

**EARLY COLLEGE SCHOOL AT  
DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

*Year Ended June 30, 2022*

## **INTRODUCTORY SECTION**

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

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**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Early College School at Delaware State University (a component unit of the State of Delaware) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Early College School at Delaware State University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities of Early College School at Delaware State University, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Early College School at Delaware State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Early College School at Delaware State University's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Early College School at Delaware State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Early College School at Delaware State University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Early College School at Delaware State University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 12, budgetary comparison information on pages 36 and 37, schedule of the school's proportionate share of the net pension liability on page 38, schedule of school contributions - pension on page 39, schedule of the school's proportionate share of the net OPEB liability on page 40 and the schedule of school contributions - OPEB on page 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Early College School at Delaware State University's basic financial statements. The governmental fund – combining balance sheet, governmental fund – combining schedule of revenues, expenditures and changes in fund balance, governmental fund – schedule of expenditures by natural classification, and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The governmental fund-combining balance sheet, governmental fund-combining schedule of revenues, expenditures and changes in fund balance, governmental fund-schedule of expenditures by natural classification, and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 governmental fund-combining balance sheet, governmental fund-combining schedule of revenues, expenditures and changes in fund balance, governmental fund-schedule of expenditures by natural classification, and schedule of expenditures of federal awards is 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 29, 2022 on our consideration of Early College School at Delaware State University'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 Early College School at Delaware State University's internal control over financial reporting and compliance.

*Maillie LLP*

West Chester, Pennsylvania  
September 29, 2022



**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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The discussion and analysis of the financial performance of Early College School (the "School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2022.

**FINANCIAL HIGHLIGHTS**

The School's net position reflects a deficit balance of \$(5,736,260). Program revenues accounted for \$2,026,969 or 36.0% of total revenue, and general revenues accounted for \$3,550,083 or 64.0%.

The Governmental Fund reported a fund balance in the amount of \$872,151, an increase of \$4,155 from the previous year.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School as a whole and then proceed to provide a detailed look at specific financial activities.

**REPORTING EARLY COLLEGE HIGH SCHOOL AS A WHOLE**

Fiscal year 2022 is the School's eighth year of operations. 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 and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net position and changes in them. 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 educational related legislation, student enrollment growth, facility conditions and other issues in arriving at a conclusion regarding the overall health of the School.

**REPORTING THE SCHOOL'S MOST SIGNIFICANT FUND**

Most of the School's activities are reported in the Governmental Fund, which focuses on how money flows into and out of that fund and the year-end balance available for spending in future periods. This fund is reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the School's general operations and the basic services it provides. Governmental Fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs and/or operations. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Fund is reconciled in the basic financial statements.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the School, liabilities exceed assets by \$5,736,260 at the close of the fiscal year resulting in a deficit net position.

A comparative net asset analysis of fiscal years 2022-2021 follows:

**Statements of Net Position**  
**(Amounts Expressed in Thousands)**

	Governmental Activities	
	2022	2021
<b>ASSETS</b>		
Current assets	\$ 1,385	\$ 1,237
Receivable from foundation	9	9
Other assets	847	-
TOTAL ASSETS	2,241	1,246
 DEFERRED OUTFLOWS OF RESOURCES	3,063	3,302
 <b>LIABILITIES</b>		
Current liabilities	522	378
Other liabilities	6,774	8,790
TOTAL LIABILITIES	7,296	9,168
 DEFERRED INFLOWS OF RESOURCES	3,744	1,397
 <b>NET POSITION</b>		
Net investment in capital assets	-	-
Unrestricted	(5,736)	(6,017)
TOTAL NET POSITION	\$ (5,736)	\$ (6,017)

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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The table below reflects the cost of program services and the net cost of those services after taking into account the program revenue for governmental activities (amounts expressed in thousands).

**Statements of Activities**  
**(Amounts Expressed in Thousands)**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
General revenues		
Charges to school districts	\$ 581	\$ 682
State aid not restricted	2,969	3,402
Earnings on cash and investments	-	9
Program revenues		
School programs	75	28
Operating grants and contributions	1,952	1,613
<b>TOTAL REVENUES</b>	<u>5,577</u>	<u>5,734</u>
<b>EXPENSES</b>		
Instructional services	4,600	4,958
Support services		
Operation and maintenance of facilities	270	412
Transportation	728	408
School lunch service	64	4
Interest on long-term debt	-	7
<b>TOTAL EXPENSES</b>	<u>5,662</u>	<u>5,789</u>
 CHANGE IN NET POSITION	 (85)	 (55)
 NET POSITION, BEGINNING OF YEAR	 <u>(5,651)</u>	 <u>(5,596)</u>
 NET POSITION, END OF YEAR	 <u>\$ (5,736)</u>	 <u>\$ (5,651)</u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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**THE SCHOOL'S FUNDS**

The School's Governmental Fund reported a balance of \$872,151.

**Governmental Fund**

The table that follows assists in illustrating the financial activities of the General Fund (amounts expressed in thousands).

