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

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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

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(A Component Unit of the State of Delaware)

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## INDEPENDENT AUDITOR'S REPORT

September 23, 2021

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, 2021, 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, 2021, 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 2020 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 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 37 through 41 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, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), 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, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards 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 23, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of Providence Creek Academy Charter School, Inc.'s ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2021. 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 \$598,907, or 4.47 percent. Program revenues accounted for \$1,177,696, or 13.95 percent of total revenues, and the general revenues accounted for \$7,264,993, or 86.05 percent of total revenues. Also, the general fund reported a positive fund balance of \$2,391,107.

The largest changes in the School's statement of net position compared to FY 2020 can be seen in the deferred outflows and deferred inflows of resources. Deferred outflows increased by \$1,984,579. Deferred inflows increased by \$245,477. These increases were 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, 2021**

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 \$12,796,417 at the close of the fiscal year. The School's total assets are comprised of cash and equivalents (24.25 percent), accounts receivable (1.72 percent), and capital assets net of depreciation (74.03 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 2021 to 2020 follows:

**TABLE 1  
NET POSITION  
June 30, 2021 and 2020**

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| <b>Current and Other Assets</b>                        |                   |                   |
| Current assets   | \$ 3,578,598      | \$ 3,071,045      |
| Capital assets, net of depreciation                    | 10,202,072        | 9,666,358         |
| <b>Total Assets</b>                                    | <b>13,780,670</b> | <b>12,737,403</b> |
| Deferred Outflows of Resources                         | 4,186,709         | 2,202,130         |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>17,967,379</b> | <b>14,939,533</b> |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**TABLE 1  
NET POSITION  
June 30, 2021 and 2020**

| (cont'd)   | 2021                  | 2020                  |
|--|-----------------------|-----------------------|
| <b>Liabilities</b>   |                       |                       |
| Current liabilities  | 960,370               | 710,414               |
| Long-term liabilities                                      | 26,567,273            | 24,633,767            |
| <b>Total Liabilities</b>                                   | <u>27,527,643</u>     | <u>25,344,181</u>     |
| Deferred Inflows of Resources                              | 3,236,153             | 2,990,676             |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | <u>30,763,796</u>     | <u>28,334,857</u>     |
| <b>Net Deficit</b>   |                       |                       |
| Net investment in capital assets                           | (568,178)             | (1,375,993)           |
| Restricted   | 341,640               | 236,520               |
| Unrestricted (deficit)                                     | (12,569,879)          | (12,255,851)          |
| <b>Total Net Deficit</b>                                   | <u>\$(12,796,417)</u> | <u>\$(13,395,324)</u> |

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

**TABLE 2  
CHANGE IN NET POSITION  
Fiscal Years Ended June 30, 2021 and 2020**

|   | 2021             | 2020             |
|---|------------------|------------------|
| <b>General Revenues</b>                       |                  |                  |
| Charges to school districts                   | \$ 894,659       | \$ 911,863       |
| State aid not restricted to specific purposes | 6,163,907        | 6,092,388        |
| Earnings on cash and cash equivalents         | 41,701           | 90,022           |
| Other revenues                                | 164,726          | 225,162          |
| <b>Total General Revenues</b>                 | <u>7,264,993</u> | <u>7,319,435</u> |
| <b>Program Revenues</b>                       |                  |                  |
| Federal aid                                   | 1,159,067        | 573,704          |
| Facilities rental                             | 10,000           | 7,610            |
| School cafeteria fees                         | 8,629            | 88,880           |
| Summer camp and before and after care fees    | -                | 135,492          |
| <b>Total Revenues</b>                         | <u>8,442,689</u> | <u>8,125,121</u> |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**TABLE 2  
CHANGE IN NET POSITION  
Fiscal Years Ended June 30, 2021 and 2020**

| (cont'd)                                | 2021              | 2020              |
|---|-------------------|-------------------|
| <b>Expenses</b>                         |                   |                   |
| Instructional services                  | 4,270,439         | 4,103,406         |
| Support services:                       |                   |                   |
| Operation and maintenance of facilities | 2,448,728         | 2,335,477         |
| Transportation                          | 361,316           | 468,953           |
| School food services                    | 391,385           | 243,044           |
| Interest on long-term debt              | 371,914           | 470,396           |
| <b>Total Expenses</b>                   | <u>7,843,782</u>  | <u>7,621,276</u>  |
| <b>Change in Net Deficit</b>            | <u>\$ 598,907</u> | <u>\$ 503,845</u> |

***Governmental Activities***

The net deficit of the School's governmental activities decreased by \$598,907, and unrestricted net position reflects a negative balance of \$12,123,689. The decrease in the net deficit is attributable to an increase in total revenues.

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 equivalent earnings, and other local revenues must support the net cost of the programs.

|   | <b>SERVICES</b>     |                     |                     |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2021                |                     | 2020                |                     |
|   | Total Cost          | Net Cost            | Total Cost          | Net Cost            |
| <b>Governmental Activities</b>          |                     |                     |                     |                     |
| Instructional services                  | \$ 4,270,439        | \$ 3,360,295        | \$ 4,103,406        | \$ 3,508,715        |
| Support services:                       |                     |                     |                     |                     |
| Operation and maintenance of facilities | 2,448,728           | 2,438,728           | 2,335,477           | 2,327,867           |
| Transportation                          | 361,316             | 361,316             | 468,953             | 468,953             |
| School food services                    | 391,385             | 133,833             | 243,044             | 39,659              |
| Interest on long-term debt              | 371,914             | 371,914             | 470,396             | 470,396             |
| <b>Total Expenses</b>                   | <u>\$ 7,843,782</u> | <u>\$ 6,666,086</u> | <u>\$ 7,621,276</u> | <u>\$ 6,815,590</u> |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

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 \$2,732,747, which is an increase from the prior year's amount by \$261,512. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2020 to June 30, 2021.

|                                  | <u>2021</u>         | <u>2020</u>         | <u>Increase</u>   |
|----------------------------------|---------------------|---------------------|-------------------|
| <b>Governmental Fund Balance</b> |                     |                     |                   |
| Restricted - debt service        | \$ 341,640          | \$ 236,520          | \$ 105,120        |
| Unassigned - general fund        | <u>2,391,107</u>    | <u>2,234,715</u>    | <u>156,392</u>    |
| <b>Total Fund Balance</b>        | <u>\$ 2,732,747</u> | <u>\$ 2,471,235</u> | <u>\$ 261,512</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.

