



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

FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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INDEPENDENT AUDITOR'S REPORT

September 17, 2020

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, 2020, 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, 2020, 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 2019 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 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 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, and schedule of expenditures by natural classification - governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, 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

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$503,845, or 3.63 percent. Program revenues accounted for \$805,686, or 9.92 percent of total revenues, and the general revenues accounted for \$7,319,435, or 90.08 percent of total revenues. Also, the general fund reported a positive fund balance of \$2,234,715.

The largest changes in the School's statement of net position compared to FY 2019 can be seen in the deferred outflows and deferred inflows of resources. Deferred outflows increased by \$764,358. Deferred inflows increased by \$693,319. 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, 2020**

whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

All of the School's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The statement of the governmental funds provides a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or less financial resources available to spend in the near future to finance the School's programs. The difference between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,395,324 at the close of the fiscal year. The School's total assets are comprised of cash and equivalents (23.90 percent), accounts receivable (0.21 percent), and capital assets net of depreciation (75.89 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 2020 to 2019 follows:

**TABLE 1
NET POSITION
June 30, 2020 and 2019**

	2020	2019
Current and Other Assets		
Current assets	\$ 3,071,045	\$ 2,690,986
Capital assets, net of depreciation	9,666,358	9,747,613
Total Assets	12,737,403	12,438,599
 Deferred Outflows of Resources	 2,202,130	 1,437,772
Total Assets and Deferred Outflows of Resources	14,939,533	13,876,371

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

**TABLE 1
NET POSITION
June 30, 2020 and 2019**

(cont'd)	2020	2019
Liabilities		
Current liabilities	710,414	939,834
Long-term liabilities	24,633,767	24,538,349
Total Liabilities	25,344,181	25,478,183
Deferred Inflows of Resources	2,990,676	2,297,357
Total Liabilities and Deferred Inflows of Resources	28,334,857	27,775,540
Net Deficit		
Net investment in capital assets	(1,375,993)	(1,715,013)
Restricted	236,520	52,560
Unrestricted (deficit)	(12,255,851)	(12,236,716)
Total Net Deficit	\$(13,395,324)	\$(13,899,169)

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, 2020 and 2019**

	2020	2019
General Revenues		
Charges to school districts	\$ 911,863	\$ 865,679
State aid not restricted to specific purposes	6,092,388	5,747,412
Earnings on cash and cash equivalents	90,022	45,626
Other revenues	225,162	267,499
Total General Revenues	7,319,435	6,926,216
Program Revenues		
Federal aid	573,704	410,310
Facilities rental	7,610	23,250
School cafeteria fees	88,880	124,553
Summer camp and before and after care fees	135,492	150,217
Total Revenues	8,125,121	7,634,546

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

**TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2020 and 2019**

(cont'd)	<u>2020</u>	<u>2019</u>
Expenses		
Instructional services	4,103,406	5,385,589
Support services:		
Operation and maintenance of facilities	2,335,477	692,790
Transportation	468,953	704,000
School food services	243,044	329,684
Interest on long-term debt	470,396	502,444
Total Expenses	<u>7,621,276</u>	<u>7,614,507</u>
Change in Net Deficit	<u>\$ 503,845</u>	<u>\$ 20,039</u>

Governmental Activities

The net deficit of the School's governmental activities decreased by \$503,845, and unrestricted net position reflects a negative balance of \$12,255,851. 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 and investment earnings, and other local revenues must support the net cost of the programs.

	SERVICES			
	<u>2020</u>		<u>2019</u>	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Governmental Activities				
Instructional services	\$ 4,103,406	\$ 3,508,715	\$ 5,385,589	\$ 4,963,762
Support services:				
Operation and maintenance of facilities	2,335,477	2,327,867	692,790	669,540
Transportation	468,953	468,953	704,000	704,000
School food services	243,044	39,659	329,684	66,431
Interest on long-term debt	470,396	470,396	502,444	502,444
Total Expenses	<u>\$ 7,621,276</u>	<u>\$ 6,815,590</u>	<u>\$ 7,614,507</u>	<u>\$ 6,906,177</u>

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

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 \$2,471,235, which is an increase from the prior year's amount by \$434,958. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2019 to June 30, 2020.

