



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

FINANCIAL STATEMENTS

JUNE 30, 2018

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

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

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INDEPENDENT AUDITOR'S REPORT

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September 28, 2018

Board of Directors
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, 2018, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

**BARBACANE
THORNTON
& COMPANY**
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Providence Creek Academy Charter School, Inc.

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, 2018, 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. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the School's other postemployment benefits. As a result, the beginning governmental activities net position has been restated. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Providence Creek Academy Charter School, Inc.'s 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 10, 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 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Providence Creek Academy Charter School, Inc.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the School's financial performance provides an overview of the financial activities for the year ended June 30, 2018. 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 11.

FINANCIAL HIGHLIGHTS

The net position of the School decreased by \$950,904, or 7.33 percent. Program revenues accounted for \$572,395, or 8.30 percent of total revenues, and the general revenues accounted for \$6,321,725, or 91.70 percent of total revenues. Also, the general fund reported a positive fund balance of \$1,851,936.

The school implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The purpose of this statement is to improve transparency, consistency, and comparability of postemployment benefits other than pensions reported by state and local governments (e.g. charter schools and school districts). The implementation of GASB Statement No. 75 has had an impact on the entity-wide statements. The School is now required to report its proportionate share of the net other post-employment benefits ("OPEB") liability. This portion of the net OPEB liability was a major factor in the total deficit in net position of \$13,919,208. The net OPEB liability reported in these financial statements at June 30, 2018 totals \$11,999,194. While the net OPEB liability is significant to the School's financial statements, it is a liability that the School has limited control over. This liability is anticipated to continue to increase in future years as medical costs increase. Reporting in the governmental fund is not affected by the implementation of this statement.

The largest changes in the School's statement of net position compared to FY 2017 can be seen in the deferred inflows of resources. Deferred inflows increased by \$1,406,551. This increase was mainly driven by the implementation of GASB Statement No. 75 during the fiscal year.

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

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 13. 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 \$13,919,208 at the close of the fiscal year. The School's total assets are comprised of cash and equivalents (20.04 percent), accounts receivable (0.37 percent), and capital assets net of depreciation (79.59 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 2018 to 2017 follows:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

TABLE 1
NET POSITION
June 30, 2018 and 2017

	2018	2017
Current and Other Assets		
Current assets	\$ 2,599,613	\$ 2,778,452
Capital assets, net of depreciation	10,136,573	10,497,290
Total Assets	<u>12,736,186</u>	<u>13,275,742</u>
Deferred Outflows of Resources	1,716,624	1,631,487
Total Assets and Deferred Outflows of Resources	<u>14,452,810</u>	<u>14,907,229</u>
Liabilities		
Current liabilities	975,804	899,203
Long-term liabilities	25,908,563	26,895,230
Total Liabilities	<u>26,884,367</u>	<u>27,794,433</u>
Deferred Inflows of Resources	1,487,651	81,100
Total Liabilities and Deferred Inflows of Resources	<u>28,372,018</u>	<u>27,875,533</u>
Net Deficit		
Net investment in capital assets	(1,642,290)	(1,421,075)
Restricted	52,560	26,280
Unrestricted (deficit)	(12,329,478)	(11,573,509)
Total Net Deficit	<u>\$(13,919,208)</u>	<u>\$(12,968,304)</u>

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
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
General Revenues		
Charges to school districts	\$ 838,606	\$ 884,978
State aid not restricted to specific purposes	5,238,106	5,349,915
Earnings on cash and cash equivalents	13,106	167,081
Other revenues	231,907	328,041
Total General Revenues	<u>6,321,725</u>	<u>6,730,015</u>
Program Revenues		
Federal aid	338,671	381,432
Facilities rental	5,649	5,645
School cafeteria fees	123,752	181,053
Summer camp fees	104,323	104,099
Total Revenues	<u>6,894,120</u>	<u>7,402,244</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
Expenses		
Instructional services	5,802,336	5,572,481
Support services:		
Operation and maintenance of facilities	571,270	575,720
Transportation	723,959	743,501
School food services	310,959	259,508
Interest on long-term debt	436,500	534,933
Total Expenses	7,845,024	7,686,143
Change in Net Deficit	\$ (950,904)	\$ (283,899)

Government Activities

The net position of the School's governmental activities decreased by \$950,904, and unrestricted net position reflects a negative balance of \$12,329,478. The decrease in net position is attributable to the increase in instructional services expenses and decrease in overall revenue.

