



SUSSEX ACADEMY
(A Component Unit of the State of Delaware)
GEORGETOWN, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2023

SUSSEX ACADEMY
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 27, 2023

Board of Directors
Sussex Academy
Georgetown, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sussex Academy ("the School"), Georgetown, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School'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, each major fund, and the aggregate remaining fund information of Sussex Academy, Georgetown, Delaware, as of June 30, 2023, 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.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School 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

The School'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 the School'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.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the School'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.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School'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.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, Sussex Academy has adopted the requirements of GASB Statement No. 96, "Subscription-Based Information Technology Arrangements." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain subscription assets and subscription liabilities for certain information technology arrangements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Sussex Academy's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 41 through 45 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - governmental fund;

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combining statement of revenues, expenditures, changes in fund balances - governmental fund; and schedule of expenditures by natural classification - governmental fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information. The other information comprises the budgetary comparison schedule - governmental fund - cash basis but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED JUNE 30, 2023**

Our discussion and analysis of Sussex Academy's ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2023. Please read it in conjunction with the Independent Auditor's Report on pages 1 through 4, and the School's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

The net position of the School decreased by \$2,434,561, or 12.32%. Program revenues accounted for \$1,340,041, or 9.02% of total revenues, and the general revenues accounted for \$13,518,892, or 90.98% of total revenues. Also, the general fund reported a positive fund balance of \$422,342.

The School implemented GASB Statement No. 96 which, under this statement, entities are required to recognize a subscription liability and an intangible right to use subscription asset, thereby enhancing the relevance and consistency of information about the School's subscription-based technology arrangements.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by private sector corporations. In addition, these statements include deferred outflows and inflows of resources, which are expected to be applicable to future reporting periods. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their conclusion regarding the overall health of the School.

SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the School's major fund and fund financial statements begins on page 15. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions. The School's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Fund

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

Fiduciary Fund

The School's fiduciary fund accounts for its student activities and, due to the fiduciary nature of the arrangement, assets held in this fund may be only used for student activities. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 19 and 20. These activities are excluded from the School's other financial statements since these assets may not be utilized by the School to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$22,188,468 at the close of the fiscal year. The largest portion of the School's total assets is capital assets net of depreciation (89.94%) and cash and pooled cash (9.99%). The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023

A summarized comparative analysis for the fiscal year 2023 to 2022 follows:

Table 1
Net Position

	Governmental Activities	
	2023	2022
Assets		
Current assets	\$ 2,138,137	\$ 2,339,860
Noncurrent assets	19,106,536	23,389,746
Total Assets	<u>21,244,673</u>	<u>25,759,606</u>
Deferred Outflows of Resources		
Deferred OPEB	12,715,985	13,793,049
Deferred pension	3,385,914	3,087,566
Total Deferred Outflows of Resources	<u>16,101,899</u>	<u>16,880,615</u>
Liabilities		
Current liabilities	2,415,760	2,683,009
Noncurrent liabilities	48,376,470	47,717,742
Total Liabilities	<u>50,792,230</u>	<u>50,400,751</u>
Deferred Inflows of Resources		
Deferred OPEB	8,742,810	5,024,301
Deferred pension	-	6,939,076
Total Deferred Inflows of Resources	<u>8,742,810</u>	<u>11,963,377</u>
Net Position (Deficit)		
Net investment in capital assets	(784,237)	(628,379)
Unrestricted	(21,404,231)	(19,125,528)
Total Net Position (Deficit)	<u>\$(22,188,468)</u>	<u>\$(19,753,907)</u>

Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt obligations.

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

SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023

Table 2
Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
General Revenues:		
Charges to school districts	\$ 2,933,780	\$ 2,706,749
State aid not restricted to specific purposes	10,416,466	9,449,745
Earnings on cash and equivalents	31,814	87
Miscellaneous revenue	136,832	180,000
Total General Revenues	<u>13,518,892</u>	<u>12,336,581</u>
Program Revenues:		
Operating grants and contributions	564,157	921,490
Capital grants and contributions	169,784	-
Charges for services	606,100	568,601
Total Revenues	<u>14,858,933</u>	<u>13,826,672</u>
Expenses:		
Instructional services	\$ 14,921,387	\$ 13,877,683
Non-instructional programs	1,038,183	847,442
Support Services:		
Operation and maintenance of facilities	510,659	457,687
Transportation	706,635	605,509
School food service	115,166	110,790
Interest	1,464	1,101
Total Expenses	<u>17,293,494</u>	<u>15,900,212</u>
Changes in Net Deficit	<u>\$ (2,434,561)</u>	<u>\$ (2,073,540)</u>

Governmental Activities

The net position of the School's governmental activities decreased by \$2,434,561, and the unrestricted net position reflects a deficit balance of \$21,404,231. This decrease in net position is higher than the prior year decrease primarily as a result of an increase in wages and related benefit costs and increases in contractual services such as special education services and assessment services as well as increases in net pension and OPEB liabilities.

The statement of activities shows the cost of program services and the charges for services, and grants and contributions offsetting those services. The table below reflects the cost of program services and

SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023

the net cost of those services after taking into account the program revenues for the governmental activities. General revenues which include charges to school districts, state aid not restricted for specific purposes, cash and investment earnings, and other local revenues must support the net cost of the programs.

