

DRAFT - FOR DISCUSSION PURPOSES ONLY

**ACADEMY OF DOVER CHARTER SCHOOL
(A Component Unit of the State of Delaware)
DOVER, DELAWARE**

FINANCIAL STATEMENTS

JUNE 30, 2021

DRAFT - FOR DISCUSSION PURPOSES ONLY

ACADEMY OF DOVER CHARTER SCHOOL
(A Component Unit of the State of Delaware)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
Statements of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheets - Governmental Fund	6
Reconciliation of Balance Sheet - Governmental Fund to Statement of Net Position	7
Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	8
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to Statement of Activities	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	27
Schedule of the School's Proportionate Share of the Net Pension Liability	28
Schedule of School Pension Contributions	29
Schedule of the School's Proportionate Share of the Net OPEB Liability	30
Schedule of School OPEB Contributions	31

DRAFT - FOR DISCUSSION PURPOSES ONLY

ACADEMY OF DOVER CHARTER SCHOOL
(A Component Unit of the State of Delaware)

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	33
Schedule of Expenditures by Natural Classification - General Fund	34
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 <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	37
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Recommendations	41

DRAFT - FOR DISCUSSION PURPOSES ONLY

INDEPENDENT AUDITOR'S REPORT

(to be determined)

Board of Directors
Academy of Dover Charter School
Dover, Delaware

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Academy of Dover Charter School ("the School"), Dover, 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.

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 the major fund of the Academy of Dover Charter School as of June 30, 2021, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Academy of Dover Charter School's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in our report dated September 21, 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 budgetary comparison information on page 27 and the 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 28 through 31 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 – governmental fund, combining statement of revenues, expenditures, and changes in fund balances - governmental fund, schedule of expenditures by natural classification - governmental fund, 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 – governmental fund, combining statement of revenues, expenditures, and changes in fund balances - governmental fund, schedule of expenditures by natural classification - governmental fund, 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 - governmental fund, combining statement of revenues, expenditures, and changes in fund balances - governmental fund, schedule of expenditures by natural classification - governmental fund, and schedule of expenditures of federal awards 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 (to be determined), 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

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BASIC FINANCIAL STATEMENTS

**ACADEMY OF DOVER CHARTER SCHOOL
STATEMENTS OF NET POSITION**

JUNE 30, 2021 AND 2020

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	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Pooled cash	\$ 936,277	\$ 413,748
Due from other governments	68,706	54,646
Total Current Assets	1,004,983	468,394
NONCURRENT ASSETS:		
Capital assets, net of depreciation	25,263	38,593
 DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - pension	508,133	363,154
Deferred outflows - OPEB	2,359,476	547,006
Total Deferred Outflows of Resources	2,867,609	910,160
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,897,855	\$ 1,417,147
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 66,607	\$ 10,417
Accrued salaries and related costs	361,609	304,769
Total Current Liabilities	428,216	315,186
NONCURRENT LIABILITIES:		
Net pension liability	922,105	878,153
Net OPEB liability	6,666,753	4,375,211
Total Noncurrent Liabilities	7,588,858	5,253,364
TOTAL LIABILITIES	8,017,074	5,568,550
 DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	216,249	85,304
Deferred inflows - OPEB	1,279,765	1,578,432
Total Deferred Inflows of Resources	1,496,014	1,663,736
 NET POSITION (DEFICIT):		
Investment in capital assets	25,263	38,593
Unrestricted (deficit)	(5,640,496)	(5,853,732)
Total Net Deficit	(5,615,233)	(5,815,139)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 3,897,855	\$ 1,417,147