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			
	2018		2017	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	\$ 5,802,336	\$ 5,491,037	\$ 5,572,481	\$ 5,223,659
Support services:				
Operation and maintenance of facilities	571,270	565,621	575,720	570,075
Transportation	723,959	723,959	743,501	743,501
School food services	310,959	55,512	259,508	(58,254)
Interest on long-term debt	436,500	436,500	534,933	534,933
Total Expenses	\$ 7,845,024	\$ 7,272,629	\$ 7,686,143	\$ 7,013,914

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

THE SCHOOL'S FUNDS

The governmental funds (as presented on the balance sheet on page 13) reported a fund balance of \$1,904,496, which is a decrease from the prior year's amount by \$234,132. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2017 to June 30, 2018.

	2018	2017	Increase (Decrease)
Governmental Fund Balance			
Restricted - debt service	\$ 52,560	\$ 26,280	\$ 26,280
Unassigned - general fund	1,851,936	2,112,348	(260,412)
Total Fund Balance	\$ 1,904,496	\$ 2,138,628	\$ (234,132)

General Fund

The decrease in the School's fund balance of the general fund is due mainly to increases in expenditures for food service and capital outlay. This was furthered by decreases in the level of funding from charges to school districts, state sources, federal sources, food services, investments, contributions, and miscellaneous revenues. Expenditures for food services increased as well; however, they increased at a lower level than 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 (%) Change
	2018	2017	
Revenues			
Charges to school districts	\$ 838,606	\$ 884,978	-5.24%
State sources	5,238,106	5,349,915	-2.09%
Federal sources	338,671	381,432	-11.21%
Food service revenue	123,752	181,053	-31.65%
Earnings on cash and cash investments	13,106	27,701	-52.69%
Facilities rental	5,649	5,645	0.07%
Summer camp	104,323	104,099	0.22%
Contributions	1,956	17,574	-88.87%
Miscellaneous revenue	229,951	310,467	-25.93%
Total Revenues	\$ 6,894,120	\$ 7,262,864	-5.08%

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

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 (%) Change
	2018	2017	
Expenditures by Object			
Instructional services	\$ 5,306,082	\$ 5,531,348	-4.07%
Support services:			
Operation and maintenance of facilities	276,247	299,828	-7.86%
Transportation	548,985	568,827	-3.49%
School food services	310,959	256,060	21.44%
Capital outlay	109,280	7,149	1428.61%
Debt services	344,340	430,832	-20.08%
Total Expenditures by Object	<u>\$ 6,895,892</u>	<u>\$ 7,094,012</u>	<u>-2.79%</u>

GENERAL FUND BUDGET INFORMATION

The School's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the general fund. The School may amend its revenue and expenditure estimates periodically due to changing conditions. The original budget was not amended during fiscal year 2018.

For the fiscal year ended June 30, 2018, actual revenues came in under anticipated amounts by \$58,662 and actual expenditures came in under budget by \$97,590.

CAPITAL ASSETS

The School has \$10,136,573 invested in capital assets, net of depreciation. During the current year, the School purchased a new school bus for \$83,000 and incurred depreciation of \$443,717.

DEBT ADMINISTRATION

As of June 30, 2018, the School had total outstanding debt of \$11,778,863 in the form of bonds, a loan, and a note payable. Detailed information regarding long-term debt activity is included in Note 4 to the financial statements. A new loan was issued in the 2017 - 2018 year in the amount of \$83,000.