	<u>2020</u>	<u>2019</u>	<u>Increase</u>
Governmental Fund Balance			
Restricted - debt service	\$ 236,520	\$ 52,560	\$ 183,960
Unassigned - general fund	<u>2,234,715</u>	<u>1,983,717</u>	<u>250,998</u>
Total Fund Balance	<u><u>\$ 2,471,235</u></u>	<u><u>\$ 2,036,277</u></u>	<u><u>\$ 434,958</u></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</u>
	<u>2020</u>	<u>2019</u>	<u>(%) Change</u>
Revenues			
Charges to school districts	\$ 911,863	\$ 865,679	5.34%
State sources	6,092,388	5,747,412	6.00%
Federal sources	459,199	410,310	11.92%
Food service revenue	204,002	124,553	63.79%
Earnings on cash and cash investments	90,022	45,626	97.30%
Facilities rental	7,610	23,250	-67.27%
Before and after care	30,736	36,824	-16.53%
Summer camp	104,756	113,393	-7.62%
Contributions	4,277	-	100.00%
Miscellaneous revenue	<u>220,268</u>	<u>267,499</u>	<u>-17.66%</u>
Total Revenues	<u><u>\$ 8,125,121</u></u>	<u><u>\$ 7,634,546</u></u>	<u><u>6.43%</u></u>

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

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

	Amounts		Percentage (%) Change
	2020	2019	
Expenditures by Object			
Instructional services	\$ 3,810,868	\$ 5,345,832	-28.71%
Support services:			
Operation and maintenance of facilities	2,104,417	397,677	429.18%
Transportation	359,123	548,985	-34.58%
School food services	241,780	329,684	-26.66%
Capital outlay	262,230	61,168	328.70%
Debt services	593,658	504,059	17.78%
Total Expenditures by Object	<u>\$ 7,372,076</u>	<u>\$ 7,187,405</u>	<u>2.57%</u>

During fiscal year 2020, the State of Delaware made changes to the coding structure for some expenditures. This change resulted more expenditures being classified as operation and maintenance of facilities instead of instructional services. Prior year expenditures were not reclassified to conform with the new coding structure utilized by the State of Delaware.

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 \$236,520 as of June 30, 2020.

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, 2020, actual revenues came in over anticipated amounts by \$39,028, and actual expenditures came in under budget by \$60,613.

CAPITAL ASSETS

The School has \$9,666,358 invested in capital assets, net of depreciation. During the current year, the School purchased two buses for \$180,000 and computers and food service equipment for \$98,853, performed building improvements for \$32,100, and incurred depreciation of \$392,208.

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

DEBT ADMINISTRATION

As of June 30, 2020, the School had total outstanding debt of \$11,042,351 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.

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

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,044,698	\$ 2,646,156
Accounts receivable	26,347	44,830
Total Current Assets	3,071,045	2,690,986
NONCURRENT ASSETS:		
Land	1,585,906	1,585,906
Depreciable capital assets, net	8,080,452	8,161,707
Total Noncurrent Assets	9,666,358	9,747,613
TOTAL ASSETS	12,737,403	12,438,599
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension	873,264	848,396
Deferred OPEB	1,328,866	589,376
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,202,130	1,437,772
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 14,939,533	\$ 13,876,371
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,745	\$ 5,221
Accrued salaries	598,065	649,488
Accrued interest	18,503	36,850
Current portion bonds and note payable	92,101	248,275
Total Current Liabilities	710,414	939,834
NONCURRENT LIABILITIES:		
Bonds and note payable	10,950,250	11,214,351
Compensated absences	162,867	143,831
Net pension liability	2,260,114	1,831,554
Net OPEB liability	11,260,536	11,348,613
Total Noncurrent Liabilities	24,633,767	24,538,349
TOTAL LIABILITIES	25,344,181	25,478,183
 DEFERRED INFLOWS OF RESOURCES:		
Deferred pension	71,694	179,111
Deferred OPEB	2,918,982	2,118,246
Total Deferred Inflows of Resources	2,990,676	2,297,357
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	28,334,857	27,775,540
 NET POSITION (DEFICIT):		
Net investment in capital assets	(1,375,993)	(1,715,013)
Restricted	236,520	52,560
Unrestricted (deficit)	(12,255,851)	(12,236,716)
TOTAL NET POSITION (DEFICIT)	(13,395,324)	(13,899,169)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 14,939,533	\$ 13,876,371

