



September 30, 2019

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

We have audited the financial statements of the governmental activities and each major fund of Providence Creek Academy Charter School, Inc. ("the School") for the year ended June 30, 2019, and have issued our report thereon dated September 30, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 24, 2019, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Policies

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the School is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are accumulated depreciation, compensated absences, net pension liability, and net OPEB liability.

- Management's estimate of the accumulated depreciation is based on the straight-line method of depreciation over the estimated useful lives of the assets.
- Management's estimate of compensated absences is based on estimates of the amounts owed by the School according to School policy.
- Management's estimate of the net pension liability is based on the actuarially determined pension liability of the State pension plan, and the estimate of the School's allocation of the net liability.
- Management's estimate of the net OPEB liability is based on the actuarially determined OPEB liability of the State plan, and the estimate of the School's allocation of the net liability.

We evaluated the key factors and assumptions used to develop the above estimates determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

As part of our audit, we assisted management with the preparation of (1) the year-end adjustments to convert the cash basis information maintained in the First State Financial System to the modified accrual basis, and (2) the conversion entries to adjust the measurement focus from the governmental fund data to the government-wide financial statements, including the adjustments to record the net pension and OPEB liabilities and the related deferred inflows and outflows. The attached schedule summarizes the adjustments we assisted management with. Management has posted these adjustments, and they are included in the financial statements of the School.

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such misstatements were detected as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the School's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 30, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School's auditor.

Board of Directors
Providence Creek Academy Charter School, Inc.
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Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
NONATTEST SERVICES - JOURNAL ENTRIES
JUNE 30, 2019

Entry #	Account	Description	Debit	Credit
GENERAL FUND ADJUSTING JOURNAL ENTRIES				
1	State	Transfer Out	315,360.00	
		Debt Service Interest	272,448.94	
		Debt Service Principal		505,135.64
		Instruction - Transportation		82,673.30
		<i>To reclassify transfers to the PNC account for Debt Service Payments, reclassify the payoff of the bus loan, and properly allocate interest payments in the General Fund.</i>		
2	Local	USDA/DOE Meal Reimbursement	7,187.66	
		Accounts Receivable - Federal		7,187.66
		<i>To reverse the prior year SNP receivable.</i>		
3	State	Salaries	346,850.07	
		OECs	208,615.74	
		State Accrued Salaries and Related Costs		555,465.81
	Local	Salaries	36,118.08	
		OECs	13,074.70	
		Local Accrued Salaries and Related Costs		49,192.78
	Fed	Salaries	28,327.20	
		OECs	16,502.95	
		Federal Accrued Salaries and Related Costs		44,830.15
		<i>To accrue for FY 2019 salaries and benefits.</i>		
4	State	State Accrued Salaries and Related Costs	578,819.84	
		Salaries		403,227.68
		OECs		175,592.16
	Local	Local Accrued Salaries and Related Costs	50,187.12	
		Salaries		36,204.17
		OECs		13,982.95
	Fed	Federal Accrued Salaries and Related Costs	39,613.46	
		Salaries		24,629.12
		OECs		14,984.34
		<i>To reverse prior year accrual for salaries and benefits.</i>		
5	State	O&M Repairs and Maintenance	97.00	
		Accounts Payable State		97.00
	Local	O&M Repairs and Maintenance	194.00	
		Instructional Contractual Services	915.00	
		Instructional Supplies and Materials	4,015.04	
		Accounts Payable Local		5,124.04
		<i>To record accounts payable as of June 30, 2019.</i>		

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
NONATTEST SERVICES - JOURNAL ENTRIES
JUNE 30, 2019

