonds and a note payable. Detailed information regarding long-debt activity is included in Note 4 of the financial statements. No new debt has been incurred in the 2014-2015 year.

Other obligations include the net pension liability, accrued vacation pay and sick leave for School employees. More detailed information about long-term liabilities is included in Note 4 to the financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School is primarily funded by the State of Delaware and local municipalities, and thus is affected by the economic outlook for the State and municipalities. The State and municipalities continue to support the funding of education.

The financial model the School has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will have to be made.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 653-6276 or by writing to 273 West Duck Creek Road, Clayton, DE 19938.

BASIC FINANCIAL STATEMENTS

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRRENT ASSETS:	
Cash and cash equivalents	$ 3,205,127
Accounts receivable	43,920
Total Current Assets	3,249,047
NONCURRENT ASSETS:	
Land	1,585,906
Depreciable capital assets, net	9,520,721
Total Noncurrent Assets	11,106,627
TOTAL ASSETS	14,355,674
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions	316,927
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 14,672,601
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	$ 46,736
Accrued salaries	526,295
Accrued interest	39,570
Current portion bond and note payable	199,497
Total Current Liabilities	812,098
NONCURRENT LIABILITIES:	
Bond and note payable	12,126,125
Compensated absences	176,752
Net pension liability	518,209
Total Noncurrent Liabilities	12,821,086
TOTAL LIABILITIES	13,633,184
DEFERRED INFLOWS OF RESOURCES	
Deferred pension contributions	823,528
Derivative investment liability	314,195
Total Deferred Inflows of Resources	1,137,723
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	14,770,907
NET POSITION (DEFICIT)	
Net investment in capital assets	(1,218,995)
Unrestricted	1,120,689
TOTAL NET POSITION (DEFICIT)	(98,306)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	$ 14,672,601

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

		Program Revenues			
	Expenses	Charges for Services	Operating Grans and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional services	$ (4,614,946)	$ 67,712	$ 256,433	$ -	$ (4,290,801)
Support services:					
Operation and maintenance of facilities	(660,720)	2,390	-	-	(658,330)
Transportation	(533,354)	-	-	-	(533,354)
School food services	(227,877)	106,506	145,340	-	23,969
Interest on long-term debt	(585,687)	-	-	-	(585,687)
TOTAL GOVERNMENT ACTIVITIES	$ (6,622,584)	$ 176,608	$ 401,773	$ -	(6,044,203)

GENERAL REVENUES	
Charges to school districts	794,469
State aid not restricted to specific purposes	5,125,407
Earnings on cash and investments	172,752
Contributions	65,078
Other local sources	213,709
TOTAL GENERAL REVENUES	6,371,415
CHANGE IN NET POSITION	327,212
NET POSITION (DEFICIT), BEGINNING OF YEAR - RESTATED	(425,518)
NET POSITION (DEFICIT), END OF YEAR	$ (98,306)

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and cash equivalents	$ 3,177,347	$ 27,780	$ 3,205,127
Accounts receivable	43,920	-	43,920
TOTAL ASSETS	$ 3,221,267	$ 27,780	$ 3,249,047
LIABILITIES AND FUND BALANCES			
LIIABILITIES:			
Accounts payable	$ 46,736	$ -	$ 46,736
Accrued salaries and benefits	526,295	-	526,295
TOTAL LIABILITIES	573,031	-	573,031
FUND BALANCES			
Restricted	-	27,780	27,780
Assigned	6,261	-	6,261
Unassigned	2,641,975	-	2,641,975
TOTAL FUND BALANCES	2,648,236	27,780	2,676,016
TOTAL LIABILITIES AND FUND BALANCES	$ 3,221,267	$ 27,780	$ 3,249,047

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		$ 2,676,016
The total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statements of net position.		11,106,627
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Bonds and note payable	$ (12,325,622)	
Accrued interest	(39,570)	
Compensated absences	(176,752)	
Net pension liability	(518,209)	(13,060,153)
Governments are required to report investment derivative instruments at fair value in their statement of net position but not at the fund level. Fair value of the investment derivative is recorded at year end.		(314,195)
Deferred inflows and outflows related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.		
Deferred outflows - pension contributions	316,927	
Deferred inflows	(823,528)	(506,601)
TOTAL NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		$ (98,306)