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Charges to school districts	\$ 581	\$ 682
State aid	2,969	3,402
Federal aid	1,107	360
Earnings on cash and investments	-	9
School lunch fees	75	28
School programs	105	11
In-kind support	740	1,241
TOTAL REVENUES	<u>5,577</u>	<u>5,733</u>
<b>EXPENDITURES</b>		
Current		
Instructional services	4,510	4,035
Support services		
Operation and maintenance of facilities	270	412
Transportation	728	408
Food services	64	4
Debt service		
Interest on long-term debt	-	7
TOTAL EXPENDITURES	<u>5,572</u>	<u>4,866</u>
NET CHANGE IN FUND BALANCE	<u>\$ 5</u>	<u>\$ 867</u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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The majority of School's total revenue (64%) comes from state sources and local school districts. State and local revenue is contingent upon the School's total enrollment population and the students' residential districts. Delaware State University provides free rent and tuition to the School which is recognized as In-Kind revenue (13%). The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding which accounts for (20%) of total revenue. Program revenue and students' lunch fees account for (3%) of total revenue. The reliance on this revenue is to support programs and facility expenditures that are not allotted for in federal, state and local funds.

**General Fund Budget Information**

Early College School's budget is prepared in accordance with the modified accrual basis of accounting.

Appropriate adjustments are made to the budget based on unanticipated revenue increases or shortfalls due to federal, state and Delaware Department of Education requirements and/or legislation, lack of contributions, etc. Some appropriations required changes in functional categories due to spending patterns.

**Revenues**

**Federal Aid** - The favorable variance of \$947,950 is due to Federal funds budgeted on the amount available to spend and authorized vs the amount anticipated to be reimbursed and earned.

**Food Service Revenue** - The favorable variance of \$33,158 is due to COVID. The COVID years were an anomaly, so the projected budget was returned to the FY2019 level, pre-COVID and before the drop in enrollment.

**Contributions** - The unfavorable variance of \$1,046 is due to estimates as a direct result of economic recovery relative to COVID impact.

**School Programs** - The unfavorable variance of \$40,622 is due to estimates that were impacted due to student/parental participation as we continue to recover from the COVID virtual years.

**In-kind Support** - The unfavorable variance of \$253,020 is due to a decrease in the student count for the year as well as a change in the space used on Delaware State University's campus.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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***Expenditures***

**Salaries and Employment Costs** - The unfavorable variance of \$429,372 is due to salary and OEC budgeted and expended within the CARES Act, ESSR II and ESSR III federal grants. These resources were included as a single line within the budget and monitored with separate administrative vendor detailed reports.

**Contractual Services** - The favorable variance of \$1,369,259 is due to services budgeted and expended within the CARES Act, ESSR II and ESSR III federal grants. These resources were included as a single line within the budget and monitored with separate administrative vendor detailed reports.

**Communications** - The favorable variance of \$3,874 is due to inclusion of bandwidth expansion possibilities that may need attention with the schools site locations.

**Facility Costs** - The favorable variance of \$251,091 is due to the change in space used on Delaware State University's Campus.

**Travel** - The favorable variance of \$31,288 is a direct result of conference travel vs virtual meetings as we continue to recover from COVID.

**Tuition Expense** - The favorable variance of \$1,929 is a result of the decrease in student count for the year.

**Transportation** - The unfavorable variance of \$208,976 is a result of transportation expense budgeted and expended from ESSR III.

**Repairs and Maintenance** - The favorable variance of \$11,272 is a result of projected need with return to school for a "new normal" after COVID induced virtual instruction the prior 2 years.

**Supplies and Materials** - The favorable variance of \$10,900 is a result of projected need with return to school for a "new normal" after COVID induced virtual instruction the prior 2 years.

**Insurance** - The unfavorable variance of \$339 is due to conference travel insurance add-ons.

**Capital Assets**

All capital assets were fully depreciated as of June 30, 2020. There was no depreciation expense incurred during FY22.

**Line of Credit**

The School has a Line of Credit agreement with WSFS Bank for \$1,000,000 at an interest rate of 2.34%. The Line of Credit has no outstanding borrowings at year-end.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2022

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**FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS**

On March 13, 2020, Delaware Governor John C Carney declared a state of emergency due to the public health threat of coronavirus disease 2019 (COVID-19). All Delaware schools would subsequently be ordered to close to prevent the community spread of COVID-19. As cases of a new delta variant of COVID-19 continue to spike across the country, The School prepares to provide either in-person, remote learning atmosphere or a hybrid of in school and remote learning for the fiscal year 2022 school years. The School has identified a continued need to provide students with additional support services and educational programs as result of the impact of COVID-19. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources and identifying cost saving operational measures to mitigate the increased cost services.

**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 money it receives. If you have questions about this report or need additional financial information, contact the School's Director of Finance's Office at 302-678-3247.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

STATEMENT OF NET POSITION  
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Cash and cash equivalents	\$ 1,253,906
Other receivable	122,477
Receivable from state government	8,153
Receivable from foundation	9,171
Net pension asset	847,438
TOTAL ASSETS	<u>2,241,145</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from OPEB activities	2,433,665
Deferred outflows from pension activities	629,317
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,062,982</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,304,127</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Accounts payable	
Trade	\$ 53,262
Accrued salaries	468,294
Net OPEB liability	6,774,495
TOTAL LIABILITIES	<u>7,296,051</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB activities	1,950,645
Deferred inflows from pension activities	1,793,691
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,744,336</u>
NET POSITION	
Unrestricted	<u>(5,736,260)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,304,127</u>

See accompanying notes to the basic financial statements.