Entry #	Account	Description	Debit	Credit
6	State	Accounts Payable State	24,486.38	
		Instructional Contractual Services		4,252.50
		Instructional Communications		526.90
		O&M Public Utility Services		11,321.07
		Instructional OECS		3,030.00
		O&M Supplies and Materials		1,790.36
		O&M Repairs and Maintenance		2,481.21
		O&M Contractual Services		790.34
		Equipment		294.00
	Local	Accounts Payable Local	2,010.79	
		O&M Repairs and Maintenance		1,103.15
		Food Supplies and Materials		101.24
		Instructional Supplies and Materials		806.40
<i>To reverse prior year accounts payable.</i>				
7	Fed	Accounts Receivable - Federal	44,830.15	
		Title I		44,830.15
<i>To record the current year Title I receivable.</i>				
8	Fed	Title I	39,613.46	
		Accounts Receivable - Federal		39,613.46
<i>To reverse the prior year Title I receivable.</i>				
9	State	Transfer Out	315,360.00	
		Debt Service Interest	272,448.94	
		Debt Service Principal		505,135.64
		Instruction - Transportation		82,673.30
<i>To reclassify transfers to the PNC account for Debt Service Payments, reclassify the payoff of the bus loan, and properly allocate interest payments in the General Fund.</i>				

DEBT SERVICE FUND ADJUSTING JOURNAL ENTRIES

1	Debt Service	315,360.00	
	Transfers from General Fund		315,360.00
<i>To record the activity in the outside PNC account through the FSF System.</i>			



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

FINANCIAL STATEMENTS

JUNE 30, 2019

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

September 30, 2019

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, 2019, 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.

Board of Directors
Providence Creek Academy Charter School, Inc.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Providence Creek Academy Charter School, Inc. as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Providence Creek Academy Charter School, Inc.'s 2018 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 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 30, 2019, 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, 2019**

Our discussion and analysis of the School's financial performance provides an overview of the financial activities for the year ended June 30, 2019. 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 deficit of the School decreased by \$20,039, or 0.14 percent. Program revenues accounted for \$708,330, or 9.28 percent of total revenues, and the general revenues accounted for \$6,926,216, or 90.72 percent of total revenues. Also, the general fund reported a positive fund balance of \$1,983,717.

The largest changes in the School's statement of net position compared to FY 2018 can be seen in the deferred inflows of resources. Deferred inflows increased by \$809,706. This increase was mainly driven by the change in the valuation for 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 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

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

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 \$13,899,169 at the close of the fiscal year. The School's total assets are comprised of cash and equivalents (21.27 percent), accounts receivable (0.36 percent), and capital assets net of depreciation (78.37 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 2019 to 2018 follows:

**TABLE 1
NET POSITION
June 30, 2019 and 2018**

	2019	2018
Current and Other Assets		
Current assets	\$ 2,690,986	\$ 2,599,613
Capital assets, net of depreciation	9,747,613	10,136,573
Total Assets	12,438,599	12,736,186
Deferred Outflows of Resources	1,437,772	1,716,624
Total Assets and Deferred Outflows of Resources	13,876,371	14,452,810

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

**TABLE 1
NET POSITION
June 30, 2019 and 2018**

(cont'd)	2019	2018
Liabilities		
Current liabilities	939,834	975,804
Long-term liabilities	24,538,349	25,908,563
Total Liabilities	25,478,183	26,884,367
Deferred Inflows of Resources	2,297,357	1,487,651
Total Liabilities and Deferred Inflows of Resources	27,775,540	28,372,018
Net Deficit		
Net investment in capital assets	(1,715,013)	(1,642,290)
Restricted	52,560	52,560
Unrestricted (deficit)	(12,236,716)	(12,329,478)
Total Net Deficit	\$(13,899,169)	\$(13,919,208)

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, 2019 and 2018**

	2019	2018
General Revenues		
Charges to school districts	\$ 865,679	\$ 838,606
State aid not restricted to specific purposes	5,747,412	5,238,106
Earnings on cash and cash equivalents	45,626	13,106
Other revenues	267,499	231,907
Total General Revenues	6,926,216	6,321,725
Program Revenues		
Federal aid	410,310	338,671
Facilities rental	23,250	5,649
School cafeteria fees	124,553	123,752
Summer camp fees	150,217	104,323
Total Revenues	7,634,546	6,894,120

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

**TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2019 and 2018**

(cont'd)	<u>2019</u>	<u>2018</u>
Expenses		
Instructional services	5,385,589	5,802,336
Support services:		
Operation and maintenance of facilities	692,790	571,269
Transportation	704,000	723,959
School food services	329,684	310,959
Interest on long-term debt	502,444	436,501
Total Expenses	<u>7,614,507</u>	<u>7,845,024</u>
 Change in Net Deficit	 <u>\$ 20,039</u>	 <u>\$ (950,904)</u>

Governmental Activities

The net deficit of the School's governmental activities decreased by \$20,039, and unrestricted net position reflects a negative balance of \$12,236,716. The decrease in the net deficit is attributable to a combination of increasing total revenues and decreasing total expenses.