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Debt Service Fund	Total
REVENUES			
Charges to school districts	$ 794,469	$ -	$ 794,469
State sources	5,125,407	-	5,125,407
Federal sources	401,773	-	401,773
Food service revenue	106,506	-	106,506
Earnings on cash and cash investments	15,303	-	15,303
Facilities rental	2,390	-	2,390
Summer camp	67,712	-	67,712
Contributions	65,078	-	65,078
Miscellaneous revenue	213,709	-	213,709
TOTAL REVENUES	6,792,347	-	6,792,347
EXPENDITURES			
Current:			
Instructional services	4,756,136	-	4,756,136
Operation and maintenance of facilities	355,102	32	355,134
Transportation	403,611	-	403,611
Food services	232,462	-	232,462
Capital outlays	322,081	-	322,081
Debt service:			
Principal	115,000	71,004	186,004
Interest	342,198	244,356	586,554
TOTAL EXPENDITURES	6,526,590	315,392	6,841,982
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	265,757	(315,392)	(49,635)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	343,172	343,172
Transfers out	(343,172)	-	(343,172)
TOTAL OTHER FINANCING SOURCES (USES)	(343,172)	343,172	-
NET CHANGE IN FUND BALANCES	(77,415)	27,780	(49,635)
FUND BALANCES, BEGINNING OF YEAR - RESTATED	2,725,651	-	2,725,651
FUND BALANCES, END OF YEAR	$ 2,648,236	$ 27,780	$ 2,676,016

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (49,635)
Amounts reported for governmental activities in the statement of activities are different because:		
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $25,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Capital outlays	$ 285,238	
Depreciation expense	(398,486)	(113,248)
The issuance of long-term debt (e.g., notes, leases) 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.		
Principal payments on bonds and note payable		186,004
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		158,317
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(17,882)
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.		163,656
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 327,212

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Providence Creek Academy Charter School, Inc. (the "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. An initial charter is 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 a charter school receives local, state, and federal funds, they may not charge tuition.

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

Reporting Entity

The School is a special purpose government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Amounts reported as program revenues include 1) charges to students for special fees, supplies, food, 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.

Separate financial statements are provided for the governmental funds.

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

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

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

The School reports the following major governmental funds:

General Fund – The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Debt Service Fund – These funds are maintained to accumulate resources for the payment of interest and principal on long-term general obligation debt.

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental funds. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2015, the School had encumbrances outstanding in the amount of $6,261.

Receivables

The School considers all accounts receivable at year end to be collectible; therefore, no allowance for doubtful accounts has been recorded.

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

Capital Assets

Capital assets, which include land improvements and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

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

Land improvements	15 years
Buildings	40 years
Furniture and equipment	5 - 7 years
Vehicles	5 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 fund only when the liability matures, for example, as a result of employee resignations and retirements.

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 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. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50 percent of the per diem rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

Earned unused sick leave may be transferred to another state agency if the employee remains a state employee or is later rehired as a state employee. Sick time does not accrue while an employee is on leave of absence, unless otherwise required by law.

The School's compensated absences liability was $176,752 at June 30, 2015.

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

Fund Equity

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

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

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 Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

Net Position

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

Income Tax Status

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

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

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the School's tax returns. Management has determined that the School does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the School's tax returns will not be challenged by the taxing authorities and that the School will not be subject to additional tax, penalties, and interest as a result of such challenge. Income tax returns of the School for 2012, 2013, and 2014 are subject to examination by tax authorities, generally for three years after they were filed.