|                                       | <u>Amounts</u>      |                     | <u>Percentage<br/>(%) Change</u> |
|---------------------------------------|---------------------|---------------------|----------------------------------|
|                                       | <u>2021</u>         | <u>2020</u>         |                                  |
| <b>Revenues</b>                       |                     |                     |                                  |
| Charges to school districts           | \$ 894,659          | \$ 911,863          | -1.89%                           |
| State sources                         | 6,163,907           | 6,092,388           | 1.17%                            |
| Federal sources                       | 1,159,067           | 459,199             | 152.41%                          |
| Food service revenue                  | 9,489               | 204,002             | -95.35%                          |
| Earnings on cash and cash investments | 41,701              | 90,022              | -53.68%                          |
| Facilities rental                     | 10,000              | 7,610               | 31.41%                           |
| Before and after care                 | -                   | 30,736              | -100.00%                         |
| Summer camp                           | -                   | 104,756             | -100.00%                         |
| Contributions                         | 11,103              | 4,277               | 159.60%                          |
| Miscellaneous revenue                 | <u>152,763</u>      | <u>220,268</u>      | <u>-30.19%</u>                   |
| <b>Total Revenues</b>                 | <u>\$ 8,442,689</u> | <u>\$ 8,125,121</u> | <u>3.91%</u>                     |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

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<br>(%) Change |
|---|---------------------|---------------------|--------------------------|
|   | 2021                | 2020                |                          |
| <b>Expenditures by Object</b>           |                     |                     |                          |
| Instructional services                  | \$ 3,717,636        | \$ 3,810,868        | -2.45%                   |
| Support services:                       |                     |                     |                          |
| Operation and maintenance of facilities | 2,155,799           | 2,104,417           | 2.44%                    |
| Transportation                          | 304,737             | 359,123             | -15.14%                  |
| School food services                    | 387,594             | 241,780             | 60.31%                   |
| Capital outlay                          | 967,641             | 262,230             | 269.00%                  |
| Debt services                           | 328,731             | 593,658             | -44.63%                  |
| <b>Total Expenditures by Object</b>     | <u>\$ 7,862,138</u> | <u>\$ 7,372,076</u> | <u>6.65%</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 \$341,640 as of June 30, 2021.

**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, 2021, actual revenues came in under anticipated amounts by \$1,043,946, and actual expenditures came in over budget by \$176,780.

**CAPITAL ASSETS**

The School has \$10,202,072 invested in capital assets, net of depreciation. During the current year, the School purchased one bus for \$95,500 and computers and food service equipment for \$100,825, performed land improvements for \$263,984, construction in progress of \$446,190, and incurred depreciation of \$370,785.

**DEBT ADMINISTRATION**

As of June 30, 2021, the School had total outstanding debt of \$10,770,250 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, 2021**

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 school districts and, thus, is affected by the economic outlook for the state and school districts. The state and school districts 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, 2021 AND 2020**

|   | 2021                     | 2020                     |
|---|--------------------------|--------------------------|
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>  |                          |                          |
| <b>CURRENT ASSETS:</b>  |                          |                          |
| Cash and cash equivalents   | \$ 3,342,000             | \$ 3,044,698             |
| Accounts receivable   | 236,598                  | 26,347                   |
| Total Current Assets  | 3,578,598                | 3,071,045                |
| <b>NONCURRENT ASSETS:</b>   |                          |                          |
| Land  | 1,585,906                | 1,585,906                |
| Construction-in-progress  | 446,190                  | -                        |
| Depreciable capital assets, net   | 8,169,976                | 8,080,452                |
| Total Noncurrent Assets   | 10,202,072               | 9,666,358                |
| <b>TOTAL ASSETS</b>   | <b>13,780,670</b>        | <b>12,737,403</b>        |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES:</b>  |                          |                          |
| Deferred pension  | 795,731                  | 873,264                  |
| Deferred OPEB   | 3,390,978                | 1,328,866                |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>   | <b>4,186,709</b>         | <b>2,202,130</b>         |
| <br><b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                              | <br><b>\$ 17,967,379</b> | <br><b>\$ 14,939,533</b> |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>       |                          |                          |
| <b>CURRENT LIABILITIES:</b>   |                          |                          |
| Accounts payable  | \$ 182,338               | \$ 1,745                 |
| Accrued salaries  | 663,513                  | 598,065                  |
| Accrued interest  | 18,427                   | 18,503                   |
| Current portion bonds and note payable  | 96,092                   | 92,101                   |
| Total Current Liabilities   | 960,370                  | 710,414                  |
| <b>NONCURRENT LIABILITIES:</b>  |                          |                          |
| Bonds and note payable  | 10,674,158               | 10,950,250               |
| Compensated absences  | 195,392                  | 162,867                  |
| Net pension liability   | 1,907,395                | 2,260,114                |
| Net OPEB liability  | 13,790,328               | 11,260,536               |
| Total Noncurrent Liabilities  | 26,567,273               | 24,633,767               |
| <b>TOTAL LIABILITIES</b>  | <b>27,527,643</b>        | <b>25,344,181</b>        |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>   |                          |                          |
| Deferred pension  | 471,323                  | 71,694                   |
| Deferred OPEB   | 2,764,830                | 2,918,982                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>  | <b>3,236,153</b>         | <b>2,990,676</b>         |
| <br><b>NET POSITION (DEFICIT):</b>  |                          |                          |
| Net investment in capital assets  | (568,178)                | (1,375,993)              |
| Restricted  | 341,640                  | 236,520                  |
| Unrestricted (deficit)  | (12,569,879)             | (12,255,851)             |
| <b>TOTAL NET POSITION (DEFICIT)</b>   | <b>(12,796,417)</b>      | <b>(13,395,324)</b>      |
| <br><b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b> | <br><b>\$ 17,967,379</b> | <br><b>\$ 14,939,533</b> |

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, 2021**  
**(With Summarized Comparative Data for June 30, 2020)**

| Expenses                                | Program Revenues             |  |  | Net (Expense) Revenue and<br>Changes in Net Deficit |                           |                           |
|---|------------------------------|--|--|---|---------------------------|---------------------------|
|   | Charges for<br>Services      | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Totals  |                           |                           |
|   | 2021                         | 2021                                     | 2021                                   | 2021  | 2020                      |                           |
| GOVERNMENTAL ACTIVITIES                 |                              |  |  |   |                           |                           |
| Instructional services                  | \$ (4,270,439)               | \$ -                                     | \$ 391,900                             | \$ 518,244  | \$ (3,360,295)            | \$ (3,508,715)            |
| Support services:                       |                              |  |  |   |                           |                           |
| Operation and maintenance of facilities | (2,448,728)                  | 10,000                                   | -                                      | -   | (2,438,728)               | (2,327,867)               |
| Transportation                          | (361,316)                    | -  | -                                      | -   | (361,316)                 | (468,953)                 |
| School food services                    | (391,385)                    | 8,629                                    | 248,923                                | -   | (133,833)                 | (39,659)                  |
| Interest on long-term debt              | (371,914)                    | -  | -                                      | -   | (371,914)                 | (470,396)                 |
| <b>TOTAL GOVERNMENT ACTIVITIES</b>      | <b><u>\$ (7,843,782)</u></b> | <b><u>\$ 18,629</u></b>                  | <b><u>\$ 640,823</u></b>               | <b><u>\$ 518,244</u></b>                            | <b><u>(6,666,086)</u></b> | <b><u>(6,815,590)</u></b> |
|   |                              | GENERAL REVENUES                         |  |   |                           |                           |
|   |                              |  |  | 894,659   | 911,863                   |                           |
|   |                              |  |  | 6,163,907   | 6,092,388                 |                           |
|   |                              |  |  | 41,701  | 90,022                    |                           |
|   |                              |  |  | 11,103  | 4,277                     |                           |
|   |                              |  |  | 153,623   | 220,885                   |                           |
|   |                              |  |  | <u>7,264,993</u>                                    | <u>7,319,435</u>          |                           |
|   |                              |  |  |   |                           |                           |
|   |                              |  |  | 598,907   | 503,845                   |                           |
|   |                              |  |  |   |                           |                           |
|   |                              |  |  | <u>(13,395,324)</u>                                 | <u>(13,899,169)</u>       |                           |
|   |                              |  |  |   |                           |                           |
|   |                              |  |  | <u>\$ (12,796,417)</u>                              | <u>\$ (13,395,324)</u>    |                           |