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

**ACADEMY OF DOVER CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	Program Revenues			Net (Expense) Revenues and Changes in Net Deficit Totals	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
		2021	2020		2021
GOVERNMENTAL ACTIVITIES:					
Instructional services	\$ (2,640,604)	\$ -	\$ 784,200	\$ -	
Support services:					
Operation and maintenance of facilities	(1,463,142)	-	-	-	
Transportation	(288,525)	-	288,525	-	
School lunch services	(124,255)	-	122,530	-	
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (4,516,526)</u>	<u>\$ -</u>	<u>\$ 1,195,255</u>	<u>\$ (3,321,271)</u>	
GENERAL REVENUES:					
Charges to school districts				413,550	
State aid not restricted to specific purposes				3,013,259	
Earnings on pooled cash				6,661	
Miscellaneous revenues				6,439	
TOTAL GENERAL REVENUES			<u>3,521,177</u>	<u>2,949,633</u>	
CHANGE IN NET DEFICIT			199,906	(343,477)	
NET DEFICIT, BEGINNING OF YEAR			<u>(5,815,139)</u>	<u>(6,158,616)</u>	
NET DEFICIT, END OF YEAR			<u>\$ (5,615,233)</u>	<u>\$ (5,815,139)</u>	

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

ACADEMY OF DOVER CHARTER SCHOOL
BALANCE SHEETS - GOVERNMENTAL FUND
JUNE 30, 2021 AND 2020

DRAFT - FOR DISCUSSION PURPOSES ONLY

	General Fund	
	2021	2020
ASSETS		
Pooled cash	\$ 936,277	\$ 413,748
Due from other governments	68,706	54,646
TOTAL ASSETS	\$ 1,004,983	\$ 468,394
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 66,607	\$ 10,417
Accrued salaries and related costs	361,609	304,769
Total Liabilities	428,216	315,186
FUND BALANCE:		
Unassigned balance	576,767	153,208
Total Fund Balance	576,767	153,208
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,004,983	\$ 468,394

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

ACADEMY OF DOVER CHARTER SCHOOL
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND TO
STATEMENT OF NET POSITION
JUNE 30, 2021

DRAFT - FOR DISCUSSION PURPOSES ONLY

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 576,767

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

Capital assets used in the 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 statement of net position. 25,263

Long-term liabilities applicable to the governmental activities are not due and payable in the current year and, accordingly, are not reported as fund liabilities.

Net pension liability	\$ (922,105)	
Net OPEB liability	<u>(6,666,753)</u>	(7,588,858)

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

Deferred outflows - pension	508,133	
Deferred inflows - pension	<u>(216,249)</u>	<u>291,884</u>

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

Deferred outflows - OPEB	2,359,476	
Deferred inflows - OPEB	<u>(1,279,765)</u>	<u>1,079,711</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (5,615,233)

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

ACADEMY OF DOVER CHARTER SCHOOL
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
DRAFT - FOR DISCUSSION PURPOSES ONLY
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	General Fund	
	2021	2020
REVENUES		
Charges to school districts	\$ 494,818	\$ 413,550
State aid	3,301,784	2,626,859
Federal aid	906,730	582,929
Earnings on pooled cash	6,661	11,687
Miscellaneous	6,439	28,321
TOTAL REVENUES	4,716,432	3,663,346
EXPENDITURES		
Current:		
Instruction	2,421,158	1,808,639
Operation and maintenance of facilities	1,457,468	1,232,649
Transportation	288,525	230,784
School lunch services	124,255	164,942
Capital outlays:		
Equipment	1,467	752
TOTAL EXPENDITURES	4,292,873	3,437,766
NET CHANGE IN FUND BALANCE (DEFICIT)	423,559	225,580
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	153,208	(72,372)
FUND BALANCE, END OF YEAR	\$ 576,767	\$ 153,208

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

ACADEMY OF DOVER CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 423,559

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$25,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$13,330) exceeded capital outlays (\$0). (13,330)

Pension expenses in the statement of activities differ from the amount reported in the governmental fund 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 fund when a requirement to remit contributions to the plan exists. (29,918)

OPEB expenses in the statement of activities differ from the amount reported in the governmental fund because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing OPEB plan, whereas OPEB expenditures are recognized in the governmental fund when a requirement to remit contributions to the plan exists. (180,405)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ 199,906

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy of Dover Charter School ("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, which opened in September 2003, was established to provide a unique learning environment to students. The School is 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 (i.e., the statement of net position and the statement of activities) report information on all activities of the School.