**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ 4,599,917	\$ 75,146	\$ 1,846,665	\$ -	\$ (2,678,106)
Support services					
Operation and maintenance of facilities	270,257	-	-	-	(270,257)
Transportation	728,187	-	-	-	(728,187)
Food service	64,337	-	105,158	-	40,821
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,662,698</b>	<b>\$ 75,146</b>	<b>\$ 1,951,823</b>	<b>\$ -</b>	<b>(3,635,729)</b>
<b>GENERAL REVENUES</b>					
					580,521
					2,969,562
					<u>3,550,083</u>
					CHANGE IN NET POSITION (85,646)
					NET POSITION AT BEGINNING OF YEAR <u>(5,650,614)</u>
					NET POSITION AT END OF YEAR <u>\$ (5,736,260)</u>

See accompanying notes to the basic financial statements.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2022

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,253,906
Other receivables	122,477
Receivable from state government	8,153
Receivable from foundation	<u>9,171</u>
TOTAL ASSETS	<u>\$ 1,393,707</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	
Trade	\$ 53,262
Accrued salaries	<u>468,294</u>
TOTAL LIABILITIES	<u>521,556</u>
FUND BALANCE	
Unassigned	<u>872,151</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,393,707</u>

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
 JUNE 30, 2022

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TOTAL GOVERNMENTAL FUND BALANCE	\$ 872,151
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Amounts reported for governmental activities in the statement of net position are different because:

Some assets and liabilities, including net pension obligations and OPEB, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.

Net pension asset	847,438
Net OPEB liability	(6,774,495)

Deferred outflows and inflows of resources related to pension activity and OPEB are applicable to future periods and, therefore, are not reported in the funds financial statements.

Deferred outflows of resources related to pension activity	629,317
Deferred inflow of resources related to pension activity	(1,793,691)
Deferred outflows of resources related to OPEB	2,433,665
Deferred inflow of resources related to OPEB	<u>(1,950,645)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (5,736,260)</u>
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*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>
REVENUES	
Charges to school districts	\$ 580,521
State aid	2,969,562
Federal aid	1,106,645
Food service revenue	105,158
School programs	75,146
In-kind support	740,020
TOTAL REVENUES	<u>5,577,052</u>
EXPENDITURES	
Current	
Instructional services	4,510,116
Support services	
Operation and maintenance of facilities	270,257
Transportation, buses	728,187
Food services	64,337
TOTAL EXPENDITURES	<u>5,572,897</u>
NET CHANGE IN FUND BALANCE	4,155
FUND BALANCE AT BEGINNING OF YEAR	<u>867,996</u>
FUND BALANCE AT END OF YEAR	<u>\$ 872,151</u>

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022

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NET CHANGE IN FUND BALANCE - TOTAL \$ 4,155

Governmental funds report School pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension or OPEB expense. This represents the change in the related assets and liabilities in the current year.

Net pension asset	363,646
Net OPEB liability	<u>(453,447)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (85,646)

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Charter School**

Early College High 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. Early College High School's initial charter was granted for a four-year period, renewable every five years thereafter. Early College High School's first full year of school started August 2014. The charter was renewed in December 2017 and expires on June 30, 2023.

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 charter schools receive local, state, and federal funds, they may not charge tuition.

The financial statements of Early College High School have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Early College High School (the "School") are described below.

**Reporting Entity**

The School is the primary 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.

**Government-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.

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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus. Basis of Accounting and Financial Statements Presentation**

**Government-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.

Amounts reported as program revenues include 1) charges to students for special fees, supplies, food, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

**Governmental fund 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, 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 fund:

- **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.

**Budgetary Data**

General Fund budgets are presented on the modified accrual basis of accounting. Annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand and demand deposits.

**Accounts Receivable**

Accounts receivable are stated at their net unrealizable values. Accounts receivable do not bear interest. There was no allowance for uncollectible receivables at June 30, 2022.

**Capital Assets**

Capital assets, which include 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 \$1,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is capitalized.

Leasehold improvements 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:

	<u>Years</u>
Leasehold improvements	5-10
Equipment	5

**Compensated Absences**

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. The liability for these amounts is reported in the governmental funds only when the liability matures; for example, as a result of employee resignations and retirements. The School does not permit for carryover of vacation or sick leave. As a result, the School does not recognize a liability for compensated absences.



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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The School has two items that qualify for reporting in this category; deferred outflows related to pension activities and deferred outflows related to OPEB activities. These amounts are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualify for reporting in this category; deferred inflows related to pension activities and deferred inflows related to OPEB activities. These items are reported only in the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

**Fund Balance**

In the fund financial statements, the Governmental Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

The classifications used in the Governmental Fund financial statements are as follows:

- ***Nonspendable***: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact.
- ***Restricted***: This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal vote of the Board of Directors (the highest level of decision-making authority of the School). These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (formal vote of the Board of Directors) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2022.
- **Assigned:** This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Executive Director.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

**In-Kind Support**

The School receives contributed services from Delaware State University. Rent in the amount of \$141,949 was provided, as well as tuition for students enrolled in college courses totaling \$598,071. These amounts are included as revenue in the Statement of Revenues, Expenditures and Changes in Fund Balance along with a corresponding expense represent the amount the School would have paid for the services if purchased.

**Income Tax**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, 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)(2).

The Financial Accounting Standards Board on statements pertaining to the Accounting for Uncertainty in Income Taxes recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the School for the three prior fiscal years are subject to examination by the IRS, generally for three years after the returns are filed. The tax positions taken for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CASH AND CASH EQUIVALENTS**

At June 30, 2022, the School had a cash equivalent balance of \$1,253,906, the entirety of which 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 - RECEIVABLE FROM STATE GOVERNMENT**

Receivables from state government at June 30, 2022 consisted of dual enrollment carryover funding in the amount of \$8,153 that was reverted from the School in error at year-end. The funding is due to be remitted back to the School by the Delaware Department of Education.