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			
	<u>2019</u>		<u>2018</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Governmental Activities				
Instructional services	\$ 5,385,589	\$ 4,963,762	\$ 5,802,336	\$ 5,491,037
Support services:				
Operation and maintenance of facilities	692,790	669,540	571,269	565,620
Transportation	704,000	704,000	723,959	723,959
School food services	329,684	66,431	310,959	55,512
Interest on long-term debt	502,444	502,444	436,500	436,501
 Total Expenses	 <u>\$ 7,614,507</u>	 <u>\$ 6,906,177</u>	 <u>\$ 7,845,024</u>	 <u>\$ 7,272,629</u>

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

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 13) reported a fund balance of \$2,036,277, which is an increase from the prior year's amount by \$131,781. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2018 to June 30, 2019.

	<u>2019</u>	<u>2018</u>	<u>Increase</u>
Governmental Fund Balance			
Restricted - debt service	\$ 52,560	\$ 52,560	\$ -
Unassigned - general fund	<u>1,983,717</u>	<u>1,851,936</u>	<u>131,781</u>
Total Fund Balance	<u>\$ 2,036,277</u>	<u>\$ 1,904,496</u>	<u>\$ 131,781</u>

General Fund

The increase in the School's fund balance of the general fund is due mainly to increases in funding from state and federal sources. This was offset by increases in expenditures for debt service and operation and maintenance of facilities.

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

	Amounts		Percentage (%) Change
	<u>2019</u>	<u>2018</u>	
Revenues			
Charges to school districts	\$ 865,679	\$ 838,606	3.23%
State sources	5,747,412	5,238,106	9.27%
Federal sources	410,310	338,671	21.15%
Food service revenue	124,553	123,752	0.65%
Earnings on cash and cash investments	45,626	13,106	248.13%
Facilities rental	23,250	5,649	311.58%
Summer camp	150,217	104,323	43.99%
Contributions	-	1,956	-100.00%
Miscellaneous revenue	<u>267,499</u>	<u>229,951</u>	<u>16.33%</u>
Total Revenues	<u>\$ 7,634,546</u>	<u>\$ 6,894,120</u>	<u>10.74%</u>

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

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
	2019	2018	
Expenditures by Object			
Instructional services	\$ 5,345,832	\$ 5,306,082	0.75%
Support services:			
Operation and maintenance of facilities	397,677	276,247	43.96%
Transportation	548,985	548,985	0.00%
School food services	329,684	310,959	6.02%
Capital outlay	61,168	109,280	-44.03%
Debt services	504,059	344,340	46.38%
Total Expenditures by Object	<u>\$ 7,187,405</u>	<u>\$ 6,895,892</u>	<u>4.23%</u>

Debt Service Fund

The fund is maintained to accumulate resources for the payment of principal and interest on long-term general obligation debt. The debt service fund had a fund balance of \$52,560 as of June 30, 2019.

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.

For the fiscal year ended June 30, 2019, actual revenues came in under anticipated amounts by \$14,288, and actual expenditures came in under budget by \$146,069.

CAPITAL ASSETS

The School has \$9,747,613 invested in capital assets, net of depreciation. During the current year, the School purchased two tractors for \$39,149 and incurred depreciation of \$428,109.

DEBT ADMINISTRATION

As of June 30, 2019, the School had total outstanding debt of \$11,462,626 in the form of bonds and a note payable. Detailed information regarding long-term debt activity is included in Note 4 to the financial statements.

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2019**

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.

