

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

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2021*

# **INTRODUCTORY SECTION**

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

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YEAR ENDED JUNE 30, 2021

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

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

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Early College High School at Delaware State University (a component unit of the State of Delaware) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Early College High School at Delaware State University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Early College High School at Delaware State University's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Early College High School at Delaware State University as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 11, budgetary comparison information on pages 36 and 37, schedule of the school's proportionate share of the net pension liability on page 38, schedules of school contributions - pension on page 39, schedules of the school's proportionate share of the net OPEB liability on page 40 and the schedules of school contributions - OPEB on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Early College High School at Delaware State University's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The governmental fund combining balance sheet, schedules of revenues, expenditures and changes in fund balance, and the schedule of expenditures by natural classification are 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 supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the Early College High 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early College High School at Delaware State University's internal control over financial reporting and compliance.



West Chester, Pennsylvania  
September 20, 2021



**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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The discussion and analysis of the financial performance of Early College High School (the "School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2021.

**FINANCIAL HIGHLIGHTS**

The School's net position reflects a deficit balance of \$(5,650,614). Program revenues accounted for \$1,641,100 or 29.0% of total revenue, and general revenues accounted for \$4,093,363 or 71.0%.

The Governmental Fund reported a fund balance in the amount of \$867,996, an increase of \$867,331 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 2021 is the School's seventh 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 HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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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 \$5,650,614 at the close of the fiscal year resulting in a deficit net position.

A comparative net asset analysis of fiscal years 2021-2020 follows:

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

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets	\$ 1,237	\$ 737
Receivable from foundation	9	9
Capital assets	-	28
TOTAL ASSETS	<u>1,246</u>	<u>774</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,669</u>	<u>2,481</u>
<b>LIABILITIES</b>		
Current liabilities	379	773
Other liabilities	8,790	6,576
TOTAL LIABILITIES	<u>9,169</u>	<u>7,349</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,397</u>	<u>1,502</u>
<b>NET POSITION</b>		
Net investment in capital assets	-	-
Unrestricted	<u>(5,651)</u>	<u>(5,596)</u>
TOTAL NET POSITION	<u>\$ (5,651)</u>	<u>\$ (5,596)</u>

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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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)**

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
General revenues		
Charges to school districts	\$ 682	\$ 773
State aid not restricted	3,402	3,410
Earnings on cash and investments	9	23
Forgiveness of debt from Delaware State University	-	182
Program revenues		
School programs	28	81
Operating grants and contributions	1,613	959
<b>TOTAL REVENUES</b>	<u>5,734</u>	<u>5,428</u>
<b>EXPENSES</b>		
Instructional services	4,958	4,321
Support services		
Operation and maintenance of facilities	412	192
Transportation	408	837
School lunch service	4	136
Interest on long-term debt	7	37
<b>TOTAL EXPENSES</b>	<u>5,789</u>	<u>5,523</u>
<b>CHANGE IN NET POSITION</b>	(55)	(95)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>(5,596)</u>	<u>(5,501)</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (5,651)</u>	<u>\$ (5,596)</u>

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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**THE SCHOOL'S FUNDS**

The School's Governmental Fund reported a balance of \$867,996.

**Governmental Fund**

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

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Charges to school districts	\$ 682	\$ 773
State aid	3,402	3,410
Federal aid	360	251
Earnings on cash and investments	10	23
Contributions	-	-
School lunch fees	28	47
School programs	11	82
In-kind support	1,241	662
TOTAL REVENUES	<u>5,734</u>	<u>5,248</u>
<b>EXPENDITURES</b>		
Current		
Instructional services	4,036	3,777
Support services		
Operation and maintenance of facilities	412	192
Transportation	408	837
Food services	4	136
Debt service		
Interest on long-term debt	7	37
TOTAL EXPENDITURES	<u>4,867</u>	<u>4,979</u>
NET CHANGE IN FUND BALANCE	<u>\$ 867</u>	<u>\$ 269</u>

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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The majority of School's total revenue (71%) 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 (22%). The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding which accounts for (6%) of total revenue. Contributions, earnings on cash, program revenue, and students' lunch fees account for (1%) 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 High 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**

**Charges to School Districts** - The unfavorable variance of \$3,892 is due to School district reduced spending coupled with student category configuration change and a reduced enrollment triggered the change from FY 2020.