Other obligations include the net pension liability, net OPEB liability, accrued vacation pay, and sick leave for School employees. More detailed information about long-term liabilities is included in Notes 4, 6, and 7 to the financial statements.

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018**

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.
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,552,812	\$ 2,716,452
Accounts receivable	46,801	63,000
Total Current Assets	<u>2,599,613</u>	<u>2,778,452</u>
NONCURRENT ASSETS:		
Land	1,585,906	1,585,906
Depreciable capital assets, net	8,550,667	8,911,384
Total Noncurrent Assets	<u>10,136,573</u>	<u>10,497,290</u>
TOTAL ASSETS	<u>12,736,186</u>	<u>13,275,742</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	293,402	277,599
Deferred pension	819,899	1,009,087
Deferred OPEB contributions	310,491	344,791
Deferred OPEB	292,832	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,716,624</u>	<u>1,631,487</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 14,452,810</u>	<u>\$ 14,907,229</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,497	\$ 20,918
Accrued salaries	668,620	618,906
Accrued interest	37,588	38,285
Current portion bonds, loan, and note payable	243,099	221,094
Total Current Liabilities	<u>975,804</u>	<u>899,203</u>
NONCURRENT LIABILITIES:		
Bonds, loan, and note payable	11,535,764	11,697,271
Compensated absences	192,968	145,968
Net pension liability	2,180,637	2,200,079
Net OPEB liability	11,999,194	12,851,912
Total Noncurrent Liabilities	<u>26,908,563</u>	<u>26,895,230</u>
TOTAL LIABILITIES	<u>26,884,367</u>	<u>27,794,433</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension	63,077	81,100
Deferred OPEB	1,424,574	-
Total Deferred Inflows of Resources	<u>1,487,651</u>	<u>81,100</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>28,372,018</u>	<u>27,875,533</u>
NET POSITION (DEFICIT):		
Net investment in capital assets	(1,642,290)	(1,421,075)
Restricted	52,560	26,280
Unrestricted (deficit)	(12,329,478)	(11,573,509)
TOTAL NET POSITION (DEFICIT)	<u>(13,919,208)</u>	<u>(12,968,304)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 14,452,810</u>	<u>\$ 14,907,229</u>

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, 2018
(With Summarized Comparative Data for June 30, 2017)

GOVERNMENTAL ACTIVITIES	Program Revenues		Net (Expense) Revenue and Changes in Net Position (Deficit)		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals
		2018	2018	2018	2017
Instructional services	\$ (5,802,336)	\$ 104,323	\$ 206,976	\$ -	\$ (5,223,659)
Support services:					
Operation and maintenance of facilities	(571,270)	5,649	-	-	(565,621)
Transportation	(723,959)	-	-	-	(723,959)
School food services	(310,959)	123,752	131,695	-	(55,512)
Interest on long-term debt	(436,500)	-	-	-	(436,500)
TOTAL GOVERNMENT ACTIVITIES	\$ (7,845,024)	\$ 233,724	\$ 338,671	\$ -	(7,272,629)
GENERAL REVENUES					
Charges to school districts			838,606		884,978
State aid not restricted to specific purposes			5,238,106		5,349,915
Earnings on cash and investments			13,106		167,081
Contributions			1,956		17,574
Other local sources			229,951		310,467
TOTAL GENERAL REVENUES			6,321,725		6,730,015
CHANGE IN NET POSITION			(950,904)		(283,899)
NET POSITION (DEFICIT), BEGINNING OF YEAR			(12,968,304)		(12,684,405)
NET POSITION (DEFICIT), END OF YEAR			\$ (13,919,208)		\$ (12,968,304)