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, 2019 AND 2018

	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,646,156	\$ 2,552,812
Accounts receivable	44,830	46,801
Total Current Assets	2,690,986	2,599,613
NONCURRENT ASSETS:		
Land	1,585,906	1,585,906
Depreciable capital assets, net	8,161,707	8,550,667
Total Noncurrent Assets	9,747,613	10,136,573
TOTAL ASSETS	12,438,599	12,736,186
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension	848,396	1,113,301
Deferred OPEB	589,376	603,323
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,437,772	1,716,624
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 13,876,371	\$ 14,452,810
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,221	\$ 26,497
Accrued salaries	649,488	668,620
Accrued interest	36,850	37,588
Current portion bonds, loan, and note payable	248,275	243,099
Total Current Liabilities	939,834	975,804
NONCURRENT LIABILITIES:		
Bonds, loan, and note payable	11,214,351	11,535,764
Compensated absences	143,831	192,968
Net pension liability	1,831,554	2,180,637
Net OPEB liability	11,348,613	11,999,194
Total Noncurrent Liabilities	24,538,349	25,908,563
TOTAL LIABILITIES	25,478,183	26,884,367
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension	179,111	63,077
Deferred OPEB	2,118,246	1,424,574
Total Deferred Inflows of Resources	2,297,357	1,487,651
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	27,775,540	28,372,018
NET POSITION (DEFICIT):		
Net investment in capital assets	(1,715,013)	(1,642,290)
Restricted	52,560	52,560
Unrestricted (deficit)	(12,236,716)	(12,329,478)
TOTAL NET POSITION (DEFICIT)	(13,899,169)	(13,919,208)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 13,876,371	\$ 14,452,810

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, 2019
(With Summarized Comparative Data for June 30, 2018)

	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Deficit	
	Charges for Services	Operating Grants and Contributions		Totals	
	Expenses	\$		\$	2019
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (5,385,589)	\$ 150,217	\$ -	\$ (4,963,762)	\$ (5,491,037)
Support services:					
Operation and maintenance of facilities	(692,790)	23,250	-	(669,540)	(565,620)
Transportation	(704,000)	-	-	(704,000)	(723,959)
School food services	(329,684)	124,553	138,700	(66,431)	(55,512)
Interest on long-term debt	(502,444)	-	-	(502,444)	(436,501)
TOTAL GOVERNMENT ACTIVITIES	\$ (7,614,507)	\$ 298,020	\$ 410,310	(6,906,177)	(7,272,629)
GENERAL REVENUES					
Charges to school districts				865,679	838,606
State aid not restricted to specific purposes				5,747,412	5,238,106
Earnings on cash and investments				45,626	13,106
Contributions				-	1,956
Other local sources				267,499	229,951
TOTAL GENERAL REVENUES				6,926,216	6,321,725
CHANGE IN NET DEFICIT				20,039	(950,904)
NET DEFICIT, BEGINNING OF YEAR				(13,919,208)	(12,968,304)
NET DEFICIT, END OF YEAR				\$ (13,899,169)	\$ (13,919,208)

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019
(With Summarized Comparative Data for June 30, 2018)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>	
			2019	2018
ASSETS:				
Cash and cash equivalents	\$ 2,593,596	\$ 52,560	\$ 2,646,156	\$ 2,552,812
Accounts receivable	44,830	-	44,830	46,801
TOTAL ASSETS	<u><u>\$ 2,638,426</u></u>	<u><u>\$ 52,560</u></u>	<u><u>\$ 2,690,986</u></u>	<u><u>\$ 2,599,613</u></u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 5,221	\$ -	\$ 5,221	\$ 26,497
Accrued salaries and benefits	649,488	-	649,488	668,620
TOTAL LIABILITIES	<u><u>654,709</u></u>	<u><u>-</u></u>	<u><u>654,709</u></u>	<u><u>695,117</u></u>
 FUND BALANCES:				
Restricted	-	52,560	52,560	52,560
Unassigned	1,983,717	-	1,983,717	1,851,936
TOTAL FUND BALANCES	<u><u>1,983,717</u></u>	<u><u>52,560</u></u>	<u><u>2,036,277</u></u>	<u><u>1,904,496</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 2,638,426</u></u>	 <u><u>\$ 52,560</u></u>	 <u><u>\$ 2,690,986</u></u>	 <u><u>\$ 2,599,613</u></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, 2019