Use of Estimates

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

Implementation of GASB Statements

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

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

Deferred Inflows/Outflows of Resources

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

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2015, the School has a cash equivalent balance of $3,205,127. Of that amount, $3,174,980 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2015, the reported amount of the School's deposits not held with the State Treasurer's Office was $30,147, and the bank balance was $30,586. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

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

	Balance 07/01/14	Increases	Decreases	Balance 06/30/15
Government Activities				
Capital assets not being depreciated:				
Land	$ 1,585,906	$ -	$ -	$ 1,585,906
Capital assets being depreciated:				
Land improvements	49,500	-	-	49,500
Buildings	10,617,734	-	-	10,617,734
Furniture and equipment	568,120	-	-	568,120
Vehicles	418,019	285,238	-	703,257
Total Capital Assets Being Depreciated	11,653,373	285,238	-	11,938,611
Accumulated depreciation	(2,019,404)	(398,486)	-	(2,417,890)
Total Capital Assets Being Depreciated, Net	9,633,969	(113,248)	-	9,520,721
Governmental Activities, Net	$ 11,219,875	$ (113,248)	$ -	$ 11,106,627

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following governmental activities:

Operation and maintenance of facilities	$ 268,743
Transportation	129,743
	$ 398,486

NOTE 4 LONG-TERM DEBT

On December 1, 2009, the School issued $6,835,000 of Taxable Series 2008A Bonds. The bonds bear interest at 3.51%, interest payments are payable semi-annually on December 1 and June 1 each year. The bonds mature December 1, 2038.	$ 6,625,000
On December 1, 2009, the School entered into a note agreement with USDA in the principal amount of $6,000,000. The note was for the financing of the School building and is collateralized by the building, supplies, furniture and fixtures, equipment, and vehicles of the School. The note bears interest at 4.25% and calls for monthly payments consisting of principal and interest of $26,280. The note matures December 1, 2049.	5,700,622
TOTAL BONDS AND NOTES PAYABLE	$ 12,325,622

A schedule of changes in debt is as follows:

	Balance 07/01/14	Additions	Deletions	Balance 06/30/14	Amounts Due within One Year
Bonds payable	$ 6,740,000	$ -	$ 115,000	$6,625,000	$ 125,000
Note payable	5,771,626	-	71,004	5,700,622	74,497
	12,511,626	-	186,004	12,325,622	199,497
Compensated absences	158,870	17,882	-	176,752	
	$12,670,496	$ 17,882	$ 186,004	$12,502,374	$ 199,497

Interest expense was $585,687 for the year ended June 30, 2015.

NOTE 4 LONG-TERM DEBT (cont'd)

The total principal and interest maturities are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 199,497	$ 473,401	$ 672,898
2017	207,725	465,785	673,510
2018	221,094	457,853	678,947
2019	234,608	449,425	684,033
2020	248,275	440,493	688,768
2021 - 2025	1,457,185	2,110,394	3,567,579
2026 - 2030	1,925,853	1,741,310	3,667,163
2031 - 2035	2,547,562	1,333,984	3,881,546
2036 - 2040	2,828,938	798,097	3,627,035
2041 - 2045	1,173,174	403,626	1,576,800
2046 - 2050	1,281,711	127,994	1,409,705
	$12,325,622	$ 8,802,362	$21,127,984

NOTE 5 FUND BALANCE

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

	General Fund	Debt Service Fund	Total
Restricted:			
Debt service	$ -	$ 27,780	$ 27,780
Assigned			
Encumbrances	6,621	-	6,621
Unassigned	2,641,975	-	2,641,975
Total Fund Balance	$ 2,648,236	$ 27,780	$ 2,676,016

NOTE 6 INVESTMENT DERIVATIVE INSTRUMENT

In June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" ("GASB 53"). GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. All derivatives are to be reported on the statement of net position at fair value; depending on whether a derivative is deemed a hedge or an investment instrument under GASB 53, the changes in fair value are reported either on the statement of net position as a deferral, or in the statement of activities as investment revenue or loss.

NOTE 6 INVESTMENT DERIVATIVE INSTRUMENT (cont'd)

The School engaged an independent party to perform the valuation on the derivative instrument that it holds, a basis swap. Under GASB 53, the School's basis swap does not qualify since there is no identified financial risk being hedged by the basis swap that can be expressed as an investment derivative, and the change in fair value is reported in the statement of activities.