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, 2020
(With Summarized Comparative Data for June 30, 2019)

GOVERNMENTAL ACTIVITIES	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
	2020	2019	2020		2019
Instructional services	\$ (4,103,406)	\$ 135,492	\$ 417,195	\$ (4,963,762)	
Support services:					
Operation and maintenance of facilities	(2,335,477)	7,610	-	(669,540)	
Transportation	(468,953)	-	-	(704,000)	
School food services	(243,044)	88,880	114,505	(66,431)	
Interest on long-term debt	(470,396)	-	-	(502,444)	
TOTAL GOVERNMENT ACTIVITIES	<u>\$ (7,621,276)</u>	<u>\$ 231,982</u>	<u>\$ 531,700</u>	<u>(6,906,177)</u>	
GENERAL REVENUES					
Charges to school districts			911,863	865,679	
State aid not restricted to specific purposes			6,092,388	5,747,412	
Earnings on cash and investments			90,022	45,626	
Contributions			4,277	-	
Other local sources			220,885	267,499	
TOTAL GENERAL REVENUES			<u>7,319,435</u>	<u>6,926,216</u>	
CHANGE IN NET DEFICIT			503,845	20,039	
NET DEFICIT, BEGINNING OF YEAR			<u>(13,899,169)</u>	<u>(13,919,208)</u>	
NET DEFICIT, END OF YEAR			<u><u>\$ (13,395,324)</u></u>	<u><u>\$ (13,899,169)</u></u>	

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	General Fund	Debt Service Fund	Total Governmental Funds	
			2020	2019
ASSETS:				
Cash and cash equivalents	\$ 2,808,178	\$ 236,520	\$ 3,044,698	\$ 2,646,156
Accounts receivable	26,347	-	26,347	44,830
TOTAL ASSETS	<u><u>\$ 2,834,525</u></u>	<u><u>\$ 236,520</u></u>	<u><u>\$ 3,071,045</u></u>	<u><u>\$ 2,690,986</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,745	\$ -	\$ 1,745	\$ 5,221
Accrued salaries and benefits	598,065	-	598,065	649,488
TOTAL LIABILITIES	<u><u>599,810</u></u>	<u><u>-</u></u>	<u><u>599,810</u></u>	<u><u>654,709</u></u>
FUND BALANCES:				
Restricted	-	236,520	236,520	52,560
Unassigned	2,234,715	-	2,234,715	1,983,717
TOTAL FUND BALANCES	<u><u>2,234,715</u></u>	<u><u>236,520</u></u>	<u><u>2,471,235</u></u>	<u><u>2,036,277</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,834,525</u></u>	<u><u>\$ 236,520</u></u>	<u><u>\$ 3,071,045</u></u>	<u><u>\$ 2,690,986</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, 2020

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 2,471,235

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statements of net position. 9,666,358

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

Bonds and note payable	\$ (11,042,351)	
Accrued interest	(18,503)	
Compensated absences	(162,867)	
Net pension liability	(2,260,114)	
Net OPEB liability	<u>(11,260,536)</u>	(24,744,371)

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	873,264	
Deferred inflows - pension	<u>(71,694)</u>	801,570

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	1,328,866	
Deferred inflows - OPEB	<u>(2,918,982)</u>	<u>(1,590,116)</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (13,395,324)

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, 2020
(With Summarized Comparative Data for June 30, 2019)