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**NOTE D - PENSION PLAN**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System ("DPERS") and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information About the Pension Plan**

**Plan Description** - DPERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to virtually all full-time or regular part-time employees of the State of Delaware, including employees of other affiliated entities. There are two tiers within the plan: 1) Employees hired prior to January 1, 2012 (Pre-2012), and 2) Employees hired on or after January 1, 2012 (Post-2011). DPERS issues a publicly available financial report that can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE, 19904.

**Benefits Provided** - DPERS provides retirement, disability and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credited service; (b) age 60 with 15 years of credited service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least ten years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 67.7% with 2% reduction, 75% with 3% reduction, or 100% with 6% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

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**NOTE D - PENSION PLAN (Continued)**

***Contributions***

**Members Contributions**

- Pre-2012 members contribute at 3% of earnings in excess of \$6,000.
- Post-2011 members contribute at 5% of earnings in excess of \$6,000.

**Employer Contributions**

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 12.33% of earnings for the Fiscal Year 2022. Contributions to the plan from the School were \$244,534 for the year ended June 30, 2022.

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the School reported an asset of \$847,438 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by rolling forward the System's total pension asset as of June 30, 2020 to June 30, 2021. The School's proportion of the net pension asset was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the School's proportion was 0.0839%, which was an increase of 0.0143% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the School recognized pension expense of \$363,646. At June 30, 2022, 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>
Difference between expected and actual experience	\$ 128,450	\$ -
Changes in assumptions	153,111	-
Net difference between projected and actual investment earnings	-	1,702,266
Changes in proportions	103,222	91,425
Contributions subsequent to the measurement date	<u>244,534</u>	<u>-</u>
	<u>\$ 629,317</u>	<u>\$ 1,793,691</u>

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**NOTE D - PENSION PLAN (Continued)**

\$244,534 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (358,202)
2024	(345,634)
2025	(381,152)
2026	(358,608)
2027	34,688
Thereafter	<u>-</u>
	<u>\$ (1,408,908)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2021, was determined by rolling forward the System’s total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.0%, includes inflation at 2.5%
- **Salary Increases** - 2.5% plus Merit, includes inflation at 2.5%
- **Cost of Living Adjustments** - 0.0%

The total pension liabilities are measured based on assumptions pertaining to the 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 experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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**NOTE D - PENSION PLAN (Continued)**

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 pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on 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 plan 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 weighing 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 System's current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	32.3%	5.70%
International equity	18.1%	5.70%
Fixed income	20.6%	2.00%
Alternative investments	24.2%	7.80%
Cash and equivalents	4.8%	0.00%
	<u>100.0%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability (asset) was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, 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 (asset).

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
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**NOTE D - PENSION PLAN (Continued)**

**Sensitivity of the School's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate** - The following presents the net pension liability (asset), calculated using the discount rate of 7.0%, 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%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Charter School's proportionate share of the net pension liability	\$ 124,960	\$ (847,438)	\$ (1,985,387)

**Pension Plan Fiduciary Net Position** - Detailed information about DPERS's fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE 19804.

**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the OPEB Plan**

**Plan Description**

The State of Delaware's Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined benefit plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Other Postemployment Benefits (OPEB) Fund Trust Financial Statements available online at <https://open.omb.delaware.gov/Financials.shtml>.



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**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Benefits Provided**

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees', New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' Pension Plan. Those employers include Delaware Charter Schools. The participant's cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

**Funding Policy**

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. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of Plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

**Contributions**

**Employer Contributions**

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 11.37% of earnings for the Fiscal Year 2022. Contributions to the plan from the School were \$225,496 for the year ended June 30, 2022.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2022, the School reported a liability of \$6,774,495 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020 with update procedures used to roll forward the total OPEB liability to June 30, 2021. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions of all participating employers, actuarially determined. At June 30, 2022, the School's proportion was 0.0672%, which was an decrease of 0.007% from its proportion measured as of June 30, 2021.

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**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

For the year ended June 30, 2022, the School recognized OPEB expense of \$453,447. At June 30, 2022, 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>
Changes in proportion	\$ 872,138	\$ 718,105
Changes in assumptions	1,173,572	222,025
Difference between projected and actual investment earnings	-	78,256
Difference between expected and actual experience	162,459	932,259
Contributions subsequent to the measurement date	<u>225,496</u>	<u>-</u>
	<u>\$ 2,433,665</u>	<u>\$ 1,950,645</u>

\$225,496 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2023	\$ 9,102
2024	9,102
2025	9,102
2026	9,102
2027	221,116
Thereafter	<u>-</u>
	<u>\$ 257,524</u>

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**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate - 2.16%
- Projected salary increases - 3.25% + Merit
- Healthcare cost trend rates - 5.50%

Mortality rates were based on the sex-distinct employee, healthy, annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustments for healthy annuitant and disabled annuitant factors for each covered Plan. 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 assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic 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 experience deviates, the larger the impact on future financial statements.

**Investments**

**Investment Policy** - The State Board of Pension Trustees is responsible for the management and investment of funds in the OPEB Trust. The Board authorized its investment committee to select the investment managers of the OPEB Trust following the established investment guidelines for DPERS until a separate investment policy is adopted for the OPEB Trust. The guidelines follow the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the DPERS' policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Plan assets are managed on a total return basis.