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

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**  
**(With Summarized Comparative Data for June 30, 2020)**

|  | <u>General<br/>Fund</u>    | <u>Debt<br/>Service Fund</u> | <u>Total Governmental Funds</u> |                            |
|--|----------------------------|------------------------------|---------------------------------|----------------------------|
|  |                            |                              | <u>2021</u>                     | <u>2020</u>                |
| <b>ASSETS:</b>                             |                            |                              |                                 |                            |
| Cash and cash equivalents                  | \$ 3,000,360               | \$ 341,640                   | \$ 3,342,000                    | \$ 3,044,698               |
| Accounts receivable                        | 236,598                    | -                            | 236,598                         | 26,347                     |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 3,236,958</u></u> | <u><u>\$ 341,640</u></u>     | <u><u>\$ 3,578,598</u></u>      | <u><u>\$ 3,071,045</u></u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |                              |                                 |                            |
| <b>LIABILITIES:</b>                        |                            |                              |                                 |                            |
| Accounts payable                           | \$ 182,338                 | \$ -                         | \$ 182,338                      | \$ 1,745                   |
| Accrued salaries and benefits              | 663,513                    | -                            | 663,513                         | 598,065                    |
| <b>TOTAL LIABILITIES</b>                   | <u><u>845,851</u></u>      | <u><u>-</u></u>              | <u><u>845,851</u></u>           | <u><u>599,810</u></u>      |
| <b>FUND BALANCES:</b>                      |                            |                              |                                 |                            |
| Restricted                                 | -                          | 341,640                      | 341,640                         | 236,520                    |
| Unassigned                                 | 2,391,107                  | -                            | 2,391,107                       | 2,234,715                  |
| <b>TOTAL FUND BALANCES</b>                 | <u><u>2,391,107</u></u>    | <u><u>341,640</u></u>        | <u><u>2,732,747</u></u>         | <u><u>2,471,235</u></u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 3,236,958</u></u> | <u><u>\$ 341,640</u></u>     | <u><u>\$ 3,578,598</u></u>      | <u><u>\$ 3,071,045</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, 2021**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,732,747

The total net deficit reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statements of net position. 10,202,072

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 | \$ (10,770,250)     |              |
| Accrued interest       | (18,427)            |              |
| Compensated absences   | (195,392)           |              |
| Net pension liability  | (1,907,395)         |              |
| Net OPEB liability     | <u>(13,790,328)</u> | (26,681,792) |

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, changes in actuarial assumptions, differences in actuarially determined actual and expected experience, 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 | 795,731          |         |
| Deferred inflows - pension  | <u>(471,323)</u> | 324,408 |

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, changes in actuarial assumptions, differences in actuarially determined actual and expected experience, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

|                          |                    |                |
|--------------------------|--------------------|----------------|
| Deferred outflows - OPEB | 3,390,978          |                |
| Deferred inflows - OPEB  | <u>(2,764,830)</u> | <u>626,148</u> |

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (12,796,417)

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, 2021**  
**(With Summarized Comparative Data for June 30, 2020)**

|  | General             | Debt              | Total Governmental Funds |                     |
|--|---------------------|-------------------|--------------------------|---------------------|
|  | Fund                | Service Fund      | 2021                     | 2020                |
| <b>REVENUES</b>  |                     |                   |                          |                     |
| Charges to school districts  | \$ 894,659          | \$ -              | \$ 894,659               | \$ 911,863          |
| State sources  | 6,163,907           | -                 | 6,163,907                | 6,092,388           |
| Federal sources  | 1,159,067           | -                 | 1,159,067                | 459,199             |
| Food service revenue   | 9,489               | -                 | 9,489                    | 204,002             |
| Earnings on cash and cash equivalents                                | 41,701              | -                 | 41,701                   | 90,022              |
| Facilities rental  | 10,000              | -                 | 10,000                   | 7,610               |
| Before and after care  | -                   | -                 | -                        | 30,736              |
| Summer camp  | -                   | -                 | -                        | 104,756             |
| Contributions  | 11,103              | -                 | 11,103                   | 4,277               |
| Miscellaneous revenue  | 152,763             | -                 | 152,763                  | 220,268             |
| <b>TOTAL REVENUES</b>  | <b>8,442,689</b>    | <b>-</b>          | <b>8,442,689</b>         | <b>8,125,121</b>    |
| <b>EXPENDITURES</b>  |                     |                   |                          |                     |
| Current:   |                     |                   |                          |                     |
| Instructional services   | 3,717,636           | -                 | 3,717,636                | 3,810,868           |
| Operation and maintenance of facilities                              | 2,155,799           | -                 | 2,155,799                | 2,104,417           |
| Transportation   | 304,737             | -                 | 304,737                  | 359,123             |
| Food services  | 387,594             | -                 | 387,594                  | 241,780             |
| Capital outlays  | 967,641             | -                 | 967,641                  | 262,230             |
| Debt service:  |                     |                   |                          |                     |
| Principal  | 180,000             | 92,101            | 272,101                  | 420,275             |
| Interest   | 148,731             | 223,259           | 371,990                  | 488,743             |
| <b>TOTAL EXPENDITURES</b>  | <b>7,862,138</b>    | <b>315,360</b>    | <b>8,177,498</b>         | <b>7,687,436</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>580,551</b>      | <b>(315,360)</b>  | <b>265,191</b>           | <b>437,685</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                   |                          |                     |
| Refund of prior year revenue   | (3,679)             | -                 | (3,679)                  | (2,727)             |
| Transfers in   | -                   | 420,480           | 420,480                  | 499,320             |
| Transfers out  | (420,480)           | -                 | (420,480)                | (499,320)           |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <b>(424,159)</b>    | <b>420,480</b>    | <b>(3,679)</b>           | <b>(2,727)</b>      |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>156,392</b>      | <b>105,120</b>    | <b>261,512</b>           | <b>434,958</b>      |
| <b>FUND BALANCES, BEGINNING OF YEAR</b>                              | <b>2,234,715</b>    | <b>236,520</b>    | <b>2,471,235</b>         | <b>2,036,277</b>    |
| <b>FUND BALANCES, END OF YEAR</b>                                    | <b>\$ 2,391,107</b> | <b>\$ 341,640</b> | <b>\$ 2,732,747</b>      | <b>\$ 2,471,235</b> |

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, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 261,512

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 capital outlays exceeded depreciation in the current period.

|                      |                  |         |
|----------------------|------------------|---------|
| Capital outlays      | \$ 906,499       |         |
| Depreciation expense | <u>(370,785)</u> | 535,714 |

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

|  |  |         |
|--|--|---------|
| Principal payments on bonds and note payable |  | 272,101 |
|--|--|---------|

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in the governmental funds.

|                      |  |          |
|----------------------|--|----------|
| Compensated absences |  | (32,525) |
|----------------------|--|----------|

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.