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 1) charges to students who purchase, use, or directly benefit from goods and services provided; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and other revenues not included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental fund.

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 fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

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

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.

The School reports only one fund, which is the general fund (a governmental fund type).

Capital Assets

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

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

Furniture and equipment	3 - 10 years
Leasehold improvements	10 - 20 years

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. The School reports deferred inflows resulting from actuarially determined differences in the pension and OPEB liabilities that will be amortized over future periods.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)Compensated Absences

Vacation – Employees are not paid for unused vacation upon resignation or termination, unless otherwise stated in the employee contract. Twelve-month salaried employees are entitled up to 12 days of vacation each year.

Sick and Personal Leave – Employees are not paid for unused sick or personal leave upon resignation or termination. Sick leave allowances are as follows: 10 days for 10-month salaried employees and 12 days for 12-month salaried employees. Three sick days can be taken as personal days for both 10-month and 12-month salaried employees.

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. At the time of separation, the state will pay out any compensated absences, within its guidelines, to the employee.

Fund Balance

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 Principal may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unassigned 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

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

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 Principal 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 investment in capital assets consists of capital assets, net of accumulated depreciation. 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.

Use of Estimates in the Preparation of Financial Statements

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

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.

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NOTES TO FINANCIAL STATEMENTS

NOTE B POOLED CASH

At June 30, 2021, the School had a pooled cash balance of \$936,277. All of the pooled cash balance was 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.

NOTE C INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units represent receivables for revenues earned by the School. At June 30, 2021, intergovernmental receivables are as follows:

Description	
Passed through the State of Delaware:	
Federal government	\$ 68,706

NOTE D CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
General capital assets being depreciated:				
Furniture and equipment	\$ 636,550	\$ -	\$ -	\$ 636,550
Leasehold improvements	90,389	-	-	90,389
Accumulated depreciation	<u>(688,346)</u>	<u>(13,330)</u>	-	<u>(701,676)</u>
Total capital assets being depreciated, net	<u>\$ 38,593</u>	<u>\$ (13,330)</u>	<u>\$ -</u>	<u>\$ 25,263</u>

For the year ended June 30, 2021, depreciation expense of \$7,656 and \$5,674 was included in instructional services and operation and maintenance of facilities, respectively.

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NOTES TO FINANCIAL STATEMENTS

NOTE E FUND BALANCE

As of June 30, 2021, fund balance is composed of the following:

General fund - unassigned	<u>\$ 576,767</u>
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NOTE F OPERATING LEASE

The School leases its facilities under an operating leasing arrangement expiring November 30, 2026. The facility lease started December 1, 2010. The base year rental is \$514,896, inclusive of maintenance charges. The rent and maintenance fees will increase beginning December 1, 2013 and each year thereafter. The lease contains a purchase option that may be exercised by the School by notifying the lessor 90 days prior to the proposed closing date.

Rent expense was \$565,195 for the year ended June 30, 2021, all of which was included in operation and maintenance of facilities.

The future minimum lease obligations are as follows:

Year Ending June 30,

2022	\$ 576,590
2023	588,123
2024	599,884
2025	611,880
2026	624,116
2027	<u>262,190</u>
 Total	 <u>\$3,262,783</u>

NOTE G 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").

NOTE G PENSION PLAN (cont'd)

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 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 (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

Employees hired Pre-2012 vest in the plan after five years of credited service. Employees hired Post-2012 vest in the plan after ten years of credited service.

Retirement

Employees hired Pre-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 Post-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 Pre-2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of

NOTE G PENSION PLAN (cont'd)

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 Post-2012 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

If an employee is receiving a pension, the eligible survivor receives 50 percent of pension (or 67.7 percent with two percent reduction, 75 percent with a three percent reduction, or 100 percent with a six percent reduction of benefit); if employee is active with at least five years of credited service, eligible survivor receives 75 percent of pension the employee would have received at age 62.

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

Contributions*Member Contributions*

Employees hired Pre-2012 contribute three percent of earnings in excess of \$6,000. Employees hired Post-2012 contribute five percent of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. 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 years ended June 30, 2021 was \$211,530.