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,036,277

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. 9,747,613

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	\$ (11,462,626)	
Accrued interest	(36,850)	
Compensated absences	(143,831)	
Net pension liability	(1,831,554)	
Net OPEB liability	<u>(11,348,613)</u>	(24,823,474)

Deferred inflows and outflows of resources related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in 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	848,396	
Deferred inflows - pension	<u>(179,111)</u>	669,285

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

Deferred outflows - OPEB	589,376	
Deferred inflows - OPEB	<u>(2,118,246)</u>	<u>(1,528,870)</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (13,899,169)

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, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)

	General Fund	Debt Service Fund	Total Governmental Funds	
			2019	2018
REVENUES				
Charges to school districts	\$ 865,679	\$ -	\$ 865,679	\$ 838,606
State sources	5,747,412	-	5,747,412	5,238,106
Federal sources	410,310	-	410,310	338,671
Food service revenue	124,553	-	124,553	123,752
Earnings on cash and cash investments	45,626	-	45,626	13,106
Facilities rental	23,250	-	23,250	5,649
Summer camp	150,217	-	150,217	104,323
Contributions	-	-	-	1,956
Miscellaneous revenue	267,499	-	267,499	229,951
TOTAL REVENUES	<u>7,634,546</u>	<u>-</u>	<u>7,634,546</u>	<u>6,894,120</u>
EXPENDITURES				
Current:				
Instructional services	5,345,832	-	5,345,832	5,306,082
Operation and maintenance of facilities	397,677	-	397,677	276,247
Transportation	548,985	-	548,985	548,985
Food services	329,684	-	329,684	310,959
Capital outlays	61,168	-	61,168	109,279
Debt service:				
Principal	231,609	84,628	316,237	222,502
Interest	272,450	230,732	503,182	437,198
TOTAL EXPENDITURES	<u>7,187,405</u>	<u>315,360</u>	<u>7,502,765</u>	<u>7,211,252</u>
(EXCESS) DEFICIENCY OF REVENUES				
(OVER) UNDER EXPENDITURES	<u>447,141</u>	<u>(315,360)</u>	<u>131,781</u>	<u>(317,132)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	-	-	83,000
Transfers in	-	315,360	315,360	341,640
Transfers out	(315,360)	-	(315,360)	(341,640)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(315,360)</u>	<u>315,360</u>	<u>-</u>	<u>83,000</u>
NET CHANGE IN FUND BALANCES	131,781	-	131,781	(234,132)
FUND BALANCES, BEGINNING OF YEAR	<u>1,851,936</u>	<u>52,560</u>	<u>1,904,496</u>	<u>2,138,628</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,983,717</u>	<u>\$ 52,560</u>	<u>\$ 2,036,277</u>	<u>\$ 1,904,496</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, 2019

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 131,781

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 \$15,000 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	\$ 39,149	
Depreciation expense	<u>(428,109)</u>	(388,960)

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	316,237
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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.

738

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	49,137
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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.

(31,856)

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.

(57,038)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES

\$ 20,039

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

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 \$15,000 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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 \$143,831 at June 30, 2019.

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,

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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, 2018, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2019, the School has a cash and cash equivalents balance of \$2,646,156. Of that amount, \$2,591,642 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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS (cont'd)

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, 2019, the reported amount of the School's deposits not held with the State Treasurer's Office was \$54,514, and the bank balance was \$55,370. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balance 07/01/18	Increases	Decreases	Balance 06/30/19
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	39,149	-	607,269
Vehicles	1,072,405	-	-	1,072,405
Total Capital Assets Being Depreciated	12,307,759	39,149	-	12,346,908
Accumulated depreciation	(3,757,092)	(428,109)	-	(4,185,201)
Total Capital Assets Being Depreciated, Net	8,550,667	(388,960)	-	8,161,707
Governmental Activities, Net	<u>\$10,136,573</u>	<u>\$ (388,960)</u>	<u>\$ -</u>	<u>\$ 9,747,613</u>

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	\$ 273,094
Transportation	<u>155,015</u>
	<u>\$ 428,109</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. \$ 6,080,000