(124,443)

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

(313,528)

|   |  |                   |
|---|--|-------------------|
| CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES |  | <u>\$ 598,907</u> |
|---|--|-------------------|

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 accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the 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, buildings, furniture and equipment, and vehicles, 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. When the historical cost cannot be determined, the value shall be fixed by estimation based on those assets which are currently in existence. 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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

The School's compensated absences liability was \$195,392 at June 30, 2021.

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

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

Long-Term Obligations

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and bond discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums, bond discounts, and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2021, the School has a cash and cash equivalents balance of \$3,342,000. Of that amount, \$2,997,586 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS (cont'd)

At June 30, 2021, the reported amount of the School's deposits not held with the State Treasurer's Office was \$344,414, and the bank balance was \$344,414. Of the bank balance, \$250,000 was covered by federal depository insurance, \$94,414 was exposed to custodial credit risk because it was uninsured, and the collateral held by the depository's agent was not in the School's name.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

|   | Balance<br>07/01/20 | Increases         | Decreases   | Balance<br>06/30/21 |
|---|---------------------|-------------------|-------------|---------------------|
| <b>Government Activities</b>                |                     |                   |             |                     |
| Capital Assets Not Being Depreciated:       |                     |                   |             |                     |
| Land  | \$ 1,585,906        | \$ -              | \$ -        | \$ 1,585,906        |
| Construction in progress                    | -                   | 446,190           | -           | 446,190             |
| Total Capital Assets Not Being Depreciated  | <u>\$ 1,585,906</u> | <u>\$ 446,190</u> | <u>\$ -</u> | <u>\$ 2,032,096</u> |
| Capital Assets Being Depreciated:           |                     |                   |             |                     |
| Land improvements                           | 49,500              | 263,984           | -           | 313,484             |
| Buildings                                   | 10,649,834          | -                 | -           | 10,649,834          |
| Furniture and equipment                     | 706,122             | 100,825           | -           | 806,947             |
| Vehicles                                    | 1,215,405           | 95,500            | -           | 1,310,905           |
| Total Capital Assets Being Depreciated      | 12,620,861          | 460,309           | -           | 13,081,170          |
| Accumulated depreciation                    | (4,540,409)         | (370,785)         | -           | (4,911,194)         |
| Total Capital Assets Being Depreciated, Net | <u>8,080,452</u>    | <u>89,524</u>     | <u>-</u>    | <u>8,169,796</u>    |
| Governmental Activities, Net                | <u>\$ 9,666,358</u> | <u>\$ 535,714</u> | <u>\$ -</u> | <u>\$10,202,072</u> |

Depreciation expense was charged to the following governmental activities:

|   |                   |
|---|-------------------|
| Instructional services                  | \$ 17,486         |
| Operation and maintenance of facilities | 292,929           |
| Transportation                          | 56,579            |
| School food services                    | 3,791             |
|   | <u>\$ 370,785</u> |

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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.

\$ 5,568,000

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.

5,202,250

TOTAL BONDS AND NOTE PAYABLE

\$10,770,250

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

|                       | Balance<br>07/01/20 | Additions          | Deletions         | Balance<br>06/30/21 | Amounts<br>Due within<br>One Year |
|-----------------------|---------------------|--------------------|-------------------|---------------------|-----------------------------------|
| Bonds payable         | \$ 5,748,000        | \$ -               | \$ 180,000        | \$ 5,568,000        | \$ -                              |
| Note payable          | 5,294,351           | -                  | 92,101            | 5,202,250           | 96,092                            |
|                       | <u>11,042,351</u>   | <u>-</u>           | <u>272,101</u>    | <u>10,770,250</u>   | <u>96,092</u>                     |
| Net pension liability | 2,260,114           | -                  | 352,719           | 1,907,395           | -                                 |
| Net OPEB liability    | 11,260,536          | 2,529,792          | -                 | 13,790,328          | -                                 |
| Compensated absences  | 162,867             | 32,525             | -                 | 195,392             | -                                 |
|                       | <u>\$24,725,868</u> | <u>\$2,562,317</u> | <u>\$ 624,820</u> | <u>\$26,663,365</u> | <u>\$ 96,092</u>                  |

The note payable is liquidated using the debt service fund. All other long-term liabilities are liquidated by the general fund.

Interest expense was \$371,914 for the year ended June 30, 2021.

The total principal and interest maturities are as follows:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

| <u>Year Ended June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------------|---------------------|---------------------|---------------------|
| 2022                       | \$ 96,092           | \$ 421,093          | \$ 517,185          |
| 2023                       | 290,257             | 410,610             | 700,867             |
| 2024                       | 304,601             | 459,597             | 764,198             |
| 2025                       | 324,135             | 388,043             | 712,178             |
| 2026                       | 343,864             | 375,767             | 719,631             |
| 2027 - 2031                | 2,037,759           | 1,668,598           | 3,706,357           |
| 2032 - 2036                | 2,690,826           | 1,238,241           | 3,929,067           |
| 2037 - 2041                | 2,443,063           | 690,985             | 3,134,048           |
| 2042 - 2046                | 1,224,016           | 352,784             | 1,576,800           |
| 2047 - 2050                | 1,015,637           | 78,638              | 1,904,275           |
|                            | <u>\$10,770,250</u> | <u>\$ 6,084,356</u> | <u>\$16,854,606</u> |

NOTE 5 FUND BALANCES

As of June 30, 2021, fund balances are composed of the following:

|                    | <u>General<br/>Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Total</u>        |
|--------------------|-------------------------|------------------------------|---------------------|
| Restricted:        |                         |                              |                     |
| Debt service       | \$ -                    | \$ 341,640                   | \$ 341,640          |
| Unassigned         | 2,391,107               | -                            | 2,391,107           |
| Total Fund Balance | <u>\$ 2,391,107</u>     | <u>\$ 341,640</u>            | <u>\$ 2,732,747</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.

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, 2021. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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](http://www.delawarepensions.com).

Plan Description and Eligibility

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

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

Benefits Provided

*Service Benefits*

Final average monthly compensation (employees hired Post-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*

Pre-2012 date of hire employees vest in the plan after five years of credited service. Post-2012 date of hire employees vest in the plan after ten years of credited service.