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(With Summarized Comparative Data for June 30, 2017)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	
			<u>2018</u>	<u>2017</u>
ASSETS:				
Cash and cash equivalents	\$ 2,500,252	\$ 52,560	\$ 2,552,812	\$ 2,715,452
Accounts receivable	46,801	-	46,801	63,000
TOTAL ASSETS	<u>\$ 2,547,053</u>	<u>\$ 52,560</u>	<u>\$ 2,599,613</u>	<u>\$ 2,778,452</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 26,497	\$ -	\$ 26,497	\$ 20,918
Accrued salaries and benefits	668,620	-	668,620	618,906
TOTAL LIABILITIES	<u>695,117</u>	<u>-</u>	<u>695,117</u>	<u>639,824</u>
 FUND BALANCES:				
Restricted	-	52,560	52,560	26,280
Unassigned	1,851,936	-	1,851,936	2,112,348
TOTAL FUND BALANCES	<u>1,851,936</u>	<u>52,560</u>	<u>1,904,496</u>	<u>2,138,628</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,547,053</u>	 <u>\$ 52,560</u>	 <u>\$ 2,599,613</u>	 <u>\$ 2,778,452</u>

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, 2018

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 1,904,496

The total net deficit 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.

10,136,573

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bond, loan and note payable	\$ (11,778,863)	
Accrued interest	(37,588)	
Compensated absences	(192,968)	
Net pension liability	(2,180,637)	
Net OPEB liability	<u>(11,999,194)</u>	(26,189,250)

Deferred inflows of resources 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 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	293,402	
Deferred outflows - pension	819,899	
Deferred inflows - pension	<u>(63,077)</u>	1,050,224

Deferred inflows of resources 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 contributions	310,491	
Deferred outflows - OPEB	292,832	
Deferred inflows - OPEB	<u>(1,424,574)</u>	<u>(821,251)</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (13,919,208)

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, 2018
(With Summarized Comparative Data for the Year Ended June 30, 2017)

	General	Debt Service	Total Governmental Funds	
	Fund	Fund	2018	2017
REVENUES				
Charges to school districts	\$ 838,806	\$ -	\$ 838,806	\$ 884,978
State sources	5,238,106	-	5,238,106	5,349,915
Federal sources	338,671	-	338,671	381,432
Food service revenue	123,752	-	123,752	181,053
Earnings on cash and cash investments	13,106	-	13,106	27,701
Facilities rental	5,649	-	5,649	5,645
Summer camp	104,323	-	104,323	104,099
Contributions	1,958	-	1,958	17,574
Miscellaneous revenue	229,951	-	229,951	310,467
TOTAL REVENUES	<u>6,894,120</u>	<u>-</u>	<u>6,894,120</u>	<u>7,262,864</u>
EXPENDITURES				
Current:				
Instructional services	5,306,082	-	5,306,082	5,531,348
Operation and maintenance of facilities	276,247	-	276,247	299,828
Transportation	548,985	-	548,985	568,827
Food services	310,959	-	310,959	266,060
Capital outlays	109,279	-	109,279	7,149
Debt service:				
Principal	141,390	81,112	222,502	207,743
Interest	202,950	234,248	437,198	538,449
TOTAL EXPENDITURES	<u>6,895,892</u>	<u>315,360</u>	<u>7,211,252</u>	<u>7,409,404</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,772)</u>	<u>(315,360)</u>	<u>(317,132)</u>	<u>(146,540)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	83,000	-	83,000	-
Transfers in	-	341,640	341,640	315,392
Transfers out	(341,640)	-	(341,640)	(315,392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(258,640)</u>	<u>341,640</u>	<u>83,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(260,412)</u>	<u>26,280</u>	<u>(234,132)</u>	<u>(146,540)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,112,348</u>	<u>26,280</u>	<u>2,138,628</u>	<u>2,285,168</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,851,936</u>	<u>\$ 52,560</u>	<u>\$ 1,904,496</u>	<u>\$ 2,138,628</u>

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, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (234,132)

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	\$ 83,000	
Depreciation expense	<u>(443,717)</u>	(360,717)

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, loan, and note payable	222,502	
Issuance of loan payable	<u>(83,000)</u>	139,502

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.