	General Fund	Debt Service Fund	Total Governmental Funds	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
REVENUES				
Charges to school districts	\$ 911,863	\$ -	\$ 911,863	\$ 865,679
State sources	6,092,388	-	6,092,388	5,747,412
Federal sources	459,199	-	459,199	410,310
Food service revenue	204,002	-	204,002	124,553
Earnings on cash and cash investments	90,022	-	90,022	45,626
Facilities rental	7,610	-	7,610	23,250
Before and after care	30,736	-	30,736	36,824
Summer camp	104,756	-	104,756	113,393
Contributions	4,277	-	4,277	-
Miscellaneous revenue	220,268	-	220,268	267,499
TOTAL REVENUES	<u>8,125,121</u>	<u>-</u>	<u>8,125,121</u>	<u>7,634,546</u>
EXPENDITURES				
Current:				
Instructional services	3,810,868	-	3,810,868	5,345,832
Operation and maintenance of facilities	2,104,417	-	2,104,417	397,677
Transportation	359,123	-	359,123	548,985
Food services	241,780	-	241,780	329,684
Capital outlays	262,230	-	262,230	61,168
Debt service:				
Principal	332,000	88,275	420,275	316,237
Interest	261,658	227,085	488,743	503,182
TOTAL EXPENDITURES	<u>7,372,076</u>	<u>315,360</u>	<u>7,687,436</u>	<u>7,502,765</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>753,045</u>	<u>(315,360)</u>	<u>437,685</u>	<u>131,781</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenue	(2,727)	-	(2,727)	-
Transfers in	-	499,320	499,320	315,360
Transfers out	(499,320)	-	(499,320)	(315,360)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(502,047)</u>	<u>499,320</u>	<u>(2,727)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	250,998	183,960	434,958	131,781
FUND BALANCES, BEGINNING OF YEAR	<u>1,983,717</u>	<u>52,560</u>	<u>2,036,277</u>	<u>1,904,496</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,234,715</u>	<u>\$ 236,520</u>	<u>\$ 2,471,235</u>	<u>\$ 2,036,277</u>

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

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 434,958

Amounts reported for governmental activities in the statement of activities are different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$15,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 310,953	
Depreciation expense	<u>(392,208)</u>	(81,255)

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		420,275
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

18,347

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		(19,036)
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Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(296,275)

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.

26,831

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES		<u>\$ 503,845</u>
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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 provided; 2) operating grants and contributions; and 3) capital grants and contributions.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Receivables

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

Capital Assets

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

The School's compensated absences liability was \$162,867 at June 30, 2020.

Fund Equity

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

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

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Head of School may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 Inflows and Outflows of Resources

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

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.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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, 2019, from which the summarized information was derived.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2020, the School has a cash and cash equivalents balance of \$3,044,698. Of that amount, \$2,805,405 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2020, the reported amount of the School's deposits not held with the State Treasurer's Office was \$239,293, and the bank balance was \$239,293. All of the balance was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	Balance 07/01/19	Increases	Decreases	Balance 06/30/20
Government Activities				
Capital assets not being depreciated:				
Land	\$ 1,585,906	\$ -	\$ -	\$ 1,585,906
Capital assets being depreciated:				
Land improvements	49,500	-	-	49,500
Buildings	10,617,734	32,100	-	10,649,834
Furniture and equipment	607,269	98,853	-	706,122
Vehicles	1,072,405	180,000	(37,000)	1,215,405
Total Capital Assets Being Depreciated	12,346,908	310,953	(37,000)	12,620,861
Accumulated depreciation	(4,185,201)	(392,208)	37,000	(4,540,409)
Total Capital Assets Being Depreciated, Net	8,161,707	(81,255)	-	8,080,452
Governmental Activities, Net	\$ 9,747,613	\$ (81,255)	\$ -	\$ 9,666,358

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 1,331
Operation and maintenance of facilities	279,783
Transportation	109,830
School food services	1,264
	<u>\$ 392,208</u>

NOTE 4 LONG-TERM DEBT

On December 1, 2009, the School issued \$6,835,000 of Economic Development Revenue Bonds Taxable Series 2008A through Kent County, Delaware for the purchase of land and a building. The bonds bear interest at 3.51%; interest payments are payable semi-annually on December 1 and June 1 each year. The bonds mature December 1, 2038.

\$ 5,748,000

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

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.