**Rate of Return** - For the year ended June 30, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 38.10% for the Delaware Postretirement Health Plan and 38.13% for the Delaware Local Government OPEB Investment Trust. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

The long-term expected rate of return on the OPEB Trust 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of the OPEB Trust’s investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	32.30%	5.70%
International equities	18.10%	5.70%
Fixed income	20.60%	2.00%
Alternative investments	24.20%	7.80%
Cash and cash equivalents	<u>4.80%</u>	0.00%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 2.21% at the beginning of the current measurement period and 2.16% 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 rate used at the June 30, 2021 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022

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**NOTE E - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current discount rate:

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Net OPEB liability (asset)	\$ <u>9,688,181</u>	\$ <u>6,774,495</u>	\$ <u>6,860,463</u>

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease 4.50%	Healthcare Cost Trend Rate 5.50%	1% Increase 6.50%
Net OPEB liability (asset)	\$ <u>6,632,198</u>	\$ <u>6,774,495</u>	\$ <u>10,052,745</u>

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position can be found in the separately issued State of Delaware Comprehensive Annual Financial Report available online at <https://accounting.delaware.gov/>.

**NOTE F - LINE OF CREDIT**

The School has a \$1,000,000 bank line of credit. The line of credit accrues interest at 2.25% plus the LIBOR rate on the due date and is payable monthly. The interest rate in effect as of June 30, 2022, was 2.34%. As of June 30, 2022, there were no borrowings on the line. The line of credit is payable on demand and secured by an assignment of accounts and equipment.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022

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**NOTE G - RISK MANAGEMENT**

The School has purchased commercial insurance policies for various risks of loss related to torts; theft of, damage to, 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.

**NOTE H - LEASING ARRANGEMENT AS LESSEE**

The School leases the building based on a non-written agreement with Delaware State University. Rent is allocated based on square footage and no lease term has been specified. Rent expense for the lease of the building is recorded as In-kind donation as no amount is due related to rent. Total in-kind rent expense recognized was \$141,949.

**NOTE I - COMMITMENTS AND CONTINGENCIES**

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

**Grants**

The School receives financial assistance from federal and private 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 and the respective local private agency. 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 J - ECONOMIC DEPENDENCY**

School revenues that constitute in excess of 10% of total revenues are comprised of the following:

State subsidy	53%
Federal Subsidy	20%
Other local sources	10%
Delaware State University	13%

**NOTE K - RELATED PARTY TRANSACTIONS**

Pursuant to a memorandum of understanding the School has various transactions with Delaware State University. The purpose of this relationship is to ensure the financial viability of the School. The university provides in-kind support to the School in terms of rent, utilities, and tuition remission.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Charges to school districts	\$ 617,946	\$ 580,521	\$ 580,521	\$ -
State aid	2,961,689	2,974,340	2,969,562	(4,778)
Federal aid	1,308,601	158,695	1,106,645	947,950
Food service revenue	72,000	72,000	105,158	33,158
Contributions	1,000	1,046	-	(1,046)
School programs	72,199	115,768	75,146	(40,622)
In-kind support	993,040	993,040	740,020	(253,020)
<b>TOTAL REVENUES</b>	<u>6,026,475</u>	<u>4,895,410</u>	<u>5,577,052</u>	<u>681,642</u>
<b>EXPENDITURES</b>				
Salaries	1,812,314	1,807,103	2,077,803	(270,700)
Employment costs	910,166	913,558	1,072,230	(158,672)
Travel	39,829	42,770	11,482	31,288
Contractual services	3,140,528	1,898,172	528,913	1,369,259
Communications	5,800	5,808	1,934	3,874
Insurance	59,686	62,599	62,938	(339)
Facility costs	393,040	393,040	141,949	251,091
Tuition expense	600,000	600,000	598,071	1,929
Transportation - buses	434,774	519,211	728,187	(208,976)
Repairs and maintenance	84,889	74,961	63,689	11,272
Supplies and materials	242,654	296,601	285,701	10,900
<b>TOTAL EXPENDITURES</b>	<u>7,723,680</u>	<u>6,613,823</u>	<u>5,572,897</u>	<u>1,040,926</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(1,697,205)</u>	<u>(1,718,413)</u>	<u>4,155</u>	<u>1,722,568</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,697,205)</u>	<u>\$ (1,718,413)</u>	<u>\$ 4,155</u>	<u>\$ 1,722,568</u>

See accompanying notes to the budgetary comparison schedule.



**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2022

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**NOTE A - BASIS OF ACCOUNTING**

The School's budget is prepared on the 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.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

These excess expenditures were funded by various functions that were under budget in the General Fund and fund balance carried forward from the prior year.

Salaries	\$	270,700
Employment costs		158,672
Insurance		339
Transportation, buses		<u>208,976</u>
	\$	<u><u>638,687</u></u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School's proportion of the net pension liability (asset)	<u>0.0839%</u>	<u>0.0696%</u>	<u>0.0706%</u>	<u>0.0739%</u>
School's proportionate share of the net pension liability (asset)	\$ <u>(847,438)</u>	\$ <u>1,068,079</u>	\$ <u>1,099,182</u>	\$ <u>954,373</u>
School's covered payroll	\$ <u>1,566,831</u>	\$ <u>1,655,993</u>	\$ <u>1,663,244</u>	\$ <u>1,595,866</u>
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>-54.09%</u>	<u>64.50%</u>	<u>66.09%</u>	<u>59.80%</u>
The plan's fiduciary net position as a percentage of the total pension liability (asset)	<u>110.50%</u>	<u>87.27%</u>	<u>85.41%</u>	<u>87.49%</u>

**NOTES TO SCHEDULE**

The School's covered payroll noted above is as of the measurement date of the net pension liability (June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014).