*Retirement*

Pre-2012 date of hire employees 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. Post-2012 date of hire employees may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

*Disability Benefits*

Disability benefits for Pre-2012 date of hire employees 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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2012 date of hire employees are also included in the Disability Insurance Program.

*Survivor and Burial Benefits*

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 75 percent with a three percent reduction of the benefit).

If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

*Member Contributions*

Pre-2012 date of hire employees contribute three percent of earnings in excess of \$6,000. Post-2012 date of hire employees 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, 2021, the rate of the employer contribution was 12.33 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2021 was \$365,942.

*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.

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

At June 30, 2021, the School reported a liability of \$1,907,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. The School's proportion of the

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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, 2020, the School's proportion was 0.1357 percent, which was a decrease of 0.0094 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School recognized pension expense of \$490,385. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ -  | \$ 331,436                                   |
| Changes in proportions  | 47,517  | 134,157                                      |
| Changes in assumptions  | 133,616                                       | -  |
| Differences between actual and expected experience              | 248,656                                       | 5,730  |
| Contributions subsequent to the date of measurement             | <u>365,942</u>                                | <u>-</u>                                     |
|   | <u>\$ 795,731</u>                             | <u>\$ 471,323</u>                            |

An amount of \$365,942 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2020 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> |                    |
|-----------------------------|--------------------|
| 2022                        | \$ (43,328)        |
| 2023                        | 5,711              |
| 2024                        | 30,233             |
| 2025                        | (39,068)           |
| 2026                        | <u>4,918</u>       |
|                             | <u>\$ (41,534)</u> |

Actuarial Assumptions

The total pension liability as of the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

total pension liability to June 30, 2020. 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 2019 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<br/>Expected Real<br/>Rate of Return</u> | <u>Target<br/>Asset<br/>Allocation</u> |
|-------------------------|---|--|
| Domestic equity         | 5.7%  | 28.5%                                  |
| International equity    | 5.7%  | 15.2%                                  |
| Fixed income            | 2.0%  | 28.8%                                  |
| Alternative investments | 7.8%  | 23.0%                                  |
| Cash and equivalents    | 0.0%  | 4.5%                                   |

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate.

|   | 1%<br>Decrease<br>6.0% | Current<br>Discount Rate<br>7.0% | 1%<br>Increase<br>8.0% |
|---|------------------------|----------------------------------|------------------------|
| School's proportionate share of the net pension liability | \$ 3,662,252           | \$ 1,907,395                     | \$ 428,623             |

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](http://www.delawarepensions.com).

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits 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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2020. 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](http://www.delawarepensions.com).

Plan Description and Eligibility

The Plan is a cost-sharing multiple employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of plan benefits is variable based on years of service. Pensioners who retire 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, 2021, the rate of the employer contribution was 11.80 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2021 was \$350,287.

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

At June 30, 2021, the School reported a liability of \$13,790,328 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the School's proportion was 0.1324 percent, which was an decrease of 0.0089 percent from its proportion measured as of June 30, 2019.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

For the year ended June 30, 2021, the School recognized OPEB expense of \$663,815. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Net difference between projected and actual investment earnings | \$ -  | \$ 15,320                                    |
| Changes in proportions  | 308,296                                       | 1,017,261                                    |
| Changes in assumptions  | 2,331,984                                     | 784,310                                      |
| Net difference between expected and actual experience           | 400,411                                       | 947,939                                      |
| Contributions subsequent to the date of measurement             | <u>350,287</u>                                | <u>-</u>                                     |
|   | <u>\$ 3,390,978</u>                           | <u>\$ 2,764,830</u>                          |

An amount of \$350,287 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2020 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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:

Year Ending June 30,

|      |                   |
|------|-------------------|
| 2022 | \$ (166,956)      |
| 2023 | (161,543)         |
| 2024 | 96,526            |
| 2025 | 185,370           |
| 2026 | <u>322,464</u>    |
|      | <u>\$ 275,861</u> |

Actuarial Assumptions

The total OPEB liability as of the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Discount rate – 2.21 percent
- Salary increases – 3.25 percent + merit
- Healthcare cost trend rates – 5.60 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 2021.

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 3.50 percent at the beginning of the current measurement period and 2.21 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, 2020 and 2019 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 2.21 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 (1.21 percent) or one percentage point higher (3.21 percent) than the current rate.

|  | 1%<br>Decrease<br>1.21% | Current<br>Discount Rate<br>2.21% | 1%<br>Increase<br>3.21% |
|--|-------------------------|-----------------------------------|-------------------------|
| School's proportionate share of the net OPEB liability | \$ 16,530,704           | \$ 13,790,328                     | \$ 11,649,232           |

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.6 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 (4.6 percent) or one percentage point higher (6.6 percent) than the current rate.

|  | 1%<br>Decrease<br>4.6% | Current<br>Healthcare<br>Trend Rate<br>5.6% | 1%<br>Increase<br>6.6% |
|--|------------------------|---|------------------------|
| School's proportionate share of the net OPEB liability | \$ 12,940,226          | \$ 13,790,328                               | \$ 15,086,940          |

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](http://www.delawarepensions.com).

NOTE 8 RISK MANAGEMENT

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

NOTE 9 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2021, economic and operational uncertainties have arisen which may impact the School in fiscal year 2022. While the School has fully resumed in class learning, there continues to be uncertainty regarding the potential for another resurgence of the virus, which may require another period of remote or hybrid learning. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 UNCERTAINTIES (cont'd)

Grants

The School receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

|                            |    |         |
|----------------------------|----|---------|
| Salaries                   | \$ | 75,858  |
| Employment costs           | \$ | 26,598  |
| Insurance                  | \$ | 89,722  |
| Repairs and maintenance    | \$ | 196,516 |
| Supplies and materials     | \$ | 60,097  |
| Capital outlay - equipment | \$ | 125,836 |

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

NOTE 11 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2021 are as follows:

| Transfer In       | Transfer Out | Amount     |
|-------------------|--------------|------------|
| Debt Service Fund | General Fund | \$ 420,480 |

Transfers from the general fund to the debt service fund were to cover current year debt service payments. There were no interfund payables or receivables as of June 30, 2021.

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$12,123,689 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 DEFICIT NET POSITION (cont'd)

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 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.