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 \$922,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total

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NOTES TO FINANCIAL STATEMENTS

NOTE G PENSION PLAN (cont'd)

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 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 0.0656 percent, which was an increase of 0.0092 percent from its proportion as of June 30, 2019.

For the year ended June 30, 2021, the School recognized a pension expense of \$241,448. 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 64,595	\$ -
Changes in proportions	111,798	53,251
Difference between actual and expected earnings on investments	-	160,228
Difference between actual and expected experience	120,210	2,770
Contributions subsequent to the date of measurement	<u>211,530</u>	<u>-</u>
	<u>\$ 508,133</u>	<u>\$ 216,249</u>

An amount of \$211,530 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 fiscal 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:

Year Ending June 30,

2022	\$ (860)
2023	22,849
2024	34,704
2025	1,200
2026	<u>22,461</u>
	<u>\$ 80,354</u>

NOTE G PENSION PLAN (cont'd)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 total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.0 percent, including inflation of 2.5 percent
- Salary increases – 2.5 percent plus merit, including inflation of 2.5 percent
- Cost-of-living adjustments – 0.0 percent

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. 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 RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees, and 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:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation
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%

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

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

The following presents the net pension liability, calculated using the discount rate of 7.0 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	\$ 1,770,586	\$ 922,105	\$ 207,226

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 H OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits ("OPEB") 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 DPERS Board of Pension Trustees, which acts as the Board of Trustees ("the Board") for the Plan and is responsible for the financial management of the Plan.

NOTE H OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

Plan Description and Eligibility

The 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*Member Contributions*

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

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 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 \$202,481.

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

At June 30, 2021, the School reported a liability of \$6,666,753 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB

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NOTES TO FINANCIAL STATEMENTS

NOTE H OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 0.0640 percent, which was an increase of 0.0091 percent from its proportion as of June 30, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$382,886. 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 7,406
Changes in proportions	836,055	434,925
Changes in assumptions	1,127,367	379,165
Net difference between expected and actual experience	193,573	458,269
Contributions subsequent to the date of measurement	<u>202,481</u>	<u>-</u>
	<u>\$ 2,359,476</u>	<u>\$ 1,279,765</u>

An amount of \$202,481 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 and inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 68,067
2023	70,682
2024	195,386
2025	238,316
2026	<u>304,779</u>
	<u>\$ 877,230</u>

NOTE H OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)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:

- 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 reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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, 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 2.21 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is

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NOTES TO FINANCIAL STATEMENTS

NOTE H OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate.

	1% Decrease 1.21%	Current Rate Discount Rate 2.21%	1% Increase 3.21%
School's proportionate share of the net OPEB liability	\$ 7,987,898	\$ 6,666,753	\$ 5,629,093

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% Decrease 4.6%	Current Rate Healthcare Trend Rate 5.6%	1% Increase 6.6%
School's proportionate share of the net OPEB liability	\$ 6,252,922	\$ 6,666,753	\$ 7,290,248

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 I LONG-TERM LIABILITIES

	Amounts Outstanding 7/1/2020	Additions	Retirements	Amounts Outstanding 6/30/2021	Due Within One Year
Governmental Activities:					
Net OPEB liability	\$ 4,375,211	\$ 2,291,542	\$ -	\$ 6,666,753	\$ -
Net pension liability	878,153	43,952	-	922,105	-
Total Governmental Activities	<u>\$ 5,253,364</u>	<u>\$ 2,335,494</u>	<u>\$ -</u>	<u>\$ 7,588,858</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE J UNCERTAINTIES

COVID-19 Pandemic

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.

Grants

The School receives 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 are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

NOTE K 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 the past year.

NOTE L EXCESS EXPENDITURES OVER APPROPRIATIONS

The following general fund functions incurred expenditures in excess of budget appropriations in the following amounts for the year ended June 30, 2021:

Salaries	\$	29,845
Employment costs	\$	26,993
Contractual services	\$	51,113
Transportation – buses	\$	7,213
Supplies and materials	\$	104,744
Capital outlay – equipment	\$	1,467

The excess of expenditures was financed by other expenditure areas coming in under budget.