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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		(47,000)
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Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(135,930)

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.

(313,324)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES

\$ (950,904)

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO 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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Separate financial statements are provided for the governmental funds.

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 principal and interest 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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Receivables

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

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 \$192,968 at June 30, 2018.

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 or Head of School 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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

Income Tax Status

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

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.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and, therefore, should be read in conjunction with the School's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2018, the School implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefit liability, or, for multi-employer cost sharing plans, the entity's share of the net other postemployment benefit liability, in the entity's financial statements.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2018, the School has a cash and cash equivalents balance of \$2,552,812. Of that amount, \$2,498,656 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, 2018, the reported amount of the School's deposits not held with the State Treasurer's Office was \$54,156, and the bank balance was \$55,455. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	Balance 07/01/17	Increases	Decreases	Balance 06/30/18
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	989,405	83,000	-	1,072,405
Total Capital Assets Being Depreciated	12,224,759	83,000	-	12,307,759
Accumulated depreciation	(3,313,375)	(443,717)	-	(3,757,092)
Total Capital Assets Being Depreciated, Net	8,911,384	(360,717)	-	8,550,667
Governmental Activities, Net	\$10,497,290	\$ (360,717)	\$ -	\$10,136,573

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following governmental activities:

Operation and maintenance of facilities	\$ 268,743
Transportation	<u>174,974</u>
	<u>\$ 443,717</u>

NOTE 4 LONG-TERM DEBT

On December 1, 2009, the School issued \$6,835,000 of Economic Development Revenue Bonds Taxable Series 2008A through Kent County, Delaware for the purchase of land and a building. 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. \$ 6,230,000

On May 1, 2018, the School entered into a secured loan agreement with PNC Bank in the principal amount of \$83,000. The note was for the financing of the purchase of a school bus and is collateralized by the vehicle purchased with the funds. The loan bears interest at 2.25% above the LIBOR rate per annum and calls for monthly payments consisting of principal and interest of \$988. The loan matures June 1, 2025. 81,609

On December 1, 2009, the School entered into a note agreement with the 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. 5,467,254

TOTAL BONDS, LOAN AND NOTE PAYABLE \$11,778,863

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

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18	Amounts Due within One Year
Bonds payable	\$ 6,370,000	\$ -	\$ 140,000	\$ 6,230,000	\$ 150,000
Loan payable	-	83,000	1,391	81,609	8,491
Note payable	5,548,365	-	81,111	5,467,254	84,608
	<u>11,918,365</u>	<u>83,000</u>	<u>222,502</u>	<u>11,778,863</u>	<u>243,099</u>
Net pension liability	2,200,079	-	19,442	2,180,637	-
Net OPEB liability	12,851,912	-	852,718	11,999,194	-
Compensated absences	145,968	47,000	-	192,968	-
	<u>\$ 27,116,324</u>	<u>\$ 130,000</u>	<u>\$1,094,662</u>	<u>\$ 26,151,662</u>	<u>\$ 243,099</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

Interest expense was \$436,500 for the year ended June 30, 2018.

The total principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 243,099	\$ 452,793	\$ 695,892
2020	257,141	443,484	700,625
2021	271,358	433,651	705,009
2022	285,758	423,284	709,042
2023	300,350	412,374	712,724
2024 - 2028	1,755,583	1,937,349	3,692,932
2029 - 2033	2,280,121	1,510,500	3,790,621
2034 - 2038	3,011,742	1,030,435	4,042,177
2039 - 2043	1,592,736	517,140	2,109,876
2044 - 2048	1,332,407	244,393	1,576,800
2049 - 2050	448,568	15,005	463,573
	<u>\$11,778,863</u>	<u>\$ 7,420,408</u>	<u>\$19,199,271</u>