This schedule is meant to provide information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>0.0650%</u>	<u>0.0470%</u>	<u>0.0191%</u>	<u>0.0000%</u>
\$ <u>953,444</u>	\$ <u>708,831</u>	\$ <u>127,234</u>	\$ <u>65</u>
\$ <u>1,266,962</u>	\$ <u>898,964</u>	\$ <u>356,684</u>	\$ <u>324</u>
<u>75.25%</u>	<u>78.85%</u>	<u>35.67%</u>	<u>20.06%</u>
<u>85.31%</u>	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

**SCHEDULE OF SCHOOL CONTRIBUTIONS - PENSION  
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 244,534	\$ 187,393	\$ 195,904	\$ 173,310
Contributions in relation to the contractually required contribution	<u>244,534</u>	<u>187,393</u>	<u>195,904</u>	<u>173,310</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's covered payroll	\$ <u>1,983,244</u>	\$ <u>1,566,831</u>	\$ <u>1,655,993</u>	\$ <u>1,663,244</u>
Contributions as a percentage of covered payroll	<u>12.33%</u>	<u>11.96%</u>	<u>11.83%</u>	<u>10.42%</u>

**NOTE TO SCHEDULE**

This schedule is meant to provide information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 152,884	\$ 121,375	\$ 85,941	\$ 34,099
<u>152,884</u>	<u>121,375</u>	<u>85,941</u>	<u>34,099</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>1,595,552</u></u>	\$ <u><u>1,266,962</u></u>	\$ <u><u>898,964</u></u>	\$ <u><u>356,684</u></u>
<u><u>9.58%</u></u>	<u><u>9.58%</u></u>	<u><u>9.56%</u></u>	<u><u>9.56%</u></u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
School's proportion of the net OPEB liability	<u>0.0672%</u>	<u>0.0742%</u>	<u>0.0687%</u>
School's proportionate share of the net OPEB liability	<u>\$ 6,774,495</u>	<u>\$ 7,722,138</u>	<u>\$ 5,476,440</u>
School's covered payroll	<u>\$ 1,566,831</u>	<u>\$ 1,655,993</u>	<u>\$ 1,663,244</u>
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>432.37%</u>	<u>466.31%</u>	<u>329.26%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>6.06%</u>	<u>4.27%</u>	<u>4.89%</u>

**NOTES TO SCHEDULE**

The School's covered payroll noted above is as of the measurement date of the net OPEB liability (June 30, 2021, 2020, 2019, 2018, 2017, and 2016).

Discount Rate: In the 2021 actuarial valuation, the discount rate changed from 2.21% to 2.16%. In the 2020 actuarial valuation, the discount rate changed from 3.50% to 2.21%. In the 2019 actuarial valuation, the discount rate changed from 3.87% to 3.50%. In the 2018 actuarial valuation, the discount rate changed from 3.58% to 3.87%.

This schedule is meant to provide information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

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<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>0.0635%</u>	<u>0.0720%</u>	<u>0.0635%</u>
\$ <u>5,913,452</u>	\$ <u>5,246,430</u>	\$ <u>4,140,686</u>
\$ <u>1,595,552</u>	\$ <u>1,266,962</u>	\$ <u>898,964</u>
<u>370.62%</u>	<u>414.10%</u>	<u>460.61%</u>
<u>4.44%</u>	<u>4.13%</u>	<u>3.30%</u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 SCHEDULE OF SCHOOL CONTRIBUTIONS - OPEB  
 LAST SIX FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 225,496	\$ 179,376	\$ 204,946
Contributions in relation to the contractually required contribution	<u>225,496</u>	<u>179,376</u>	<u>204,946</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
School's covered payroll	\$ <u><u>1,983,244</u></u>	\$ <u><u>1,566,831</u></u>	\$ <u><u>1,655,993</u></u>
Contribution as a percentage of covered payroll	<u><u>11.37%</u></u>	<u><u>11.45%</u></u>	<u><u>12.38%</u></u>

**NOTE TO SCHEDULE**

This schedule is meant to provide information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.



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<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 172,704	\$ 161,789	\$ 150,753
<u>172,704</u>	<u>161,789</u>	<u>150,753</u>
\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
\$ <u><u>1,663,244</u></u>	\$ <u><u>1,595,552</u></u>	\$ <u><u>1,266,962</u></u>
<u><u>10.38%</u></u>	<u><u>10.14%</u></u>	<u><u>11.90%</u></u>

## **SUPPLEMENTARY INFORMATION SECTION**

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2022

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 93,844	\$ 1,160,062	\$ -	\$ 1,253,906
Other receivables	-	13,446	109,031	122,477
Receivable from state government	8,153	-	-	8,153
Receivable from foundation	-	9,171	-	9,171
	<u>-</u>	<u>9,171</u>	<u>-</u>	<u>9,171</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>101,997</u></b>	<b>\$ <u>1,182,679</u></b>	<b>\$ <u>109,031</u></b>	<b>\$ <u>1,393,707</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable				
Trade	\$ 6,360	\$ 44,228	\$ 2,674	\$ 53,262
Accrued salaries	-	361,937	106,357	468,294
<b>TOTAL LIABILITIES</b>	<u>6,360</u>	<u>406,165</u>	<u>109,031</u>	<u>521,556</u>
<b>FUND BALANCE</b>				
Unassigned	<u>95,637</u>	<u>776,514</u>	<u>-</u>	<u>872,151</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>101,997</u></b>	<b>\$ <u>1,182,679</u></b>	<b>\$ <u>109,031</u></b>	<b>\$ <u>1,393,707</u></b>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY  
(A Component Unit of the State of Delaware)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2022**