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NOTES TO FINANCIAL STATEMENTS

NOTE M DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$5,640,496 includes the effect of recording the School's actuarially determined pension and OPEB liabilities, and the related deferred outflows and inflows associated with the pension and OPEB plans.

NOTE N SUBSEQUENT EVENTS

The School has evaluated all subsequent events through (to be determined), the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

**ACADEMY OF DOVER CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges to school districts	\$ 400,000	\$ 501,209	\$ 494,818	\$ (6,391)
State aid	2,988,407	3,384,978	3,301,784	(83,194)
Federal aid	793,419	3,704,581	906,730	(2,797,851)
Earnings on pooled cash	-	-	6,661	6,661
Miscellaneous	45,653	45,922	6,439	(39,483)
TOTAL REVENUES	<u>4,227,479</u>	<u>7,636,690</u>	<u>4,716,432</u>	<u>(2,920,258)</u>
EXPENDITURES				
Current:				
Salaries	1,882,089	1,788,897	1,818,742	(29,845)
Employment costs	941,045	894,448	921,441	(26,993)
Contractual services	89,400	257,770	308,883	(51,113)
Communication	8,000	8,000	5,820	2,180
Public utility services	57,700	43,703	40,417	3,286
Insurance	30,000	30,000	21,933	8,067
Transportation - buses	239,115	281,312	288,525	(7,213)
Land/building/facilities	565,195	565,195	557,276	7,919
Repairs and maintenance	66,500	88,883	3,502	85,381
Food service	100,000	63,521	63,521	-
Supplies and materials	87,000	156,602	261,346	(104,744)
Contingency reserve	509,380	3,804,784	-	3,804,784
Capital outlays:				
Equipment	-	-	1,467	(1,467)
TOTAL EXPENDITURES	<u>4,575,424</u>	<u>7,983,115</u>	<u>4,292,873</u>	<u>3,690,242</u>
NET CHANGE IN FUND BALANCE	<u>\$ (347,945)</u>	<u>\$ (346,425)</u>	<u>423,559</u>	<u>\$ 769,984</u>
FUND BALANCE, BEGINNING OF YEAR			<u>153,208</u>	
FUND BALANCE, END OF YEAR			<u>\$ 576,767</u>	

NOTE: The School's budget is presented on the modified accrual basis of accounting.

**ACADEMY OF DOVER CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	MEASUREMENT DATE						
	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
PROPORTIONATE SHARE OF NET PENSION LIABILITY							
School's proportion of the net pension liability	0.0656%	0.0564%	0.0543%	0.0591%	0.0667%	0.0701%	0.0705%
School's proportion of the net pension liability - dollar value	\$ 922,105	\$ 878,153	\$ 700,713	\$ 867,114	\$ 1,005,614	\$ 466,028	\$ 239,508
School's covered employee payroll	\$ 1,414,130	\$ 1,170,418	\$ 1,077,246	\$ 1,152,244	\$ 1,272,693	\$ 1,306,444	\$ 1,236,621
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%	20.01%
Plan fiduciary net position as a percentage 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.

**ACADEMY OF DOVER CHARTER SCHOOL
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
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>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 211,530	\$ 169,130	\$ 138,437	\$ 112,249	\$ 110,385	\$ 121,924	\$ 124,896
Contributions in relation to the contractually required contribution	<u>211,530</u>	<u>169,130</u>	<u>138,437</u>	<u>112,249</u>	<u>110,385</u>	<u>121,924</u>	<u>124,896</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 1,715,572	\$ 1,414,130	\$ 1,170,418	\$ 1,077,246	\$ 1,152,244	\$ 1,272,693	\$ 1,306,444
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.