Capital Improvement Commitments

As of June 30, 2021, anticipated construction commitments are as follows:

|                         | <u>Contract<br/>Amount</u> | <u>Completed at<br/>06/30/2021</u> | <u>Commitment</u> |
|-------------------------|----------------------------|------------------------------------|-------------------|
| Middle school expansion | <u>\$ 460,650</u>          | <u>\$ 300,975</u>                  | <u>\$ 159,675</u> |

Additionally, the School has \$145,215 in construction-in-progress which is not subject to formal commitments.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 23, 2021, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.**  
**BUDGETARY COMPARSION SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|   | Original<br>Budget  | Final<br>Budget     | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| <b>REVENUES</b>                                 |                     |                     |                     |   |
| Charges to school districts                     | \$ 938,760          | \$ 938,760          | \$ 894,659          | \$ (44,101)   |
| State sources                                   | 6,216,380           | 6,216,380           | 6,163,907           | (52,473)  |
| Federal sources                                 | 1,998,154           | 1,998,154           | 1,159,067           | (839,087)   |
| Food service revenue                            | 213,823             | 213,823             | 9,489               | (204,334)   |
| Earnings on cash and cash equivalents           | 53,818              | 53,818              | 41,701              | (12,117)  |
| Facilities rental                               | 45,700              | 45,700              | 10,000              | (35,700)  |
| Contributions                                   | -                   | -                   | 11,103              | 11,103  |
| Miscellaneous revenue                           | 20,000              | 20,000              | 152,763             | 132,763   |
|   | <u>9,486,635</u>    | <u>9,486,635</u>    | <u>8,442,689</u>    | <u>(1,043,946)</u>                                      |
| <b>EXPENDITURES</b>                             |                     |                     |                     |   |
| Current:  |                     |                     |                     |   |
| Salaries  | 3,376,688           | 3,376,688           | 3,452,546           | (75,858)  |
| Employment costs                                | 1,709,291           | 1,709,291           | 1,735,889           | (26,598)  |
| Contractual services                            | 703,040             | 703,040             | 364,171             | 338,869   |
| Communications                                  | 37,500              | 37,500              | 12,540              | 24,960  |
| Public utilities service                        | 134,000             | 134,000             | 133,711             | 289   |
| Insurance                                       | -                   | -                   | 89,722              | (89,722)  |
| Transportation                                  | 31,684              | 31,684              | -                   | 31,684  |
| Repairs and maintenance                         | 5,000               | 5,000               | 201,516             | (196,516)   |
| Student activities                              | 1,000               | 1,000               | 720                 | 280   |
| Supplies and materials                          | 514,854             | 514,854             | 574,951             | (60,097)  |
| Capital outlays:                                |                     |                     |                     |   |
| Equipment                                       | 527,151             | 527,151             | 652,987             | (125,836)   |
| Property  | 315,000             | 315,000             | 314,654             | 346   |
| Debt service:                                   |                     |                     |                     |   |
| Principal                                       | 180,000             | 180,000             | 180,000             | -   |
| Interest  | 150,150             | 150,150             | 148,731             | 1,419   |
| <b>TOTAL EXPENDITURES</b>                       | <u>7,685,358</u>    | <u>7,685,358</u>    | <u>7,862,138</u>    | <u>(176,780)</u>  |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | <u>1,801,277</u>    | <u>1,801,277</u>    | <u>580,551</u>      | <u>(1,220,726)</u>                                      |
| <b>OTHER FINANCING USES</b>                     |                     |                     |                     |   |
| Refund of prior year revenue                    | -                   | -                   | (3,679)             | (3,679)   |
| Transfers out                                   | (399,850)           | (399,850)           | (420,480)           | (20,630)  |
| Contingency reserve                             | (1,349,190)         | (1,349,190)         | -                   | 1,349,190   |
| <b>TOTAL OTHER FINANCING USES</b>               | <u>(1,749,040)</u>  | <u>(1,749,040)</u>  | <u>(424,159)</u>    | <u>1,324,881</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>               | 52,237              | 52,237              | 156,392             | 104,155   |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>          | <u>2,234,715</u>    | <u>2,234,715</u>    | <u>2,234,715</u>    | <u>-</u>  |
| <b>FUND BALANCE, END OF YEAR</b>                | <u>\$ 2,286,952</u> | <u>\$ 2,286,952</u> | <u>\$ 2,391,107</u> | <u>\$ 104,155</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, 2021**

| <u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>   | <u>MEASUREMENT DATE</u> |                      |                      |                      |                      |                      |                      |
|---|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | <u>JUNE 30, 2020</u>    | <u>JUNE 30, 2019</u> | <u>JUNE 30, 2018</u> | <u>JUNE 30, 2017</u> | <u>JUNE 30, 2016</u> | <u>JUNE 30, 2015</u> | <u>JUNE 30, 2014</u> |
| School's proportion of the net pension liability  | 0.1357%                 | 0.1451%              | 0.1418%              | 0.1487%              | 0.1460%              | 0.1356%              | 0.1424%              |
| School's proportion of the net pension liability -<br>dollar value  | \$ 1,907,395            | \$ 2,260,114         | \$ 1,831,554         | \$ 2,180,637         | \$ 2,200,079         | \$ 901,895           | \$ 518,209           |
| School's covered employee payroll   | \$ 2,925,159            | \$ 3,012,308         | \$ 2,815,758         | \$ 2,897,693         | \$ 2,784,395         | \$ 2,528,337         | \$ 2,613,619         |
| School's proportionate share of the net pension<br>liability as a percentage of its covered<br>employee payroll | 65.21%                  | 75.03%               | 65.05%               | 75.25%               | 79.02%               | 35.67%               | 19.83%               |
| Plan fiduciary net position as a percentage<br>of the total pension liability                                   | 87.27%                  | 85.41%               | 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, 2021**

| CONTRIBUTIONS  | <u>JUNE 30, 2021</u> | <u>JUNE 30, 2020</u> | <u>JUNE 30, 2019</u> | <u>JUNE 30, 2018</u> | <u>JUNE 30, 2017</u> | <u>JUNE 30, 2016</u> | <u>JUNE 30, 2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                  | \$ 365,942           | \$ 349,849           | \$ 356,356           | \$ 293,402           | \$ 277,599           | \$ 266,745           | \$ 241,709           |
| Contributions in relation to the contractually required contribution | <u>365,942</u>       | <u>349,849</u>       | <u>356,356</u>       | <u>293,402</u>       | <u>277,599</u>       | <u>266,745</u>       | <u>241,709</u>       |
| Contribution excess  | <u>\$ -</u>          |
| School's covered employee payroll                                    | \$ 2,967,899         | \$ 2,925,159         | \$ 3,012,308         | \$ 2,815,758         | \$ 2,897,693         | \$ 2,784,395         | \$ 2,528,337         |
| Contributions as a percentage of covered employee payroll            | 12.33%               | 11.96%               | 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, 2021**

| <u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>   | <u>MEASUREMENT DATE</u> |                      |                      |                      |
|--|-------------------------|----------------------|----------------------|----------------------|
|  | <u>JUNE 30, 2020</u>    | <u>JUNE 30, 2019</u> | <u>JUNE 30, 2018</u> | <u>JUNE 30, 2017</u> |
| School's proportion of the net OPEB liability  | 0.1324%                 | 0.1413%              | 0.1382%              | 0.1453%              |
| School's proportion of the net OPEB liability -<br>dollar value  | \$ 13,790,328           | \$ 11,260,536        | \$ 11,348,613        | \$ 11,999,194        |
| School's covered employee payroll  | \$ 2,925,159            | \$ 3,012,308         | \$ 2,815,758         | \$ 2,897,693         |
| School's proportionate share of the net OPEB<br>liability as a percentage of its covered<br>employee payroll | 471.44%                 | 373.82%              | 403.04%              | 414.09%              |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability                                   | 4.27%                   | 4.89%                | 4.44%                | 4.13%                |