	<u>5,294,351</u>
TOTAL BONDS AND NOTE PAYABLE	<u>\$11,042,351</u>

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

	Balance 07/01/19	Additions	Deletions	Balance 06/30/20	Amounts Due within One Year
Bonds payable	\$ 6,080,000	\$ -	\$ 332,000	\$ 5,748,000	\$ -
Note payable	5,382,626	-	88,275	5,294,351	92,101
	11,462,626	-	420,275	11,042,351	92,101
Net pension liability	1,831,554	428,560	-	2,260,114	-
Net OPEB liability	11,348,613	-	88,077	11,260,536	-
Compensated absences	143,831	19,036	-	162,867	-
	<u>\$ 24,786,624</u>	<u>\$ 447,596</u>	<u>\$ 508,352</u>	<u>\$ 24,725,868</u>	<u>\$ 92,101</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 \$470,396 for the year ended June 30, 2020.

The total principal and interest maturities are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 92,101	\$ 408,851	\$ 500,952
2022	276,091	421,093	697,184
2023	290,257	410,610	700,867
2024	304,601	459,597	764,198
2025	324,135	388,043	712,178
2026 - 2030	1,925,853	1,741,310	3,667,163
2031 - 2035	2,547,562	1,333,984	3,881,546
2036 - 2040	2,828,938	798,097	3,627,035
2041 - 2045	1,173,174	403,626	1,576,800
2046 - 2050	1,281,638	127,995	1,409,633
	<u>\$ 11,042,351</u>	<u>\$ 6,493,206</u>	<u>\$ 17,535,557</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Restricted:			
Debt service	\$ -	\$ 236,520	\$ 236,520
Unassigned	2,234,715	-	2,234,715
Total Fund Balance	<u>\$ 2,234,715</u>	<u>\$ 236,520</u>	<u>\$ 2,471,235</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, 2020. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The State Employees' Pension Plan is a cost-sharing multiple employer defined benefit plan that covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Benefits Provided

Service Benefits

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

Vesting

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

Retirement

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

Disability Benefits

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

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 67.7 percent with two percent reduction of the benefit, or 75 percent with a three percent reduction of the benefit, or 100 percent with six percent reduction of benefit). If the employee is an active member of the Plan with at least five years of

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2020, the rate of the employer contribution was 11.96 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2020 was \$349,849.

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, 2020, the School reported a liability of \$2,260,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.1451 percent, which was an increase of 0.0033 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$646,124. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 25,653	\$ -
Changes in proportions	73,047	55,105
Changes in assumptions	234,618	-
Differences between actual and expected experience	190,097	16,589
Contributions subsequent to the date of measurement	<u>349,849</u>	<u>-</u>
	<u>\$ 873,264</u>	<u>\$ 71,694</u>

An amount of \$349,849 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2021	\$ 229,730
2022	21,576
2023	74,025
2024	100,254
2025	<u>26,136</u>
	<u>\$ 451,721</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. 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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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 Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	29.5%
International equity	5.7%	13.5%
Fixed income	2.0%	27.1%
Alternative investments	7.8%	22.4%
Cash and equivalents	0.0%	7.5%

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

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 4,082,605	\$ 2,260,114	\$ 729,771

Pension Plan Fiduciary Net Position

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

The following are brief descriptions of the Plan in effect as of June 30, 2019. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of plan benefits is variable based on years of service. Pensioners who retire 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, 2020, the rate of the employer contribution was 12.51 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2020 was \$365,996.

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

At June 30, 2020, the School reported a liability of \$11,260,536 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2019, the School's proportion was 0.1413 percent, which was an increase of 0.0031 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$339,165. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 10,198
Changes in proportions	414,654	438,292
Changes in assumptions	548,216	1,206,401
Net difference between expected and actual experience	-	1,264,091
Contributions subsequent to the date of measurement	<u>365,996</u>	<u>-</u>
	<u>\$ 1,328,866</u>	<u>\$ 2,918,982</u>

An amount of \$365,996 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2021	\$ (523,767)
2022	(523,767)
2023	(517,992)
2024	(242,680)
2025	<u>(147,906)</u>
	<u>\$ (1,956,112)</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.50 percent
- Salary increases – 3.25 percent + merit
- Healthcare cost trend rates – 6.60 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 2020.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 3.87 percent at the beginning of the current measurement period and 3.50 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, 2019 and 2018 measurement date are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate.