ACADEMY OF DOVER CHARTER SCHOOL
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2021

DRAFT - FOR DISCUSSION PURPOSES ONLY

<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	0.0640%	0.0549%	0.0529%	0.0578%
School's proportion of the net OPEB liability - dollar value	\$ 6,666,753	\$ 4,375,211	\$ 4,341,737	\$ 4,771,392
School's covered employee payroll	\$ 1,414,130	\$ 1,170,418	\$ 1,077,246	\$ 1,152,244
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	471.44%	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	4.27%	4.89%	4.44%	4.13%

Note: The above information is presented as of the Plan's measurement date.

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.

ACADEMY OF DOVER CHARTER SCHOOL
SCHEDULE OF SCHOOL OPER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT - FOR DISCUSSION PURPOSES ONLY

<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	\$ 202,481	\$ 176,936	\$ 137,976	\$ 118,787
Contributions in relation to the contractually required contribution	<u>202,481</u>	<u>176,936</u>	<u>137,976</u>	<u>118,787</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 1,715,572	\$ 1,414,130	\$ 1,170,418	\$ 1,077,246
Contributions as a percentage of 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.

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SUPPLEMENTARY INFORMATION

ACADEMY OF DOVER CHARTER SCHOOL
 COMBINING BALANCE SHEET - GENERAL FUND
 JUNE 30, 2021

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Pooled cash	\$ 80,323	\$ 855,954	\$ -	\$ 936,277
Due from other governments	-	-	68,706	68,706
TOTAL ASSETS	<u>\$ 80,323</u>	<u>\$ 855,954</u>	<u>\$ 68,706</u>	<u>\$ 1,004,983</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 50,484	\$ 16,123	\$ -	\$ 66,607
Accrued salaries and related costs	-	292,903	68,706	361,609
TOTAL LIABILITIES	<u>50,484</u>	<u>309,026</u>	<u>68,706</u>	<u>428,216</u>
FUND BALANCES:				
Unassigned	29,839	546,928	-	576,767
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 80,323</u>	<u>\$ 855,954</u>	<u>\$ 68,706</u>	<u>\$ 1,004,983</u>

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

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	\$ -	\$ 494,818	-	\$ 494,818
State aid	3,301,784	-	-	3,301,784
Federal aid	-	-	784,200	784,200
Earnings on pooled cash	-	6,661	-	6,661
School lunch services - grants	-	-	122,530	122,530
Miscellaneous	3,183	3,256	-	6,439
TOTAL REVENUES	3,304,967	504,735	906,730	4,716,432
EXPENDITURES				
Current:				
Instructional services	1,712,478	76,555	632,125	2,421,158
Operation and maintenance of facilities	1,293,731	11,662	152,075	1,457,468
Transportation	288,525	-	-	288,525
Food services	545	1,180	122,530	1,847,635
Capital outlays:				
Equipment	-	1,467	-	1,467
TOTAL EXPENDITURES	3,295,279	90,864	906,730	4,292,873
NET CHANGE IN FUND BALANCES	9,688	413,871	-	423,559
FUND BALANCES, BEGINNING OF YEAR	20,151	133,057	-	153,208
FUND BALANCES, END OF YEAR	\$ 29,839	\$ 546,928	\$ -	\$ 576,767

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ACADEMY OF DOVER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

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EXPENDITURES

Current:

Salaries	\$ 1,818,742
Employment costs	921,441
Contractual services	308,883
Communication	5,820
Public utility services	40,417
Insurance	21,933
Transportation - buses	288,525
Land/building/facilities	557,276
Repairs and maintenance	3,502
Food service	63,521
Supplies and materials	261,346
Equipment	<u>1,467</u>

TOTAL EXPENDITURES \$ 4,292,873

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

(to be determined)

Board of Directors
Academy of Dover Charter School
Dover, 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 the major fund of the Academy of Dover Charter School ("the School"), Dover, 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 (to be determined).

Internal Control Over Financial Reporting

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

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

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

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

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

(to be determined)

Board of Directors
Academy of Dover Charter School
Dover, Delaware

Report on Compliance for Each Major Federal Program

We have audited the Academy of Dover Charter School'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 programs for the year ended June 30, 2021. The School's major federal programs are 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 programs 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 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.