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

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
STATE OF DELAWARE EMPLOYEES' OPEB PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

| <u>CONTRIBUTIONS</u>  | <u>JUNE 30, 2021</u> | <u>JUNE 30, 2020</u> | <u>JUNE 30, 2019</u> | <u>JUNE 30, 2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution                                     | \$ 350,287           | \$ 365,996           | \$ 355,110           | \$ 310,491           |
| Contributions in relation to the contractually<br>required contribution | <u>350,287</u>       | <u>365,996</u>       | <u>355,110</u>       | <u>310,491</u>       |
| Contribution excess   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| School's covered employee payroll                                       | \$ 2,967,899         | \$ 2,925,159         | \$ 3,012,308         | \$ 2,815,758         |
| Contributions as a percentage of<br>covered employee payroll            | 11.80%               | 12.51%               | 11.79%               | 11.03%               |

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

## **SUPPLEMENTARY INFORMATION**

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.**  
**COMBINING BALANCE SHEET - GENERAL FUND**  
**JUNE 30, 2021**

|  | State<br>Allocation | Local<br>Funding    | Federal<br>Funding | Eliminations       | Totals              |
|--|---------------------|---------------------|--------------------|--------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                    |                    |                     |
| Cash and cash equivalents                            | \$ 4,972            | \$ 2,995,388        | \$ -               | \$ -               | \$ 3,000,360        |
| Accounts receivable                                  | -                   | -                   | 236,598            | -                  | 236,598             |
| Due from other funding source                        | -                   | 26,225              | -                  | (26,225)           | -                   |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 4,972</u>     | <u>\$ 3,021,613</u> | <u>\$ 236,598</u>  | <u>\$ (26,225)</u> | <u>\$ 3,236,958</u> |
| <b>LIABILITIES:</b>                                  |                     |                     |                    |                    |                     |
| Accounts payable                                     | \$ 44,417           | \$ 521              | \$ 137,400         | \$ -               | \$ 182,338          |
| Accrued salaries and benefits                        | 562,861             | 27,679              | 72,973             | -                  | 663,513             |
| Due to other funding source                          | -                   | -                   | 26,225             | (26,225)           | -                   |
| <b>TOTAL LIABILITIES</b>                             | <u>607,278</u>      | <u>28,200</u>       | <u>236,598</u>     | <u>(26,225)</u>    | <u>845,851</u>      |
| <b>FUND BALANCES (DEFICIT):</b>                      |                     |                     |                    |                    |                     |
| Unassigned (deficit)                                 | <u>(602,306)</u>    | <u>2,993,413</u>    | <u>-</u>           | <u>-</u>           | <u>2,391,107</u>    |
| <b>TOTAL FUND BALANCE (DEFICIT)</b>                  | <u>(602,306)</u>    | <u>2,993,413</u>    | <u>-</u>           | <u>-</u>           | <u>2,391,107</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b> | <u>\$ 4,972</u>     | <u>\$ 3,021,613</u> | <u>\$ 236,598</u>  | <u>\$ (26,225)</u> | <u>\$ 3,236,958</u> |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|   | State<br>Allocation | Local<br>Funding    | Federal<br>Funding | Totals              |
|---|---------------------|---------------------|--------------------|---------------------|
| REVENUES  |                     |                     |                    |                     |
| Charges to school districts                       | \$ -                | \$ 894,659          | \$ -               | \$ 894,659          |
| State sources                                     | 6,162,560           | 1,347               | -                  | 6,163,907           |
| Federal sources                                   | -                   | -                   | 1,159,067          | 1,159,067           |
| Food service revenue                              | -                   | 9,489               | -                  | 9,489               |
| Earnings on cash and cash equivalents             | -                   | 41,701              | -                  | 41,701              |
| Facilities rental                                 | -                   | 10,000              | -                  | 10,000              |
| Contributions                                     | -                   | 11,103              | -                  | 11,103              |
| Miscellaneous revenue                             | -                   | 152,763             | -                  | 152,763             |
| <b>TOTAL REVENUES</b>                             | <b>6,162,560</b>    | <b>1,121,062</b>    | <b>1,159,067</b>   | <b>8,442,689</b>    |
| EXPENDITURES                                      |                     |                     |                    |                     |
| Current:  |                     |                     |                    |                     |
| Instructional services                            | 3,237,120           | 117,052             | 363,464            | 3,717,636           |
| Operation and maintenance of facilities           | 1,878,879           | 163,510             | 113,410            | 2,155,799           |
| Transportation                                    | 297,672             | 7,065               | -                  | 304,737             |
| Food services                                     | 125,795             | 12,876              | 248,923            | 387,594             |
| Capital outlays                                   | 442,365             | 92,006              | 433,270            | 967,641             |
| Debt service                                      | 87,767              | 240,964             | -                  | 328,731             |
| <b>TOTAL EXPENDITURES</b>                         | <b>6,069,598</b>    | <b>633,473</b>      | <b>1,159,067</b>   | <b>7,862,138</b>    |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>       | <b>92,962</b>       | <b>487,589</b>      | <b>-</b>           | <b>580,551</b>      |
| OTHER FINANCING USES                              |                     |                     |                    |                     |
| Refund of prior year revenue                      | (3,679)             | -                   | -                  | (3,679)             |
| Transfer out                                      | (143,326)           | (277,154)           | -                  | (420,480)           |
| <b>TOTAL OTHER FINANCING USES</b>                 | <b>(147,005)</b>    | <b>(277,154)</b>    | <b>-</b>           | <b>(424,159)</b>    |
| <b>NET CHANGE IN FUND BALANCES</b>                | <b>(54,043)</b>     | <b>210,435</b>      | <b>-</b>           | <b>156,392</b>      |
| <b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b> | <b>(548,263)</b>    | <b>2,782,978</b>    | <b>-</b>           | <b>2,234,715</b>    |
| <b>FUND BALANCES (DEFICIT), END OF YEAR</b>       | <b>\$ (602,306)</b> | <b>\$ 2,993,413</b> | <b>\$ -</b>        | <b>\$ 2,391,107</b> |

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

EXPENDITURES

Current:

|                          |              |
|--------------------------|--------------|
| Salaries                 | \$ 3,452,546 |
| Employment costs         | 1,735,889    |
| Contractual services     | 364,171      |
| Communications           | 12,540       |
| Public utilities service | 133,711      |
| Insurance                | 89,722       |
| Repairs and maintenance  | 201,516      |
| Student activities       | 720          |
| Supplies and materials   | 574,951      |

Capital outlays:

|           |         |
|-----------|---------|
| Equipment | 652,987 |
| Property  | 314,654 |

Debt service:

|           |         |
|-----------|---------|
| Principal | 272,101 |
| Interest  | 371,990 |

TOTAL EXPENDITURES

\$ 8,177,498

**SINGLE AUDIT SUPPLEMENT**



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 23, 2021

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, 2021, 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 23, 2021.