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 580,521	\$ -	\$ 580,521
State aid	2,969,562	-	-	2,969,562
Federal aid	-	-	1,106,645	1,106,645
Food service revenue	-	105,158	-	105,158
School programs	-	75,146	-	75,146
In-kind support	-	740,020	-	740,020
<b>TOTAL REVENUES</b>	<u>2,969,562</u>	<u>1,500,845</u>	<u>1,106,645</u>	<u>5,577,052</u>
<b>EXPENDITURES</b>				
Current				
Instructional services	2,662,554	985,134	862,428	4,510,116
Support services				
Operation and maintenance of facilities	53,860	216,231	166	270,257
Transportation, buses	350,820	133,316	244,051	728,187
Food services	9,440	54,897	-	64,337
<b>TOTAL EXPENDITURES</b>	<u>3,076,674</u>	<u>1,389,578</u>	<u>1,106,645</u>	<u>5,572,897</u>
<b>NET CHANGE IN FUND BALANCE</b>	(107,112)	111,267	-	4,155
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>202,749</u>	<u>665,247</u>	<u>-</u>	<u>867,996</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 95,637</u>	<u>\$ 776,514</u>	<u>\$ -</u>	<u>\$ 872,151</u>

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION  
 GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2022

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	<u>General Fund</u>
EXPENDITURES	
Salaries	\$ 2,077,803
Employment costs	1,072,230
Travel	11,482
Contractual services	528,913
Communications	1,934
Insurance	62,938
Facility costs	141,949
Tuition expense	598,071
Transportation - buses	728,187
Repairs and maintenance	63,689
Supplies and materials	<u>285,701</u>
TOTAL EXPENDITURES	\$ <u><u>5,572,897</u></u>

***Independent Auditors' 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 the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

We have audited, 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, the financial statements of the governmental activities and the major fund of the Early College School at Delaware State University as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Early College School at Delaware State University's basic financial statements, and have issued our report thereon dated September 29, 2022.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Early College School at Delaware State University's internal control over financial reporting (internal control) as a basis for designing 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 Early College School at Delaware State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Early College School at Delaware State University'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 entity'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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-01 that we consider to be a significant deficiency.

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Early College School at Delaware State University'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 financial statements. 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*.

***Early College School's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on Early College School at Delaware State University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Early College School at Delaware State University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



West Chester, Pennsylvania  
September 29, 2022

***Independent Auditors' Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance in Accordance With the Uniform Guidance***

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Early College School at Delaware State University's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Early College School at Delaware State University's major federal programs for the year ended June 30, 2022. Early College School at Delaware State University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Early College School at Delaware State University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended Early College School at Delaware State University.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Early College School at Delaware State University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Early College School at Delaware State University's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Early College School at Delaware State University's federal programs.



To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Early College School at Delaware State University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Early College School at Delaware State University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Early College School at Delaware State University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Early College School at Delaware State University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Early College School at Delaware State University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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 a 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.

To the Board of Directors  
Early College School at Delaware State University  
Dover, Delaware

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Maille LLP*

West Chester, Pennsylvania  
September 29, 2022

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL  
AWARD PROGRAMS AUDIT**

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2022**

Grantor Program Title	Federal AL Number	Pass-Through Grantor's Number
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>Passed through the Delaware Department of Education</b>		
Title I Improving Basic Programs	84.010	36-22
Title II Improving Teacher Quality	84.367	36-22
CSP Implementation Grant	84.242	04-21
Career and Technical Education	84.048	36-22
Education Stabilization Fund		
Education Stabilization Fund (ESSERF)	84.425D	36-20
Education Stabilization Fund (ESSER-II)	84.425D	36-21
American Rescue Plan (ESSER-III)	84.425U	36-21
TOTAL ALN 84.425 EDUCATION STABILIZATION FUND		
Special Education Cluster		
Individual Disability Education Act	84.027	36-22
TOTAL SPECIAL EDUCATION CLUSTER		
Student Support and Academic Enrichment	84.424	36-22
TOTAL DELAWARE DEPARTMENT OF EDUCATION		
TOTAL U.S. DEPARTMENT OF EDUCATION		
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed through the State of Delaware Department of Education (DOE)</b>		
Child Nutrition Cluster		
National School Lunch Program (NSLP)	10.555	36-22
TOTAL CHILD NUTRITION CLUSTER		
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
TOTAL FEDERAL AWARDS		

*See accompanying notes to the schedule of expenditures of federal awards.*

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2021</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2022</u>	<u>Passed Through to Sub-Recipients</u>
\$ 138,492	\$ 115,248	\$ 5,111	\$ 115,965	\$ 115,965	\$ 5,828	-
24,802	27,449	-	27,449	27,449	-	-
750,000	36,138	2,004	36,808	36,808	2,674	-
8,811	13,850	-	13,850	13,850	-	-
109,333	20,267	-	20,267	20,267	-	-
457,996	358,555	14,669	421,839	421,839	77,953	-
1,047,149	381,030	-	393,016	393,016	11,986	-
	<u>759,852</u>	<u>14,669</u>	<u>835,122</u>	<u>835,122</u>	<u>89,939</u>	<u>-</u>
66,493	68,429	3,968	75,051	75,051	10,590	-
	<u>68,429</u>	<u>3,968</u>	<u>75,051</u>	<u>75,051</u>	<u>10,590</u>	<u>-</u>
14,270	2,398	-	2,398	2,398	-	-
	<u>1,023,364</u>	<u>25,752</u>	<u>1,106,643</u>	<u>1,106,643</u>	<u>109,031</u>	<u>-</u>
	<u>1,023,364</u>	<u>25,752</u>	<u>1,106,643</u>	<u>1,106,643</u>	<u>109,031</u>	<u>-</u>
79,596	79,596	-	79,596	79,596	-	-
	<u>79,596</u>	<u>-</u>	<u>79,596</u>	<u>79,596</u>	<u>-</u>	<u>-</u>
	<u>79,596</u>	<u>-</u>	<u>79,596</u>	<u>79,596</u>	<u>-</u>	<u>-</u>
\$ 1,102,960	\$ 1,102,960	\$ 25,752	\$ 1,186,239	\$ 1,186,239	\$ 109,031	\$ -