NOTE 5 FUND BALANCES

As of June 30, 2018, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Restricted:			
Debt service	\$ -	\$ 52,560	\$ 52,560
Unassigned	1,851,936	-	1,851,936
Total Fund Balance	<u>\$ 1,851,936</u>	<u>\$ 52,560</u>	<u>\$ 1,904,496</u>

NOTE 6 PENSION PLAN

Plan Description

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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, 2018. 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 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, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

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

Vesting

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

Retirement

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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 67.7 percent with two percent reduction of the benefit, or 75 percent with a three percent reduction of the benefit, or 100 percent with six percent reduction of benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2018, the rate of the employer contribution was 11.52 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2018 was \$293,402.

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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

At June 30, 2018, the School reported a liability of \$2,180,637 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the School's proportion was 0.1487 percent, which was an increase of 0.0027 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$429,332. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 254,924	\$ -
Changes in proportions	111,335	24,631
Changes in assumptions	428,467	-
Contributions subsequent to the date of measurement	293,402	-
Differences between actual and expected experience	<u>25,173</u>	<u>38,446</u>
	<u>\$1,113,301</u>	<u>\$ 63,077</u>

An amount of \$293,402 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:

<u>Year Ending June 30,</u>	
2019	\$ 104,409
2020	322,009
2021	234,451
2022	21,098
2023	<u>74,855</u>
	<u>\$ 756,822</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return/discount rate – 7.0 percent, including inflation of 2.5 percent
- Salary increases – 2.5 percent to 11.5 percent, including inflation of 2.5 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-2014 Combined Mortality Table projected to 2017 using an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	33.5%
International equity	5.7%	13.7%
Fixed income	2.0%	26.6%
Alternative investments	7.8%	22.7%
Cash and equivalents	0.0%	3.5%

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, 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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 3,925,697	\$ 2,180,637	\$ 701,278

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 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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, 2018. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State of Delaware Employees' Other Postemployment Benefit ("OPEB") Fund Trust is a cost-sharing multiple employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

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

Contributions

Member Contributions

By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members are established and may not be amended by the State Legislature.

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, 2018, the rate of the employer contribution was 12.19 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2018 was \$310,491.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

At June 30, 2018, the School reported a liability of \$11,999,194 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2016 to June 30, 2017. 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, 2017, the School's proportion was 0.1453 percent, which was an increase of 0.0038 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$623,815. At June 30, 2018, 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	\$ -	\$ 23,759
Changes in proportions	292,832	-
Changes in assumptions	-	1,400,815
Contributions subsequent to the date of measurement	310,491	-
	<u>\$ 603,323</u>	<u>\$ 1,424,574</u>

An amount of \$310,491 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (227,535)
2020	(227,535)
2021	(227,535)
2022	(227,535)
2023	(221,602)
	<u>\$ (1,131,742)</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total OPEB liability as of the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.58 percent
- Salary increases – 3.25 percent + merit
- Healthcare cost trend rates – 7.00 percent

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Discount Rate

The discount rate to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2017 and 2016 measurement date are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.58 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58 percent) or one percentage point higher (4.58 percent) than the current rate.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 2.58%	Current Rate Discount Rate 3.58%	1% Increase 4.58%
School's proportionate share of the net OPEB liability	\$ 14,387,552	\$ 11,999,194	\$ 10,138,045

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 7.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate.

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net OPEB liability	\$ 10,159,639	\$ 11,999,194	\$ 14,252,420

Plan Fiduciary Net Position

Detailed information about the Plan's 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 operating lease arrangements expiring through March 2021. Total rental expense for the year ended June 30, 2018 was \$17,091.

At June 30, 2018, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

Year Ending June 30.

2019	\$ 17,512
2020	17,512
2021	2,919
Total	<u>\$ 37,943</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in any of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE 9 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.