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. 5,382,626

TOTAL BONDS AND NOTE PAYABLE \$11,462,626

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

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19	Amounts Due within One Year
Bonds payable	\$ 6,230,000	\$ -	\$ 150,000	\$ 6,080,000	\$ 160,000
Loan payable	81,609	-	81,609	-	-
Note payable	<u>5,467,254</u>	-	<u>84,628</u>	<u>5,382,626</u>	<u>88,275</u>
	11,778,863	-	316,237	11,462,626	248,275
Net pension liability	2,180,637	-	349,083	1,831,554	-
Net OPEB liability	11,999,194	-	650,581	11,348,613	-
Compensated absences	<u>192,968</u>	-	<u>49,137</u>	<u>143,831</u>	-
	<u>\$ 26,151,662</u>	<u>\$ -</u>	<u>\$ 1,365,038</u>	<u>\$ 24,786,624</u>	<u>\$ 248,275</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

Interest expense was \$502,444 for the year ended June 30, 2019.

The total principal and interest maturities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 248,275	\$ 440,493	\$ 688,768
2021	262,101	431,051	693,152
2022	276,092	421,093	697,185
2023	290,257	410,610	700,867
2024	304,601	459,597	764,198
2025 - 2029	1,820,064	1,810,096	3,630,160
2030 - 2034	2,410,679	1,424,659	3,835,338
2035 - 2039	3,189,521	917,542	4,107,063
2040 - 2044	1,124,443	452,357	1,576,800
2045 - 2049	1,390,151	186,649	1,576,800
2050	146,442	1,752	148,194
	<u>\$11,462,626</u>	<u>\$ 6,955,899</u>	<u>\$18,418,525</u>

NOTE 5 FUND BALANCES

As of June 30, 2019, 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	1,983,717	-	1,983,717
Total Fund Balance	<u>\$ 1,983,717</u>	<u>\$ 52,560</u>	<u>\$ 2,036,277</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, 2019. 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, 2019, the rate of the employer contribution was 11.83 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2019 was \$356,356.

PRI Contribution

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

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, 2019, the School reported a liability of \$1,831,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the School's proportion was 0.1418 percent, which was a decrease of 0.0069 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School recognized pension expense of \$388,212. At June 30, 2019, 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	\$ -	\$ 77,639
Changes in proportions	77,425	75,038
Changes in assumptions	318,895	-
Differences between actual and expected experience	95,720	26,434
Contributions subsequent to the date of measurement	<u>356,356</u>	<u>-</u>
	<u>\$ 848,396</u>	<u>\$ 179,111</u>

An amount of \$356,356 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2018 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2020	\$ 225,792
2021	142,310
2022	(61,105)
2023	(9,849)
2024	<u>15,781</u>
	<u>\$ 312,929</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, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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 + merit, 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 2018 using an adjusted version on the 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%	30.7%
International equity	5.7%	13.9%

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Fixed income	2.0%	23.3%
Alternative investments	7.8%	24.4%
Cash and equivalents	0.0%	7.7%

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, 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.

	<u>1% Decrease 6.0%</u>	<u>Current Rate Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
School's proportionate share of the net pension liability	\$ 3,554,334	\$ 1,831,554	\$ 385,023

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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 DEPRS 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

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, 2019, the rate of the employer contribution was 11.79 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2019 was \$355,110.

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, 2019, the School reported a liability of \$11,348,613 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the School's proportion was 0.1382 percent, which was a decrease of 0.0071 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$412,148. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 28,513
Changes in proportions	234,266	547,865
Changes in assumptions	-	1,541,868
Contributions subsequent to the date of measurement	<u>355,110</u>	<u>-</u>
	<u>\$ 589,376</u>	<u>\$2,118,246</u>

An amount of \$355,110 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2018 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ (432,922)
2021	(432,922)
2022	(432,922)
2023	(427,274)
2024	<u>(157,940)</u>
	<u>\$ (1,883,980)</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, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.87 percent
- Salary Increases – 3.25 percent + merit
- Healthcare cost trend rates – 6.80 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 used to measure the total OPEB liability was 3.58 percent at the beginning of the current measurement period and 3.87 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, 2018 and 2017 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 3.87 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 (2.87 percent) or one percentage point higher (4.87 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 2.87%	Current Rate Discount Rate 3.87%	1% Increase 4.87%
School's proportionate share of the net OPEB liability	\$ 13,504,597	\$ 11,348,613	\$ 9,653,436

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.8 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.8 percent) or one percentage point higher (7.8 percent) than the current rate.