	1% Decrease <u>2.50%</u>	Current Rate Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
School's proportionate share of the net OPEB liability	\$ 13,352,132	\$ 11,260,536	\$ 9,601,048

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.6 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 (5.6 percent) or one percentage point higher (7.6 percent) than the current rate.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 5.6%	Current Rate Healthcare Trend Rate 6.6%	1% Increase 7.6%
School's proportionate share of the net OPEB liability	\$ 9,662,847	\$ 11,260,536	\$ 13,215,549

Plan Fiduciary Net Position

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

NOTE 8 LEASING ARRANGEMENTS

The School leases its copier equipment under operating lease arrangements expiring through March 2021. Total rental expense for the year ended June 30, 2020 was \$17,512.

At June 30, 2020, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 2,919
Total	\$ 2,919

NOTE 9 RISK MANAGEMENT

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

NOTE 10 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which was ongoing at June 30 2020, economic and operational uncertainties have arisen which may impact the School in fiscal year 2021. There exist uncertainties surrounding the School's operations in the 2020 - 2021 school

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 UNCERTAINTIES (cont'd)

year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

Grants

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

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$	21,560
Travel	\$	1,932
Insurance	\$	77,996
Repairs and maintenance	\$	113,931
Supplies and materials	\$	3,240
Capital outlay - equipment	\$	23,814
Debt service – interest	\$	200,956

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

NOTE 12 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2020 are as follows:

Transfer In	Transfer Out	Amount
Debt Service Fund	General Fund	\$ 449,320

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, 2020.

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$12,255,851 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 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 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 17, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 1,100,514	\$ 1,000,000	\$ 911,863	\$ (88,137)
State sources	5,916,130	6,089,197	6,092,388	3,191
Federal sources	355,395	564,302	459,199	(105,103)
Food service revenue	277,871	212,594	204,002	(8,592)
Earnings on cash and cash investments	-	-	90,022	90,022
Facilities rental	20,000	48,000	7,610	(40,390)
Before and after care	-	-	30,736	30,736
Summer camp	-	-	104,756	104,756
Contributions	-	-	4,277	4,277
Miscellaneous revenue	285,300	172,000	220,268	48,268
	<u>7,955,210</u>	<u>8,086,093</u>	<u>8,125,121</u>	<u>39,028</u>
EXPENDITURES				
Current:				
Salaries	3,606,454	3,499,677	3,521,237	(21,560)
Employment costs	1,885,780	1,754,021	1,727,663	26,358
Travel	-	-	1,932	(1,932)
Contractual services	560,056	606,264	354,057	252,207
Communications	21,500	33,201	19,789	13,412
Public utilities service	165,000	142,000	139,837	2,163
Insurance	-	-	77,996	(77,996)
Transportation	12,766	6,030	-	6,030
Repairs and maintenance	8,000	5,500	119,431	(113,931)
Student activities	74,000	35,000	32,106	2,894
Supplies and materials	462,973	518,900	522,140	(3,240)
Capital outlays:				
Equipment	238,615	238,416	262,230	(23,814)
Debt service:				
Principal	160,000	532,978	332,000	200,978
Interest	261,640	60,702	261,658	(200,956)
TOTAL EXPENDITURES	<u>7,456,784</u>	<u>7,432,689</u>	<u>7,372,076</u>	<u>60,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>498,426</u>	<u>653,404</u>	<u>753,045</u>	<u>99,641</u>
OTHER FINANCING USES				
Refund of prior year revenue	-	-	(2,727)	(2,727)
Transfers out	(315,360)	(499,320)	(499,320)	-
Contingency reserve	(183,066)	(154,084)	-	154,084
TOTAL OTHER FINANCING USES	<u>(498,426)</u>	<u>(653,404)</u>	<u>(502,047)</u>	<u>151,357</u>
NET CHANGE IN FUND BALANCE	-	-	250,998	250,998
FUND BALANCE, BEGINNING OF YEAR	<u>1,983,717</u>	<u>1,983,717</u>	<u>1,983,717</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,983,717</u>	<u>\$ 1,983,717</u>	<u>\$ 2,234,715</u>	<u>\$ 250,998</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, 2020**