Terms and Fair Value

The terms and value of the School's Swap Portfolio are as follows:

	Initial Notional	Start Date	Maturity Date	Market Value
Investment Derivative Basis Swap	$ 6,835,000	12/18/09	01/05/17	$ (314,195)

Credit Risk

As of June 30, 2015, the School was not exposed to credit risk on its outstanding swap. The School is exposed to credit risk in the amount of the derivative's fair value. This amount may increase if interest rates increase in the future. However, when interest rates decline and the fair value of the swaps is negative, the School is not exposed to credit risk. The School will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Basis Risk

Basis risk is the risk that the interest rate paid by the School on the underlying variable rate nods to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The School bears risk on its swap. The swap has basis risk since the School receives a percentage of LIBOR to offset the actual variable bond rate the School pays on its bonds. The School is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the School pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Tax Risk

Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the School's underlying variable-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds; e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The School is receiving 67 percent of LIBOR (a taxable index) on the swaps and would experience a shortfall relative to the rate paid on its bonds if marginal tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

NOTE 6 INVESTMENT DERIVATIVE INSTRUMENT (cont'd)

Termination Risk

The School or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contracts. If the swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the School would be liable to the counterparty for a payment equal to the swap's fair value.

NOTE 7 PENSION PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2014. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

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

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0 percent and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by

NOTE 7 PENSION PLAN (cont'd)

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

Vesting

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

Retirement

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

Disability Benefits

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

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 75 percent with a three percent reduction of the benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

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

NOTE 7 PENSION PLAN (cont'd)

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2015, the rate of the employer contribution was 9.56 percent of covered payroll. The School's contribution to PERS for the years ended June 30, 2015, 2014, and 2013 was $242,346, $249,862, and $252,603, respectively.

PRI Contribution

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

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

At June 30, 2015, the School reported a liability of $518,209 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the School's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School's proportion was 0.1407 percent, which was an increase of 0.0079 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School recognized a net negative pension expense of $163,656. At June 30, 2015, 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	$ -	$ 823,528
Changes in proportions	71,441	-
Difference between employer contributions and proportionate share of total contributions	3,140	-
Contributions subsequent to the date of measurement	242,346	-
	$ 316,927	$ 823,528

NOTE 7 PENSION PLAN (cont'd)

An amount of $242,346 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date (June 30, 2014) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ 190,966
2017	190,966
2018	190,966
2019	190,966
2020	(14,917)
	$ 748,947

Actuarial Assumptions

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

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

The total pension liabilities are measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Mortality rates were based on the Sex Distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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

NOTE 7 PENSION PLAN (cont'd)

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

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

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

Discount Rate

The discount used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board of Pension Trustees, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent), or one percentage point higher (8.2 percent) than the current rate.

NOTE 7 PENSION PLAN (cont'd)

	1% Decrease 6.2%	Current Rate Discount Rate 7.2%	1% Increase 8.2%
School's proportionate share of the net pension liability	$ 1,941,597	$ 518,209	$ (685,081)

Pension Plan Fiduciary Net Position

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

NOTE 8 LEASING ARRANGEMENTS

The School leases its copier equipment under three operating lease arrangements expiring through March 2018. Total rental expense for the year ended June 30, 2015 was $10,053.

At June 30, 2015, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

Year Ending June 30,	
2016	$ 10,983
2017	10,734
2018	2,497
Total	$ 24,214

NOTE 9 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 any of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

NOTE 10 COMMITMENTS AND CONTINGENCIES (cont'd)

Grants

The School receives significant 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 is subject to audit by the State Office of Auditor of Accounts. 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 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Communications	$	7,295
Public utilities service	$	7,149
Insurance	$	237
Land, buildings, and facilities	$	17,011
Capital outlay - equipment	$	3,381

The excess expenditures were covered by amounts under budget in other areas.

NOTE 12 PRIOR PERIOD RESTATEMENT

The School has restated its July 1, 2014 beginning net position in the governmental activities based on errors detected in recording the cash balances, receivables, accrued salaries and benefits, cost basis and calculation of depreciation on capital assets, compensated absences, and accrued interest. The net result of these changes was an increase to net position of $273,376.