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 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$	50,811
Travel	\$	4,399
Student activities	\$	45,138
Capital outlay - equipment	\$	104,341
Capital outlay - property	\$	4,938

The excess expenditures were covered by amounts under budget in other areas and the use of prior year reserves.

NOTE 11 PRIOR PERIOD RESTATEMENT

The School has decreased its July 1, 2016 net position by \$12,507,121 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School recorded a beginning deferred outflow for OPEB contributions of \$344,791 and a beginning net OPEB liability of \$12,851,912.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$12,329,478 includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension liability and net OPEB liability, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension liability and OPEB liability, and the deferred inflows related to the pension and OPEB plans.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 28, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Charges to school districts	\$ 865,525	\$ 838,606	\$ (26,919)
State sources	5,239,890	5,238,106	(1,784)
Federal sources	367,128	338,671	(28,457)
Food service revenue	129,418	123,752	(5,666)
Earnings on cash and cash investments	-	13,106	13,106
Facilities rental	-	5,649	5,649
Summer camp	-	104,323	104,323
Contributions	-	1,956	1,956
Miscellaneous revenue	350,821	229,951	(120,870)
	<u>6,952,782</u>	<u>6,894,120</u>	<u>(58,662)</u>
EXPENDITURES			
Current:			
Salaries	3,492,595	3,543,406	(50,811)
Employment costs	1,734,267	1,587,702	146,565
Travel	-	4,399	(4,399)
Contractual services	398,920	379,604	19,316
Communications	10,000	9,167	833
Public utilities service	175,000	172,542	2,458
Insurance	70,000	66,908	3,092
Land, buildings, and facilities	1,500	-	1,500
Repairs and maintenance	96,500	85,017	11,483
Student activities	-	45,138	(45,138)
Supplies and materials	556,340	548,390	7,950
Capital outlays:			
Equipment	-	104,341	(104,341)
Property	-	4,938	(4,938)
Debt service:			
Principal	250,360	141,390	108,970
Interest	208,000	202,950	5,050
TOTAL EXPENDITURES	<u>6,993,482</u>	<u>6,895,892</u>	<u>97,590</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(40,700)</u>	<u>(1,772)</u>	<u>38,928</u>
OTHER FINANCING USES			
Proceeds from issuance of debt	-	83,000	83,000
Transfers out	(341,640)	(341,640)	-
Contingency reserve	(121,790)	-	121,790
TOTAL OTHER FINANCING USES	<u>(463,430)</u>	<u>(258,640)</u>	<u>204,790</u>
NET CHANGE IN FUND BALANCE	(504,130)	(260,412)	243,718
FUND BALANCE, BEGINNING OF YEAR	<u>2,112,348</u>	<u>2,112,348</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,608,218</u>	<u>\$ 1,851,936</u>	<u>\$ 243,718</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	MEASUREMENT DATE		
	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2014
<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>			
School's proportion of the net pension liability	0.1487%	0.1460%	0.1424%
School's proportion of the net pension liability - dollar value	\$ 2,180,637	\$ 2,200,079	\$ 518,209
School's covered employee payroll	\$ 2,897,693	\$ 2,784,395	\$ 2,613,619
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.25%	79.02%	19.83%
Plan fiduciary net position as a percentage of the total pension liability	85.31%	84.11%	95.80%

Note: The above information is presented 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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
CONTRIBUTIONS				
Contractually required contribution	\$ 293,402	\$ 277,599	\$ 266,745	\$ 241,709
Contributions in relation to the contractually required contribution	293,402	277,599	266,745	241,709
Contribution excess	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 2,546,892	\$ 2,897,693	\$ 2,784,395	\$ 2,528,337
Contributions as a percentage of covered-employee payroll	11.52%	9.58%	9.58%	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.