	1% Decrease 5.8%	Current Rate Healthcare Trend Rate 6.8%	1% Increase 7.8%
School's proportionate share of the net OPEB liability	\$ 9,662,698	\$ 11,348,613	\$ 13,401,721

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, 2019 was \$17,091.

At June 30, 2019, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

Year Ending June 30,

2020	\$ 17,512
2021	2,919
Total	<u>\$ 20,431</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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:

Employment costs	\$	55,718
Travel	\$	845
Repairs and maintenance	\$	7,386
Student activities	\$	75,276
Capital outlay - equipment	\$	21,168

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

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$12,236,716 includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 DEFICIT NET POSITION (cont'd)

the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 30, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BUDGETARY COMPARISSON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 890,107	\$ 922,628	\$ 865,679	\$ (56,949)
State sources	5,745,883	5,747,368	5,747,412	44
Federal sources	207,876	266,393	410,310	143,917
Food service revenue	276,827	278,999	124,553	(154,446)
Earnings on cash and cash investments	-	-	45,626	45,626
Facilities rental	-	-	23,250	23,250
Summer camp	-	-	150,217	150,217
Miscellaneous revenue	336,580	433,446	267,499	(165,947)
	<u>7,457,273</u>	<u>7,648,834</u>	<u>7,634,546</u>	<u>(14,288)</u>
EXPENDITURES				
Current:				
Salaries	3,715,336	3,706,501	3,622,477	84,024
Employment costs	1,755,922	1,747,367	1,803,085	(55,718)
Travel	-	-	845	(845)
Contractual services	492,024	551,088	348,673	202,415
Communications	33,500	33,500	27,893	5,607
Public utilities service	165,000	165,000	152,160	12,840
Insurance	75,000	75,000	74,080	920
Transportation	8,930	8,930	-	8,930
Repairs and maintenance	88,050	88,050	95,436	(7,386)
Student activities	-	-	75,276	(75,276)
Supplies and materials	412,400	413,725	422,253	(8,528)
Capital outlays:				
Equipment	42,845	40,000	61,168	(21,168)
Debt service:				
Principal	819,673	231,863	231,609	254
Interest	-	272,450	272,450	-
TOTAL EXPENDITURES	<u>7,608,680</u>	<u>7,333,474</u>	<u>7,187,405</u>	<u>146,069</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(151,407)</u>	<u>315,360</u>	<u>447,141</u>	<u>131,781</u>
OTHER FINANCING USES				
Transfers out	-	(315,360)	(315,360)	-
Contingency reserve	(143,995)	-	-	-
TOTAL OTHER FINANCING USES	<u>(143,995)</u>	<u>(315,360)</u>	<u>(315,360)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(295,402)	-	131,781	131,781
FUND BALANCE, BEGINNING OF YEAR	<u>1,851,936</u>	<u>1,851,936</u>	<u>1,851,936</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,556,534</u>	<u>\$ 1,851,936</u>	<u>\$ 1,983,717</u>	<u>\$ 131,781</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, 2019

	MEASUREMENT DATE				
	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
PROPORTIONATE SHARE OF NET PENSION LIABILITY					
School's proportion of the net pension liability	0.1418%	0.1487%	0.1460%	0.1356%	0.1424%
School's proportion of the net pension liability - dollar value	\$ 1,831,554	\$ 2,180,637	\$ 2,200,079	\$ 901,895	\$ 518,209
School's covered employee payroll	\$ 2,815,758	\$ 2,897,693	\$ 2,784,395	\$ 2,528,337	\$ 2,613,619
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	65.05%	75.25%	79.02%	35.67%	19.83%
Plan fiduciary net position as a percentage of the total pension liability	87.49%	85.31%	84.11%	92.67%	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, 2019**