In addition, the School has decreased its July 1, 2014 net position by $1,188,466 due to the effects of implementing GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." The School recorded a beginning deferred outflow for pension contributions of $249,862 and a beginning net pension liability of $1,438,328.

In total, the School decreased its July 1, 2014 beginning net position by $915,090.

The School has restated its July 1, 2014 beginning fund balance of the general fund based on errors detected in recording the cash balances, receivables, accrued salaries and benefits, and compensated absences. The net result of these changes was an increase to fund balance of $311,624.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 15, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BUDGETARY COMPARSION SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges to school districts	$ 794,467	$ 794,469	$ 2
State sources	5,276,861	5,125,407	(151,454)
Federal sources	306,457	401,773	95,316
Food service revenue	261,081	106,506	(154,575)
Earnings on cash and cash investments	-	15,303	15,303
Facilities rental	-	2,390	2,390
Summer camp	-	67,712	67,712
Contributions	-	65,078	65,078
Miscellaneous revenue	293,749	213,709	(80,040)
	6,932,615	6,792,347	(140,268)
EXPENDITURES			
Current:			
Salaries	3,201,392	3,176,668	24,724
Employment costs	1,321,261	1,312,523	8,738
Travel	2,000	1,473	527
Contractual services	322,700	279,006	43,694
Communications	4,000	11,295	(7,295)
Public utilities service	173,500	180,649	(7,149)
Insurance	68,000	68,237	(237)
Transportation	6,720	6,126	594
Land, buildings, and facilities	2,300	19,311	(17,011)
Repairs and maintenance	89,700	86,907	2,793
Supplies and materials	613,964	605,116	8,848
Capital outlays:			
Equipment	318,700	322,081	(3,381)
Debt service:			
Principal	432,000	115,000	317,000
Interest	350,000	342,198	7,802
TOTAL EXPENDITURES	6,906,237	6,526,590	379,647
EXCESS OF REVENUES OVER EXPENDITURES	26,378	265,757	239,379
OTHER FINANCING USES			
Transfers out	-	(343,172)	(343,172)
NET CHANGE IN FUND BALANCE	26,378	(77,415)	(103,793)
FUND BALANCE, BEGINNING OF YEAR - RESTATED	2,725,651	2,725,651	-
FUND BALANCE, END OF YEAR	$ 2,752,029	$ 2,648,236	$ (103,793)

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

PROPORTIONATE SHARE OF NET PENSION LIABILITY	JUNE 30, 2014
School's proportion of the net pension liability	0.1407%
School's proportion of the net pension liability - dollar value	$ 518,209
School's covered employee payroll	$ 2,613,616
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	19.83%
Plan fiduciary net position as a percentage of the total pension liability	95.80%
CONTRIBUTIONS	
Contractually required contribution	$ 246,094
Contributions in relation to the contractually required contribution	249,862
Contribution excess	$ (3,768)
School's covered employee payroll	$ 2,613,616
Contributions as a percentage of covered-employee payroll	9.56%

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

SUPPLEMENTARY INFORMATION

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 3015

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and cash equivalents	$ 28,766	$ 3,148,581	$ -	$ 3,177,347
Accounts receivable	-	-	43,920	43,920
Due from other funding source	-	7,467	-	7,467
TOTAL ASSETS	$ 28,766	$ 3,156,048	$ 43,920	$ 3,228,734
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	$ 6,390	$ 40,346	$ -	$ 46,736
Accrued salaries and benefits	475,254	14,588	36,453	526,295
Due to other funding source	-	-	7,467	7,467
TOTAL LIABILITIES	481,644	54,934	43,920	580,498
FUND BALANCES (DEFICIT):				
Restricted	-	6,261	-	6,261
Unassigned (deficit)	(452,878)	3,094,853	-	2,641,975
TOTAL FUND BALANCE (DEFICIT)	(452,878)	3,101,114	-	2,648,236
TOTAL LIABILITIES AND FUND BALANCES	$ 28,766	$ 3,156,048	$ 43,920	$ 3,228,734