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE				
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
School's proportion of the net pension liability	0.1451%	0.1418%	0.1487%	0.1460%	0.1356%
School's proportion of the net pension liability - dollar value	\$ 2,260,114	\$ 1,831,554	\$ 2,180,637	\$ 2,200,079	\$ 901,895
School's covered employee payroll	\$ 3,012,308	\$ 2,815,758	\$ 2,897,693	\$ 2,784,395	\$ 2,528,337
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.03%	65.05%	75.25%	79.02%	35.67%
Plan fiduciary net position as a percentage of the total pension liability	85.41%	87.49%	85.31%	84.11%	92.67%
					19.83%
					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, 2020**

	<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>
CONTRIBUTIONS						
Contractually required contribution	\$ 349,849	\$ 356,356	\$ 293,402	\$ 277,599	\$ 266,745	\$ 241,709
Contributions in relation to the contractually required contribution	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 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	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, 2020

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

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

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and cash equivalents	\$ 7,667	\$ 2,800,511	-	\$ 2,808,178
Accounts receivable	-	-	26,347	26,347
TOTAL ASSETS	\$ 7,667	\$ 2,800,511	\$ 26,347	\$ 2,834,525
 LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 1,745	-	-	\$ 1,745
Accrued salaries and benefits	554,185	17,533	26,347	598,065
TOTAL LIABILITIES	\$ 555,930	\$ 17,533	\$ 26,347	\$ 599,810
 FUND BALANCES (DEFICIT):				
Unassigned (deficit)	(548,263)	2,782,978	-	2,234,715
TOTAL FUND BALANCE (DEFICIT)	(548,263)	2,782,978	-	2,234,715
 TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	 \$ 7,667	 \$ 2,800,511	 \$ 26,347	 \$ 2,834,525

**PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	-	\$ 911,863	-	\$ 911,863
State sources	6,092,388	-	-	6,092,388
Federal sources	-	-	459,199	459,199
Food service revenue	-	89,497	114,505	204,002
Earnings on cash and cash investments	-	90,022	-	90,022
Facilities rental	-	7,610	-	7,610
Before and after care	-	30,736	-	30,736
Summer camp	-	104,756	-	104,756
Contributions	-	4,277	-	4,277
Miscellaneous revenue	-	220,268	-	220,268
TOTAL REVENUES	<u>6,092,388</u>	<u>1,459,029</u>	<u>573,704</u>	<u>8,125,121</u>
EXPENDITURES				
Current:				
Instructional services	2,985,506	447,470	377,892	3,810,868
Operation and maintenance of facilities	1,771,931	254,779	77,707	2,104,417
Transportation	337,397	21,726	-	359,123
Food services	66,665	75,204	99,911	241,780
Capital outlays	235,502	8,534	18,194	262,230
Debt service	401,458	192,200	-	593,658
TOTAL EXPENDITURES	<u>5,798,459</u>	<u>999,913</u>	<u>573,704</u>	<u>7,372,076</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>293,929</u>	<u>459,116</u>	<u>-</u>	<u>753,045</u>
OTHER FINANCING USES				
Refund of prior year revenue	(2,727)	-	-	(2,727)
Transfer out	(289,080)	(210,240)	-	(499,320)
TOTAL OTHER FINANCING USES	<u>(291,807)</u>	<u>(210,240)</u>	<u>-</u>	<u>(502,047)</u>
NET CHANGE IN FUND BALANCES	2,122	248,876	-	250,998
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(550,385)</u>	<u>2,534,102</u>	<u>-</u>	<u>1,983,717</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (548,263)</u>	<u>\$ 2,782,978</u>	<u>\$ -</u>	<u>\$ 2,234,715</u>

PROVIDENCE CREEK ACADEMY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

EXPENDITURES

Current:

Salaries	\$ 3,521,237
Employment costs	1,727,663
Travel	1,932
Contractual services	354,057
Communications	19,789
Public utilities service	139,837
Insurance	77,996
Repairs and maintenance	119,431
Student activities	32,106
Supplies and materials	522,140

Capital outlays:

Equipment	262,230
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Debt service:

Principal	420,275
Interest	488,743

TOTAL EXPENDITURES

\$ 7,687,436



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 17, 2020

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, 2020, 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 17, 2020.

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