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 STATE OF DELAWARE EMPLOYEES' OPEB PLAN
 FOR THE YEAR ENDED JUNE 30, 2018**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1453%
School's proportion of the net OPEB liability - dollar value	\$ 11,999,194
School's covered employee payroll	\$ 2,897,693
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 310,491
Contributions in relation to the contractually required contribution	<u>310,491</u>
Contribution excess	<u>\$ -</u>
School's covered employee payroll	\$ 3,029,180
Contributions as a percentage of covered-employee payroll	10.25%

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
 COMBINING BALANCE SHEET - GENERAL FUND
 JUNE 30, 2018

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,500,252	-	\$ 2,500,252
Accounts receivable	-	-	46,801	46,801
Due from other funding source	-	7,188	-	7,188
TOTAL ASSETS	\$ -	\$ 2,507,440	\$ 46,801	\$ 2,554,241
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 24,486	2,011	-	\$ 26,497
Accrued salaries and benefits	578,820	50,187	39,613	668,620
Due to other funding source	-	-	7,188	7,188
TOTAL LIABILITIES	\$ 603,306	\$ 52,198	\$ 46,801	\$ 702,305
FUND BALANCES (DEFICIT):				
Assigned	-	-	-	-
Unassigned (deficit)	(603,306)	2,455,242	-	1,851,936
TOTAL FUND BALANCE (DEFICIT)	(603,306)	2,455,242	-	1,851,936
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 2,507,440	\$ 46,801	\$ 2,554,241

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Totals</u>
REVENUES				
Charges to school districts	-	\$ 838,606	-	\$ 838,606
State sources	5,238,106	-	-	5,238,106
Federal sources	-	-	206,976	206,976
Food service revenue	-	123,752	131,695	255,447
Earnings on cash and cash investments	-	13,106	-	13,106
Facilities rental	-	5,649	-	5,649
Summer camp	-	104,323	-	104,323
Contributions	-	1,956	-	1,956
Miscellaneous revenue	-	229,951	-	229,951
TOTAL REVENUES	<u>5,238,106</u>	<u>1,317,343</u>	<u>338,671</u>	<u>6,894,120</u>
EXPENDITURES				
Current				
Instructional services	4,095,076	1,004,030	206,976	5,306,082
Operation and maintenance of facilities	56,114	220,133	-	276,247
Transportation	548,985	-	-	548,985
Food services	71,898	107,366	131,695	310,959
Capital outlays	8,833	100,446	-	109,279
Debt service	342,314	2,026	-	344,340
TOTAL EXPENDITURES	<u>5,123,220</u>	<u>1,434,001</u>	<u>338,671</u>	<u>6,895,892</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>114,886</u>	<u>(116,658)</u>	<u>-</u>	<u>(1,772)</u>
OTHER FINANCING USES				
Proceeds from issuance of debt	-	83,000	-	83,000
Transfer out	(197,682)	(143,958)	-	(341,640)
TOTAL OTHER FINANCING USES	<u>(197,682)</u>	<u>(60,958)</u>	<u>-</u>	<u>(258,640)</u>
NET CHANGE IN FUND BALANCES	<u>(82,796)</u>	<u>(177,616)</u>	<u>-</u>	<u>(260,412)</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(520,510)</u>	<u>2,632,858</u>	<u>-</u>	<u>2,112,348</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (603,306)</u>	<u>\$ 2,455,242</u>	<u>\$ -</u>	<u>\$ 1,851,936</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXPENDITURES

Current:

Salaries	\$ 3,543,406
Employment costs	1,587,702
Travel	4,399
Contractual services	379,604
Communications	9,167
Public utilities service	172,542
Insurance	66,908
Repairs and maintenance	85,017
Student activities	45,138
Supplies and materials	548,390

Capital outlays:

Equipment	104,341
Property	4,938

Debt service:

Principal	222,502
Interest	437,198

TOTAL EXPENDITURES

\$ 7,211,252

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

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September 28, 2018

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, 2018, 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 28, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Providence Creek Academy Charter School, Inc.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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