**Federal Aid** - The unfavorable variance of \$1,420,422 is due to Federal funds budgeted on the amount available to spend and authorized vs. the amount anticipated to be reimbursed and earned.

**Earnings on Cash and Investments** - The favorable variance of \$8,882 is due to interest not budgeted given the minor amount.

**Food Service Revenue** - The unfavorable variance of \$18,628 is due to intent to pursue student outstanding collections that were not realized.

**School Programs** - The unfavorable variance of \$12,036 is due to less in-person program activities occurring during the school year.

**In-kind Support** - The favorable variance of \$247,719 is due to increased in-kind cost for tuition.

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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***Expenditures***

**Salaries and Employment Costs** - The favorable variance of \$151,148 is due to salary adjustments, as needed, and remote learning relating to COVID-19.

**Contractual Services** - The favorable variance of \$305,819 is due to remote learning as a result of COVID-19.

**Communications** - The favorable variance of \$3,916 is due to minor variance in projections.

**Facility Costs** - The favorable variance of \$108,666 is due to lower cost per square foot allocated.

**Travel** - The favorable variance of \$28,716 is due to remote learning as a result of COVID-19.

**Tuition Expense** - The unfavorable variance of \$356,385 is due to class selections of students for dual enrollment being greater than projected.

**Transportation** - The favorable variance of \$103,454 is due to remote learning as a result of COVID-19.

**Repairs and Maintenance** - The favorable variance of \$41,293 is due to less maintenance needs as a result of remote learning.

**Supplies and Materials** - The favorable variance of \$18,617 is due to remote learning as a result of COVID-19.

**Debt-Service Interest** - The favorable variance of \$7,444 is due to the payoff of the Line of Credit during the year.

**Capital Assets**

All capital assets were fully depreciated as of June 30, 2020. There was no depreciation expense incurred during FY21.

**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 was paid off in March 2021 resulting in a zero balance at year end.

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED June 30, 2021

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

STATEMENT OF NET POSITION  
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Cash and cash equivalents	\$ 1,024,492
Other receivable	39,198
Receivable from state government	173,945
Receivable from foundation	9,171
TOTAL ASSETS	<u>1,246,806</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from OPEB activities	3,068,870
Deferred outflows from pension activities	600,028
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,668,898</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,915,704</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Accounts payable	
Trade	\$ 19,502
Due to State of Delaware, pension costs	51,627
Accrued salaries	307,681
Net OPEB liability	7,722,138
Net pension liability	1,068,079
TOTAL LIABILITIES	<u>9,169,027</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB activities	1,184,760
Deferred inflows from pension activities	212,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,397,291</u>
NET POSITION	
Unrestricted	<u>(5,650,614)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 4,915,704</u>

*See accompanying notes to the basic financial statements.*



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

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2021

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	\$ 4,957,785	\$ 28,213	\$ 1,601,515	\$ -	\$ (3,328,057)
Support services					
Operation and maintenance of facilities	412,101	-	-	-	(412,101)
Transportation	408,464	-	-	-	(408,464)
Food service	4,158	-	11,372	-	7,214
Interest on long-term debt	6,571	-	-	-	(6,571)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,789,079</b>	<b>\$ 28,213</b>	<b>\$ 1,612,887</b>	<b>\$ -</b>	<b>(4,147,979)</b>
<b>GENERAL REVENUES</b>					
					682,122
					3,402,359
					8,882
					<u>4,093,363</u>
					CHANGE IN NET POSITION (54,616)
					NET POSITION AT BEGINNING OF YEAR <u>(5,595,998)</u>
					NET POSITION AT END OF YEAR \$ <u>(5,650,614)</u>

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See accompanying notes to the basic financial statements.