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 3014

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	$ -	$ 794,469	$ -	$ 794,469
State sources	5,125,407	-	-	5,125,407
Federal sources	-	-	256,433	256,433
Food service revenue	-	106,506	145,340	251,846
Earnings on cash and cash investments	-	15,303	-	15,303
Facilities rental	-	2,390	-	2,390
Summer camp	-	67,712	-	67,712
Contributions	-	65,078	-	65,078
Miscellaneous revenue	-	213,709	-	213,709
TOTAL REVENUES	5,125,407	1,265,167	401,773	6,792,347
EXPENDITURES				
Current:				
Instructional services	3,781,522	718,181	256,433	4,756,136
Operation and maintenance of facilities	329,115	25,987	-	355,102
Transportation	403,611	-	-	403,611
Food services	-	87,122	145,340	232,462
Capital outlays	297,536	24,545	-	322,081
Debt service	91,596	365,602	-	457,198
TOTAL EXPENDITURES	4,903,380	1,221,437	401,773	6,526,590
EXCESS OF REVENUES OVER EXPENDITURES	222,027	43,730	-	265,757
OTHER FINANCING USES				
Transfer in (out)	(214,633)	(128,539)	-	(343,172)
TOTAL OTHER FINANCING USES	(214,633)	(128,539)	-	(343,172)
NET CHANGE IN FUND BALANCES	7,394	(84,809)	-	(77,415)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR - RESTATED	(460,272)	3,185,923	-	2,725,651
FUND BALANCES (DEFICIT), END OF YEAR	$ (452,878)	$ 3,101,114	$ -	$ 2,648,236

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

EXPENDITURES	
Current:	
Salaries	$ 3,176,668
Employment costs	1,312,523
Travel	1,473
Contractual services	279,006
Communications	11,295
Public utilities service	180,649
Insurance	68,237
Transportation	6,126
Land, buildings, and facilities	19,311
Repairs and maintenance	86,907
Supplies and materials	605,148
Capital outlays:	
Equipment	322,081
Debt service:	
Principal	186,004
Interest	586,554
TOTAL EXPENDITURES	$ 6,841,982

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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 15, 2015

Board of Directors
Providence Creek Academy Charter School, Inc.
Clayton, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Providence Creek Academy Charter School, Inc., (the "School") Clayton, Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The School's basic financial statements, and have issued our report thereon dated September 15, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items #2015-001, #2015-002, #2015-003, and #2015-004 to be material weaknesses.

BARBACANE THORNTON & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Providence Creek Academy Charter School, Inc.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and recommendations as item #2015-002.

Providence Creek Academy Charter School, Inc.'s Response to Findings

The School's responses to the findings identified in our report are described in the accompanying schedule of findings and recommendations. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion those responses.

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP

BARBACANE THORNTON & COMPANY LLP

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2015-001

EXPENDITURE CONTROLS

Condition

During our current year audit, we selected a sample of 40 cash disbursements and tested controls over cash disbursements. Our test yielded six instances where controls were not operating effectively. The errors included five instances where the invoice or other supporting documentation for the expenditure did not exist and one instance where the only approval was by the Business Manager.

Criteria

The School has established policies and procedures for the purchase of goods and services and for the payment of such. In order to process payment, the approved purchase order or purchase memo is to be accompanied by the invoice and Smart Voucher and approved for payment by the Head of School and Board President.

Effect

The School's internal controls over expenditures were not operating effectively. As a result, the School had a misappropriation of funds.

Cause

Management override of controls.

Recommendation

All invoices received should be viewed by an appointed member of management to ensure that the invoice is properly coded to a reasonable account, the invoice was properly calculated, the good or service being paid was actually received, and the School has adhered to its purchase policy by having an approved purchase order and Smart Voucher. Management should consistently document this review of all invoices to limit the possibility that an unapproved invoice will be paid by the School and to also ensure that invoices are being recorded to the correct accounts.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Management's Response

As of November 1, 2014, Board-approved policies were reinstated and followed. The Board of Directors has established a Board Oversight Committee that meets on a quarterly basis to review Board policies and compliance to Board policies. The Smart Vouchers must have three signatures; Principal, Head of School, and the Board President and or authorized Board member. In addition, each purchase order or voucher must have an invoice and a Principal's Request Form attached with signatures from the Principal and Head of School. The Board of Directors attended Board training, as required by law, in its entirety. The Board Treasurer has a new job description in alignment with the Committee of Sponsoring Organizations ("COSO"), and is to provide oversight of the Finance Department and is not authorized to sign any purchase order or voucher.