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

Opinion on the Major Federal Programs

In our opinion, Academy of Dover Charter 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 programs 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 programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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

**ACADEMY OF DOVER CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTEE PROJECT TITLE	Source Code	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 06/30/20	REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/21	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Agriculture										
Passed through the DE Department of Education										
Child and Adult Care Food Program	I	10.555	07/01/20-06/30/21	N/A	\$ 122,530	\$ -	\$ 122,530	\$ 122,530	\$ -	\$ -
Total CFDA #10.555					122,530	-	122,530	122,530	-	-
Total U.S. Department of Agriculture					122,530	-	122,530	122,530	-	-
U.S. Department of Education										
Passed through the DE Department of Education										
Title I - Grants to Local Education Agencies	I	84.010	07/01/20-11/30/21	194,259.00	23,753	-	23,753	23,753	-	-
Title I - Grants to Local Education Agencies	I	84.010	07/01/21-11/30/22	210,231.00	160,036	54,646	174,086	174,086	68,706	-
Total CFDA #84.010					183,789	-	197,849	197,849	68,706	-
I.D.E.A.	I	84.027	07/01/20-11/30/21	67,467.00	17,179	-	17,179	17,179	-	-
I.D.E.A.	I	84.027	07/01/21-11/30/22	84,052.00	55,201	-	55,201	55,201	-	-
Total CFDA #84.027					72,380	-	72,380	72,380	-	-
Special Education Preschool Grants	I	84.173	07/01/19-11/30/20	626.00	626	-	626	626	-	-
Special Education Preschool Grants	I	84.173	07/01/20-11/30/21	2,272.00	2,272	-	2,272	2,272	-	-
Special Education Preschool Grants	I	84.173	07/01/21-11/30/22	2,568.00	2,568	-	2,568	2,568	-	-
Total CFDA #84.173					5,466	-	5,466	5,466	-	-
Total Special Education Cluster					77,846	-	77,846	77,846	-	-
Title II: Improving Teacher Quality State Grants	I	84.367	07/01/20-11/30/21	34,023.00	27,364	-	27,364	27,364	-	-
Title II: Improving Teacher Quality State Grants	I	84.367	07/01/21-11/30/22	39,375.00	39,375	-	39,375	39,375	-	-
Total CFDA #84.367					66,739	-	66,739	66,739	-	-
Title IV	I	84.424	07/01/19-11/30/20	20,050.00	16,261	-	16,261	16,261	-	-
Title IV	I	84.424	07/01/20-11/30/21	21,459.00	21,459	-	21,459	21,459	-	-
Title IV	I	84.424	07/01/21-11/30/22	22,142.00	22,142	-	22,142	22,142	-	-
Total CFDA #84.424					59,862	-	59,862	59,862	-	-
Charter Schools Program Grants	I	84.282	07/01/21-11/30/22	750,000.00	106,804	-	106,804	106,804	-	-
Total CFDA #84.282					106,804	-	106,804	106,804	-	-
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	I	84.425	3/13/20-11/30/22	205,895.00	205,895	-	205,895	205,895	-	-
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	I	84.425	3/13/20-11/30/23	638,924.00	69,205	-	69,205	69,205	-	-
Total CFDA #84.425					275,100	-	275,100	275,100	-	-
Total U.S. Department of Education					715,494	-	784,200	784,200	68,706	-
TOTAL FEDERAL AWARDS					\$ 838,024	\$ -	\$ 906,730	\$ 906,730	\$ 68,706	\$ -

Source Codes:
 D - Direct Funding
 I - Indirect Funding

ACADEMY OF DOVER CHARTER SCHOOL
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A **BASIS OF ACCOUNTING**

The School uses the modified accrual method of recording transactions. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE B **FEDERAL EXPENDITURES**

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C **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.

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

ACADEMY OF DOVER CHARTER SCHOOL
DRAFT - FOR DISCUSSION PURPOSES ONLY
 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 X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

 Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.282

Charter Schools Program Grants

Education Stabilization Fund Under The
 Coronavirus Aid, Relief, and Economic
 Security Act

84.425

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

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

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ACADEMY OF DOVER CHARTER SCHOOL

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.