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

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2021

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,024,492
Other receivables	39,198
Receivable from state government	173,945
Receivable from foundation	<u>9,171</u>
TOTAL ASSETS	<u>\$ 1,246,806</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	
Trade	\$ 19,502
Accrued salaries	307,681
Due to State of Delaware, pensions costs	<u>51,627</u>
TOTAL LIABILITIES	<u>378,810</u>
FUND BALANCE	
Unassigned	<u>867,996</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,246,806</u>

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE HIGH 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, 2021**

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TOTAL GOVERNMENTAL FUND BALANCE \$ 867,996

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

Some 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 liability	(1,068,079)
Net OPEB liability	(7,722,138)

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	600,028
Deferred inflow of resources related to pension activity	(212,531)
Deferred outflows of resources related to OPEB	3,068,870
Deferred inflow of resources related to OPEB	<u>(1,184,760)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (5,650,614)

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE HIGH 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, 2021

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	<u>General Fund</u>
REVENUES	
Charges to school districts	\$ 682,122
State aid	3,402,359
Federal aid	360,746
Earnings on cash and investments	8,882
Food service revenue	11,372
School programs	28,213
In-kind support	<u>1,240,769</u>
TOTAL REVENUES	<u>5,734,463</u>
EXPENDITURES	
Current	
Instructional services	4,035,838
Support services	
Operation and maintenance of facilities	412,101
Transportation, buses	408,464
Food services	4,158
Debt service	
Interest	<u>6,571</u>
TOTAL EXPENDITURES	<u>4,867,132</u>
NET CHANGE IN FUND BALANCE	867,331
FUND BALANCE AT BEGINNING OF YEAR	<u>665</u>
FUND BALANCE AT END OF YEAR	<u>\$ 867,996</u>

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE HIGH 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, 2021

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NET CHANGE IN FUND BALANCE - TOTAL \$ 867,331

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 liabilities in the current year.

Net pension liability	(214,937)
Net OPEB liability	<u>(707,010)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (54,616)

*See accompanying notes to the basic financial statements.*

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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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, 2021.

**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, 2021.
- **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 \$284,374 was provided, as well as tuition for students enrolled in college courses totaling \$956,395. 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, 2021, the School had a cash equivalent balance of \$1,024,492, 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 - RECEIVABLES FROM STATE GOVERNMENT**

Receivables from state government at June 30, 2021 consisted of operations carryover funding in the amount of \$173,945 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 11.96% of earnings for the Fiscal Year 2021. Contributions to the plan from the School were \$187,393 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$1,068,079 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2019 to June 30, 2020. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2020, the School's proportion was 0.0760%, which was an increase of 0.0054% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School recognized pension expense of \$214,937. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 139,240	\$ 3,209
Changes in assumptions	74,821	-
Net difference between projected and actual investment earnings	-	185,593
Changes in proportions	198,574	23,729
Contributions subsequent to the measurement date	187,393	-
	<u>\$ 600,028</u>	<u>\$ 212,531</u>

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

\$187,393 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 in the year ended June 30, 2021. 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 June 30,		
2021	\$	20,410
2022		47,870
2023		61,602
2024		22,795
2025		47,427
Thereafter		<u>-</u>
	\$	<u>200,104</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2020, was determined by rolling forward the System’s total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020, 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.5%	5.7%
International equity	15.2%	5.7%
Fixed income	28.8%	2.0%
Alternative investments	23.0%	7.8%
Cash and equivalents	4.5%	0.0%
	100.0%	

**Discount Rate** - The discount rate used to measure the total pension liability 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

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

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability, calculated using the discount rate of 7.0%, 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	\$ 1,878,549	\$ 1,068,079	\$ 219,862

**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 11.45% of earnings for the Fiscal Year 2021. Contributions to the plan from the School were \$179,376 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$7,722,138 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total OPEB liability to June 30, 2020. 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, 2021, the School's proportion was 0.0742%, which was an increase of 0.0055% from its proportion measured as of June 30, 2020.