2015-002

MANAGEMENT OVERRIDE OF CONTROLS

Condition

During our current year audit, we noted the School had detected a defalcation of assets by the previous Business Manager. Expenditures made via the States Procurement Card ("PCard") were for personal items and other items not allowed under State guidelines.

Criteria

The School has established policies and procedures for the purchase of goods and services and for the payment of such. In order to process payment, the approved purchase order or purchase memo is to be accompanied by the invoice and Smart Voucher and approved for payment by the Head of School and Board President.

Effect

The School had a misappropriation of funds.

Cause

Management override of controls.

Recommendation

In general terms, the School should utilize the Committee of Sponsoring Organizations ("COSO") internal control framework as a guide to developing strong internal controls that support good fiscal operations and that aid in the prevention and detection of fraud, waste, and abuse. We recommend that the Board of Directors revisit their policies and procedures and take steps to ensure that the proper controls are in place, followed, and well documented.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Management's Response

Providence Creek Academy ("PCA") no longer has a PCard. The PCard was terminated due to misuse. If PCA requests a PCard in the future, a policy will be developed using guidelines recommended by COSO.

2015-003

CAPITAL ASSET LISTING

Condition

During our current year audit, we noted that the School does not maintain a detailed capital asset listing.

Criteria

The School follows the State's capitalization policy. The School defines capital assets as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. These assets should be maintained in a detailed schedule which include depreciation calculations.

Cause

Management's reliance on the outside auditor to maintain the detailed capital asset listing.

Effect

The School did not have the appropriate backup to support the capital asset balances in the financial statements. This resulted in additional procedures to determine the capital assets of the school and the correction of errors in recording the asset balances contained in the financial statements.

Recommendation

We recommend that the School maintain a detailed capital asset listing with depreciation calculations that provide support to the amounts recorded in the School's financial statements.

Management's Response

PCA will follow the Board Approved Fixed Asset Capitalization Policy dated and approved by the Board of Directors on August 14, 2004. Per Policy, an inventory will be conducted and maintained. In addition, a Capital Asset Detail Listing will be established after detailed information is received from Barbacane, Thornton & Company LLP to reflect the status as of June 30, 2015 and will be added to the Fixed Asset Capitalization Policy. Each year, this Capital Asset Listing will be reviewed prior to each annual audit.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2015-004

MATERIAL PRIOR PERIOD ADJUSTMENTS

Condition

During our current year audit, we noted that the School recorded prior period adjustments that were material to the financial statements dated as of June 30, 2014.

Criteria

Based on errors detected in recording the cash balances, receivables, accrued salaries and benefits, cost basis and calculation of depreciation on capital assets, compensated absences, and accrued interest, the School restated its beginning net position in the governmental activities . The net result of these changes was an increase to net position of $273,376.

Based on errors detected in recording the cash balances, receivables, accrued salaries and benefits, and compensated absences, the School restated its beginning fund balance of the general fund. The net result of these changes was an increase to fund balance of $311,624.

Effect

The School recognized a material increase in the beginning balances of net position and fund balance for the general fund for the year ended June 30, 2015.

Cause

Lack of experience in governmental reporting at the management level.

Recommendation

The School should be responsible for timely review and reconciliation of the annual financial statements in order to determine that the amounts reported in the statements are accurate and correct.

Management's Response

We agree with the recommendation. Each year when the annual audit is presented, the Citizen Budget Oversight Committee will review and accept the audit prior to Board approval and submission to the Department of Education and the Auditor of Accounts. This will assure that accurate totals are provided. Management has taken an active role in terminating our contract with the previous auditors due to concerns in this area. A Board policy will be implemented during the October 27, 2015 Board meeting.