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



INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

September 23, 2021

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

Report on Compliance for the Major Federal Program

We have audited Providence Creek Academy Charter School, Inc.'s ("the School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Directors  
Providence Creek Academy Charter School, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for the School's major federal program. However, our audit does not provide a legal determination of the School's compliance.

#### Opinion on the Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

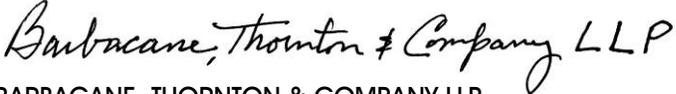
#### Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
BARBACANE, THORNTON & COMPANY LLP

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

| FEDERAL GRANTOR PROJECT TITLE                          | SOURCE<br>CODE | FEDERAL<br>CFDA<br>NUMBER | GRANT PERIOD<br>BEGINNING/<br>ENDING DATES | GRANT<br>AMOUNT | TOTAL<br>RECEIVED<br>FOR YEAR | ACCRUED<br>(DEFERRED)<br>REVENUE<br>06/30/20 | REVENUE<br>RECOGNIZED | CURRENT YEAR<br>EXPENDITURES | ACCRUED<br>(DEFERRED)<br>REVENUE<br>06/30/21 | PASSED<br>THROUGH<br>TO SUB-<br>RECIPIENTS |
|--|----------------|---------------------------|--|-----------------|-------------------------------|--|-----------------------|------------------------------|--|--|
| <u>U.S. Department of Agriculture</u>                  |                |                           |  |                 |                               |  |                       |                              |  |  |
| <u>Passed through Delaware Department of Education</u> |                |                           |  |                 |                               |  |                       |                              |  |  |
| National School Lunch Program                          | I              | 10.555                    | 07/01/20-06/30/21                          | N/A             | \$ 222,698                    | \$ -   | \$ 248,923            | \$ 248,923                   | \$ 26,225                                    | \$ -                                       |
| Total CFDA #10.555                                     |                |                           |  |                 | <u>222,698</u>                | <u>-</u>                                     | <u>248,923</u>        | <u>248,923</u>               | <u>26,225</u>                                | <u>-</u>                                   |
| Total U.S. Department of Agriculture                   |                |                           |  |                 | <u>222,698</u>                | <u>-</u>                                     | <u>248,923</u>        | <u>248,923</u>               | <u>26,225</u>                                | <u>-</u>                                   |
| <u>U.S. Department of Education</u>                    |                |                           |  |                 |                               |  |                       |                              |  |  |
| <u>Passed through Delaware Department of Education</u> |                |                           |  |                 |                               |  |                       |                              |  |  |
| Title I - Grants to Local Education Agencies           | I              | 84.010                    | 07/01/19-11/30/21                          | \$ 104,337      | 26,447                        | 26,347                                       | 100                   | 100                          | -  | -  |
| Title I - Grants to Local Education Agencies           | I              | 84.010                    | 07/01/20-11/30/22                          | 108,846         | 82,499                        | -  | 155,472               | 155,472                      | 72,973                                       | -  |
| Total CFDA #84.010                                     |                |                           |  |                 | <u>108,946</u>                | <u>26,347</u>                                | <u>155,572</u>        | <u>155,572</u>               | <u>72,973</u>                                | <u>-</u>                                   |
| IDEA Part B  | I              | 84.027                    | 07/01/19-11/30/21                          | 121,774         | 41,703                        | -  | 41,703                | 41,703                       | -  | -  |
| IDEA Part B  | I              | 84.027                    | 07/01/20-11/30/22                          | 128,622         | 75,169                        | -  | 75,169                | 75,169                       | -  | -  |
| Total CFDA #84.027                                     |                |                           |  |                 | <u>116,872</u>                | <u>-</u>                                     | <u>116,872</u>        | <u>116,872</u>               | <u>-</u>                                     | <u>-</u>                                   |
| Special Education Preschool Grants                     | I              | 84.173                    | 07/01/20-11/30/22                          | 2,076           | 16                            | -  | 16                    | 16                           | -  | -  |
| Total CFDA #84.173                                     |                |                           |  |                 | <u>16</u>                     | <u>-</u>                                     | <u>16</u>             | <u>16</u>                    | <u>-</u>                                     | <u>-</u>                                   |
| Total Special Education Cluster                        |                |                           |  |                 | <u>116,888</u>                | <u>-</u>                                     | <u>116,888</u>        | <u>116,888</u>               | <u>-</u>                                     | <u>-</u>                                   |
| Title II - Improving Teacher Quality State Grants      | I              | 84.367                    | 07/01/19-11/30/20                          | 27,366          | 9,253                         | -  | 9,253                 | 9,253                        | -  | -  |
| Title II - Improving Teacher Quality State Grants      | I              | 84.367                    | 07/01/20-11/30/21                          | 29,752          | 25,472                        | -  | 25,472                | 25,472                       | -  | -  |
| Total CFDA #84.367                                     |                |                           |  |                 | <u>34,725</u>                 | <u>-</u>                                     | <u>34,725</u>         | <u>34,725</u>                | <u>-</u>                                     | <u>-</u>                                   |
| Charter Schools  | I              | 84.282                    | 07/01/20-11/30/21                          | 800,000         | 385,344                       | -  | 518,244               | 518,244                      | 132,900                                      | -  |
| Small Rural School Grants, REAP                        | I              | 84.358                    | 07/01/20-11/30/23                          | 15,060          | 11,637                        | -  | 11,637                | 11,637                       | -  | -  |
| Total CFDA #84.358                                     |                |                           |  |                 | <u>11,637</u>                 | <u>-</u>                                     | <u>11,637</u>         | <u>11,637</u>                | <u>-</u>                                     | <u>-</u>                                   |
| Education Stabilization Fund                           | I              | 84.425                    | 07/01/20-11/30/23                          | 143,065         | 68,578                        | -  | 73,078                | 73,078                       | 4,500  | -  |
| Total CFDA #84.425                                     |                |                           |  |                 | <u>68,578</u>                 | <u>-</u>                                     | <u>73,078</u>         | <u>73,078</u>                | <u>4,500</u>                                 | <u>-</u>                                   |
| Total U.S. Department of Education                     |                |                           |  |                 | <u>726,118</u>                | <u>26,347</u>                                | <u>910,144</u>        | <u>910,144</u>               | <u>210,373</u>                               | <u>-</u>                                   |
| <b>TOTAL FEDERAL AWARDS</b>                            |                |                           |  |                 | <u>\$ 948,816</u>             | <u>\$ 26,347</u>                             | <u>\$ 1,159,067</u>   | <u>\$ 1,159,067</u>          | <u>\$ 236,598</u>                            | <u>\$ -</u>                                |

Source Code:

I = Indirect funding

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
CLAYTON, DELAWARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2021, there were no indirect costs included in the schedule of expenditures of federal awards.

## **SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
CLAYTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes  No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.282

Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.  
CLAYTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (cont'd)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.