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

For the year ended June 30, 2021, the School recognized OPEB expense of \$707,010. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 1,359,441	\$ 206,177
Changes in assumptions	1,305,836	439,189
Difference between projected and actual investment earnings	-	8,579
Difference between expected and actual experience	224,217	530,815
Contributions subsequent to the measurement date	<u>179,376</u>	<u>-</u>
	<u>\$ 3,068,870</u>	<u>\$ 1,184,760</u>

\$179,376 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, 2022. 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>		
2021	\$	325,188
2022		325,188
2023		325,188
2024		325,188
2025		403,982
Thereafter		<u>-</u>
	\$	<u>1,704,734</u>

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

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate – 2.21%
- Projected salary increases – 3.25% + Merit
- Healthcare cost trend rates – 5.60%

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, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.79% for the Delaware Postretirement Health Plan and 5.83% 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, 2020 (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	34.00%	5.70%
International equities	12.30%	5.70%
Fixed income	25.60%	2.00%
Alternative investments	22.40%	7.80%
Cash and cash equivalents	<u>5.70%</u>	0.00%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50% at the beginning of the current measurement period and 2.21% 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, 2020 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.

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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 (1.21%) or 1-percentage point higher (3.21%) than the current discount rate:

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Net OPEB liability (asset)	\$ <u>8,387,292</u>	\$ <u>7,722,138</u>	\$ <u>5,910,548</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 4.60%	Healthcare Cost Trend Rate 5.60%	1% Increase 6.60%
Net OPEB liability (asset)	\$ <u>6,565,568</u>	\$ <u>7,722,138</u>	\$ <u>7,654,760</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, 2021, was 2.34%. As of June 30, 2021, 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 HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2021

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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 \$284,374.

The School also leases certain copier equipment under operating leasing arrangements. Total rental expense for the year ended June 30, 2021 was \$3,213.

At June 30, 2021, the minimum future rental payments under noncancelable leasing arrangements having remaining terms in excess of one year for the remaining years and in the aggregate are:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2022	\$ 3,375
2023	3,375
2024	<u>2,250</u>
	<u>\$ 9,000</u>

**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.

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021

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**NOTE J - ECONOMIC DEPENDENCY**

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

State subsidy	59%
Other local sources	12%
Delaware State University	22%

**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 HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Charges to school districts	\$ 688,057	\$ 686,014	\$ 682,122	\$ (3,892)
State aid	3,551,090	3,403,620	3,402,359	(1,261)
Federal aid	1,781,168	1,781,168	360,746	(1,420,422)
Earnings on cash and investments	-	-	8,882	8,882
Food service revenue	30,000	30,000	11,372	(18,628)
Contributions	35,461	571	-	(571)
School programs	40,248	40,249	28,213	(12,036)
In-kind support	1,000,040	993,050	1,240,769	247,719
<b>TOTAL REVENUES</b>	<u>7,126,064</u>	<u>6,934,672</u>	<u>5,734,463</u>	<u>(1,200,209)</u>
<b>EXPENDITURES</b>				
Salaries	1,623,138	1,668,048	1,561,944	106,104
Employment costs	825,512	833,369	788,325	45,044
Travel	25,716	28,716	-	28,716
Contractual services	756,141	780,889	475,070	305,819
Communications	5,800	5,800	1,884	3,916
Insurance	47,799	53,644	53,644	-
Facility costs	393,040	393,040	284,374	108,666
Tuition expense	607,000	600,010	956,395	(356,385)
Transportation - buses	885,730	511,918	408,464	103,454
Repairs and maintenance	172,462	115,376	74,083	41,293
Supplies and materials	476,990	274,995	256,378	18,617
Debt service				
Interest	30,996	14,015	6,571	7,444
<b>TOTAL EXPENDITURES</b>	<u>5,850,324</u>	<u>5,279,820</u>	<u>4,867,132</u>	<u>412,688</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,275,740</u>	<u>1,654,852</u>	<u>867,331</u>	<u>(787,521)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 1,275,740</u>	<u>\$ 1,654,852</u>	<u>\$ 867,331</u>	<u>\$ (787,521)</u>