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2022

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**NOTE A - GENERAL**

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Early College School at Delaware State University ("the School"). The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of, the basic financial statements.

**NOTE B - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

The School has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance, Section 414.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2022

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**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Early College School at Delaware State University. (the "School") were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses and one significant deficiency relating to the financial statements are reported in the Independent Auditors' 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.
3. No instances of noncompliance material to the financial statements of the School were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the School expresses an unmodified opinion.
6. There were no audit findings that were required to be reported under 2 CFR Section 200.516(a).
7. The programs tested as a major program were:
 

Program	ALN
Education Stabilization Fund	84.425
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Early College School at Delaware State University was not determined to be a low-risk auditee.

**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022

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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**2022-01 Controls Over Federal Funds Awarded**

**Significant Deficiency**

**Criteria:** In accordance with the Uniform Guidance (UG), a nonfederal entity is required to have certain specific policies and procedures such as cash management and allowability of costs in place and documented when receiving and expending federal funds.

**Condition:** During the audit, we noted several required policies and procedures required by the UG missing from the School's policies and procedures manual. Specific policies and procedures missing from the manual include policies regarding cash management, allowability, property management, and travel reimbursement.

**Cause:** The School did not have these policies and procedures in place to ensure all federal awards were accounted for in accordance with the UG requirements.

**Effect:** Federal monies awarded to the School could be misused or not accounted for properly without the presence of these policies and procedures.

**Recommendation:** We recommend the School reviews all policies and procedures required by the UG and implements the necessary policies and procedures surrounding federal awards.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

There were no findings and questioned costs for federal awards, which would include audit findings as defined in the Uniform Guidance.



**EARLY COLLEGE SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2022

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None.



BOARD OF DIRECTORS

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 Vice President: Dayna Cobb

Treasurer: Ayeda Silent

Dr. Susan Bunting  
 Paige Chapman, Esq.  
 Retired Cpl. Debbie Harrington  
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 Lois Hobbs  
 Tahira Lyons  
 Charles McDowell, Esq.  
 Ronald Pinkett  
 Sandra Spangler  
 Courtney Stewart  
 Juanita Wilson

Parent Representative: LaTricia Vicks

Teacher Representative: Joell Whitley

Student Representative:  
 Michelle Golding (Non-Voting)

Recording Secretary: Dr. Nyia  
 McCants, Non-Voting

Ex Officio: Dr. Evelyn Edney,  
 Head of School, Non-Voting

Home of the Hornets



**Early College School @ Delaware State University**  
**Audit Findings Corrective Action Plan**

The June 2022 Audit of the Early College School @ Delaware State University divulged one finding in the Major Federal Programs Audit (2022-01 Controls Over Federal Funds Awarded):

**Significant Deficiency**

- **Criteria:** In accordance with the Uniform Guidance (UG), a nonfederal entity is required to have certain specific policies and procedures such as cash management and allowability of costs in place and documented when receiving and expending federal funds.
- **Condition:** During the audit, we noted several required policies and procedures required by the UG missing from the School's policies and procedures manual. Specific policies and procedures missing from the manual include policies regarding cash management, allowability, property management, and travel reimbursement.
- **Cause:** The School did not have these policies and procedures in place to ensure all federal awards were accounted for in accordance with the UG requirements.
- **Effect:** Federal monies awarded to the School could be misused or not accounted for properly without the presence of these policies and procedures.
- **Recommendation:** We recommend the School reviews all policies and procedures required by the UG and implements the necessary policies and procedures surrounding federal awards.

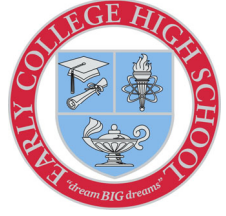
**Plan to Correct the Finding**

- Early College School@ Delaware State University (The School) will develop a policy in Section 300 of the Board Policy Manual for Business and Finance. It will be labeled Section 14: Controls Over Federal Funds Awarded. The policy will include:
  - Cash management
  - Allowability of costs
  - Property Management
  - Travel Reimbursement



# Early College School@ Delaware State University

*dream BIG dreams*



- Once Board Policy 300-14 written, it will be presented to the Board Directors, who will follow Board Procedures for adopting new procedures
  - Three Readings
  - Posting for Public Comment
  - Adoption of the Policy by a Board Vote of a Quorum of its members at a General Board Meeting
- Once the Policy has been approved by the Board of Directors, the following, the School Leader will be responsible for the corrective action.
- The anticipated date the corrections will be completed
  - Board readings and posing for Public Comment by December 31, 2022
  - The voting for approval of the policy will take place at the February 23, 2023 Board of Directors Meeting