	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
CONTRIBUTIONS					
Contractually required contribution	\$ 356,356	\$ 293,402	\$ 277,599	\$ 266,745	\$ 241,709
Contributions in relation to the contractually required contribution	<u>356,356</u>	<u>293,402</u>	<u>277,599</u>	<u>266,745</u>	<u>241,709</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,012,308	\$ 2,815,758	\$ 2,897,693	\$ 2,784,395	\$ 2,528,337
Contributions as a percentage of covered-employee payroll	11.83%	10.42%	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, 2019**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>	
	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1382%	0.1453%
School's proportion of the net OPEB liability - dollar value	\$ 11,348,613	\$ 11,999,194
School's covered employee payroll	\$ 2,815,758	\$ 2,897,693
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	4.44%	4.13%

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

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 355,110	\$ 310,491
Contributions in relation to the contractually required contribution	<u>355,110</u>	<u>310,491</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,012,308	\$ 2,815,758
Contributions as a percentage of covered-employee payroll	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
 COMBINING BALANCE SHEET - GENERAL FUND
 JUNE 30, 2019

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and cash equivalents	\$ 5,178	\$ 2,588,418	-	\$ 2,593,596
Accounts receivable	-	-	44,830	44,830
TOTAL ASSETS	\$ 5,178	\$ 2,588,418	\$ 44,830	\$ 2,638,426
 LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 97	\$ 5,124	-	\$ 5,221
Accrued salaries and benefits	555,466	49,192	44,830	649,488
TOTAL LIABILITIES	\$ 555,563	\$ 54,316	\$ 44,830	\$ 654,709
 FUND BALANCES (DEFICIT):				
Unassigned (deficit)	(550,385)	2,534,102	-	1,983,717
TOTAL FUND BALANCE (DEFICIT)	(550,385)	2,534,102	-	1,983,717
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 5,178	\$ 2,588,418	\$ 44,830	\$ 2,638,426

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	-	865,679	-	\$ 865,679
State sources	5,747,412	-	-	5,747,412
Federal sources	-	-	271,610	271,610
Food service revenue	-	124,553	138,700	263,253
Earnings on cash and cash investments	-	45,626	-	45,626
Facilities rental	-	23,250	-	23,250
Summer camp	-	150,217	-	150,217
Miscellaneous revenue	-	267,499	-	267,499
TOTAL REVENUES	<u>5,747,412</u>	<u>1,476,824</u>	<u>410,310</u>	<u>7,634,546</u>
EXPENDITURES				
Current:				
Instructional services	4,171,451	902,771	271,610	5,345,832
Operation and maintenance of facilities	184,583	213,094	-	397,677
Transportation	548,985	-	-	548,985
Food services	78,353	112,631	138,700	329,684
Capital outlays	36,417	24,751	-	61,168
Debt service	359,342	144,717	-	504,059
TOTAL EXPENDITURES	<u>5,379,131</u>	<u>1,397,964</u>	<u>410,310</u>	<u>7,187,405</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>368,281</u>	<u>78,860</u>	<u>-</u>	<u>447,141</u>
OTHER FINANCING USES				
Transfer out	(315,360)	-	-	(315,360)
TOTAL OTHER FINANCING USES	<u>(315,360)</u>	<u>-</u>	<u>-</u>	<u>(315,360)</u>
NET CHANGE IN FUND BALANCES	52,921	78,860	-	131,781
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(603,306)</u>	<u>2,455,242</u>	<u>-</u>	<u>1,851,936</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (550,385)</u>	<u>\$ 2,534,102</u>	<u>\$ -</u>	<u>\$ 1,983,717</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXPENDITURES

Current:

Salaries	\$ 3,622,477
Employment costs	1,803,085
Travel	845
Contractual services	348,673
Communications	27,893
Public utilities service	152,160
Insurance	74,080
Repairs and maintenance	95,436
Student activities	75,276
Supplies and materials	422,253

Capital outlays:

Equipment	61,168
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Debt service:

Principal	316,237
Interest	<u>503,182</u>

TOTAL EXPENDITURES	<u><u>\$ 7,502,765</u></u>
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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 30, 2019

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, 2019, 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 30, 2019.

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.

Board of Directors
Providence Creek Academy Charter School, Inc.

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

Compliance and Other Matters

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

Purpose of This Report

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