See accompanying notes to the budgetary comparison schedule.

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2021

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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.

Tuition	\$ <u>356,385</u>
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**EARLY COLLEGE HIGH 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 SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's proportion of the net pension liability	<u>0.0760%</u>	<u>0.0706%</u>	<u>0.0739%</u>	<u>0.0650%</u>	<u>0.0470%</u>	<u>0.0191%</u>	<u>0.0000%</u>
School's proportionate share of the net pension liability	<u>\$ 1,068,079</u>	<u>\$ 1,099,182</u>	<u>\$ 954,373</u>	<u>\$ 953,444</u>	<u>\$ 708,831</u>	<u>\$ 127,234</u>	<u>\$ 65</u>
School's covered payroll	<u>\$ 1,655,993</u>	<u>\$ 1,663,244</u>	<u>\$ 1,595,866</u>	<u>\$ 1,266,962</u>	<u>\$ 898,964</u>	<u>\$ 356,684</u>	<u>\$ 324</u>
School's proportionate share of the net pension liability as a percentage of its covered payroll	<u>64.50%</u>	<u>66.09%</u>	<u>59.80%</u>	<u>75.25%</u>	<u>78.85%</u>	<u>35.67%</u>	<u>20.06%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>87.27%</u>	<u>85.41%</u>	<u>87.49%</u>	<u>85.31%</u>	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

**NOTES TO SCHEDULE:**

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

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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 187,393	\$ 195,904	\$ 173,310	\$ 152,884	\$ 121,375	\$ 85,941	\$ 34,099
Contributions in relation to the contractually required contribution	<u>187,393</u>	<u>195,904</u>	<u>173,310</u>	<u>152,884</u>	<u>121,375</u>	<u>85,941</u>	<u>34,099</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's covered payroll	\$ <u>1,566,831</u>	\$ <u>1,655,993</u>	\$ <u>1,663,244</u>	\$ <u>1,595,552</u>	\$ <u>1,266,962</u>	\$ <u>898,964</u>	\$ <u>356,684</u>
Contributions as a percentage of covered payroll	<u>11.96%</u>	<u>11.83%</u>	<u>10.42%</u>	<u>9.58%</u>	<u>9.58%</u>	<u>9.56%</u>	<u>9.56%</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.

**EARLY COLLEGE HIGH 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 FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability	<u>0.0742%</u>	<u>0.0687%</u>	<u>0.0635%</u>	<u>0.0720%</u>	<u>0.0635%</u>
School's proportionate share of the net OPEB liability	<u>\$ 7,722,138</u>	<u>\$ 5,476,440</u>	<u>\$ 5,913,452</u>	<u>\$ 5,246,430</u>	<u>\$ 4,140,686</u>
School's covered payroll	<u>\$ 1,655,993</u>	<u>\$ 1,663,244</u>	<u>\$ 1,595,552</u>	<u>\$ 1,266,962</u>	<u>\$ 898,964</u>
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>466.31%</u>	<u>329.26%</u>	<u>370.62%</u>	<u>414.10%</u>	<u>460.61%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.27%</u>	<u>4.89%</u>	<u>4.44%</u>	<u>4.13%</u>	<u>3.30%</u>

**NOTES TO SCHEDULE:**

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

Discount Rate: In the 2020 actuarial valuation, the discount rate changed from 3.50% to 2.87%. 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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 179,376	\$ 204,946	\$ 172,704	\$ 161,789	\$ 150,753
Contributions in relation to the contractually required contribution	<u>179,376</u>	<u>204,946</u>	<u>172,704</u>	<u>161,789</u>	<u>150,753</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	<u>\$ 1,566,831</u>	<u>\$ 1,655,993</u>	<u>\$ 1,663,244</u>	<u>\$ 1,595,552</u>	<u>\$ 1,266,962</u>
Contribution as a percentage of covered payroll	<u>11.45%</u>	<u>12.38%</u>	<u>10.38%</u>	<u>10.14%</u>	<u>11.90%</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.

## **SUPPLEMENTARY INFORMATION SECTION**

**EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY**  
**(A Component Unit of the State of Delaware)**  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2021

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 28,804	\$ 995,688	\$ -	\$ 1,024,492
Other receivables	-	13,446	25,752	39,198
Receivable from state government	173,945	-	-	173,945
Receivable from foundation	-	9,171	-	9,171
<b>TOTAL ASSETS</b>	<b>\$ 202,749</b>	<b>\$ 1,018,305</b>	<b>\$ 25,752</b>	<b>\$ 1,246,806</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable				
Trade	\$ -	\$ 17,499	\$ 2,003	\$ 19,502
Due to State of Delaware, pension costs	-	50,231	1,396	51,627
Accrued salaries	-	285,328	22,353	307,681
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>353,058</b>	<b>25,752</b>	<b>378,810</b>
<b>FUND BALANCE</b>				
Unassigned	202,749	665,247	-	867,996
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 202,749</b>	<b>\$ 1,018,305</b>	<b>\$ 25,752</b>	<b>\$ 1,246,806</b>



**EARLY COLLEGE HIGH 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, 2021

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 682,122	\$ -	\$ 682,122
State aid	3,402,359	-	-	3,402,359
Federal aid	-	-	360,746	360,746
Earnings on cash and investments	-	8,882	-	8,882
Food service revenue	-	11,372	-	11,372
School programs	-	28,213	-	28,213
In-kind support	-	1,240,769	-	1,240,769
<b>TOTAL REVENUES</b>	<u>3,402,359</u>	<u>1,971,358</u>	<u>360,746</u>	<u>5,734,463</u>
<b>EXPENDITURES</b>				
Current				
Instructional services	2,926,069	749,023	360,746	4,035,838
Support services				
Operation and maintenance of facilities	35,233	376,868	-	412,101
Transportation, buses	408,464	-	-	408,464
Food services	-	4,158	-	4,158
Debt service				
Interest	6,571	-	-	6,571
<b>TOTAL EXPENDITURES</b>	<u>3,376,337</u>	<u>1,130,049</u>	<u>360,746</u>	<u>4,867,132</u>
<b>NET CHANGE IN FUND BALANCE</b>	26,022	841,309	-	867,331
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>176,727</u>	<u>(176,062)</u>	<u>-</u>	<u>665</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 202,749</u>	<u>\$ 665,247</u>	<u>\$ -</u>	<u>\$ 867,996</u>

**EARLY COLLEGE HIGH 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, 2021

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	<u>General Fund</u>
EXPENDITURES	
Salaries	\$ 1,561,944
Employment costs	788,325
Contractual services	475,070
Communications	1,884
Insurance	53,644
Facility costs	284,374
Tuition expense	956,395
Transportation - buses	408,464
Repairs and maintenance	74,083
Supplies and materials	256,378
Interest	<u>6,571</u>
 TOTAL EXPENDITURES	 \$ <u><u>4,867,132</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 High 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 High School at Delaware State University as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Early College High School at Delaware State University's basic financial statements, and have issued our report thereon dated September 20, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Early College High School at Delaware State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Early College High School at Delaware State University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Early College High 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Early College High 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

*Maillie LLP*

West Chester, Pennsylvania  
September 20, 2021