	Services			
	2023		2022	
	Total Cost	Net Cost (Revenues)	Total Cost	Net Cost (Revenues)
Governmental Activities				
Instructional services	\$ 14,921,387	\$ 14,187,861	\$ 13,877,683	\$ 12,960,277
Non-instructional programs	1,038,183	585,102	847,442	387,436
Support services:				
Operation and maintenance of facilities	510,659	456,929	457,687	432,169
Transportation	706,635	706,635	605,509	605,509
School food services	115,166	15,462	110,790	23,629
Interest	1,464	1,464	1,101	1,101
Total Expenses	\$ 17,293,494	\$ 15,953,453	\$ 15,900,212	\$ 14,410,121

The reliance on general revenues to support the governmental activities is reflected by the net cost services' columns, which basically indicate the need for general support to fund school operations.

THE SCHOOL'S FUNDS

The governmental fund (as presented on the balance sheet on page 15 reported a fund balance of \$422,342, which is an increase from the prior year's amount of \$355,892. The schedule below indicates the fund balance as of June 30, 2023 and the total change in fund balance for the year ended.

	2023	2022	Increase
General Fund	\$ 422,342	\$ 355,892	\$ 66,450

General Fund

The increase in the School's fund balance of the general fund is primarily due to increase in state funding and the school proactively managing it's expenditures during the fiscal year.

The tables that follow will assist the reader in evaluating the financial activities as compared to the prior year.

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023**

	Amounts		Percent (%) Change
	2023	2022	
Revenues			
Charges to school districts	\$ 2,933,780	\$ 2,706,749	8.4%
State sources	10,416,466	9,449,745	10.2%
Federal sources	547,577	885,357	-38.2%
Earnings on cash and equivalents	31,814	87	36,467.8%
School food service fees	99,704	87,161	14.4%
Facilities rental	53,730	25,518	110.6%
Contributions	180,849	25,449	610.6%
Athletic revenue	415	4,084	89.8%
Swimming pool revenue	452,666	455,922	0.7%
Scholarship revenue	5,100	6,600	-22.7%
Miscellaneous revenue	136,832	180,000	24.0%
Total Revenues	\$ 14,858,933	\$ 13,826,672	7.5%

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

	Amounts		Percent (%) Change
	2023	2022	
Expenditures by Object			
Current:			
Instructional services	\$ 11,740,061	\$ 11,672,698	0.6%
Non-instructional programs	549,645	499,303	20.1%
Support services:			
Operation and maintenance of facilities	659,530	575,951	14.5%
Transportation	968,976	794,570	21.9%
School food service	115,166	110,790	3.9%
Capital outlays	84,766	363,782	-76.7%
Debt service	699,928	731,190	-5.3%
Total Expenditures by Object	\$ 14,818,072	\$ 14,748,284	0.5%

GENERAL FUND BUDGET INFORMATION

The School's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the general fund. The School may amend its revenue and expenditure estimates periodically due to changing conditions.

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023**

For the fiscal year ended June 30, 2023, actual revenues came in higher than anticipated amounts by \$261,292, and actual expenditures came in under budget by \$376,897.

CAPITAL ASSETS

The School has \$19,106,536 invested in capital assets, right to use assets, subscription assets, net of depreciation and amortization. During the current year, the School made capital acquisitions of \$165,476 and incurred depreciation/amortization expense of \$994,209.

Major capital asset events during the fiscal year included the following:

- Purchase of various equipment totaling \$105,642

Detailed information regarding capital assets is reflected in Note 3 of the financial statements.

DEBT OBLIGATIONS

The School has a total of \$19,890,773 in lease and subscription liability payable arrangements described in Note 4 to the financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School's student population and revenue has grown in recent years. Interest for enrollment was at an all-time high during the most recent application period, with over 1,253 applications for the 2023-2024 school year. Enrollment for the 2024-2025 school year is projected to total 1,171. For the first time, the high school (grades 9-12) was at full capacity during school year 2020-2021. Since the School has no direct taxing authority, it is reliant upon federal and state revenues that are passed through to the School by the State, as well as local support. In order to maintain a school that thrives on innovation and quality, the School continues to seek other sources of revenue. This will continue to be the case as the student population will be expected to plateau, limiting state and local revenue in the future.

The School moved into an existing school building in June 2013 when the Executive and Foundation Boards brokered a building swap with a private school that did not enroll enough students to complete all of the interior construction of the building. Since that time, annual construction projects have resulted in a building that can accommodate all of the grade levels and instructional programs in our middle and high school configurations. The majority of the renovations and construction has been funded by (and accounted for) the Sussex Academy Foundation through low interest loans provided by the U.S. Department of Agriculture Rural Development. Since both the square footage of the School and the types and quality of the athletic facilities has been increasing annually as we have grown, the related utilities and maintenance expenses have also increased. As the high school enrollment stabilizes at the anticipated levels, we will gain a firmer grasp on the annual revenue needs and get better at projecting

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2023**

expenses. Additionally, the Department of Education approved a major charter modification request in FY 2020 to increase the approved enrollment from 840 to 1,100 students and to add elementary grades (K-5) to Sussex Academy beginning in the fall of 2020. Sussex Academy will now enroll 240 elementary students annually who will attend school at a separate campus which is owned by the Sussex Academy Foundation. Federal, state, and local funds associated with the elementary enrollment will be used to cover the operating budget for Sussex Academy Elementary. The School will also share some resources between the two campuses to maximize funding provided to the School.

The overall annual budget process will be greatly enhanced once the School and its facilities have maintained their final state enrollment at full capacity, and there is a several-year pattern of revenues and expenses to use for budget projections.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 856-3636.

BASIC FINANCIAL STATEMENTS

**SUSSEX ACADEMY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022**

	Governmental Activities	
	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 2,122,497	\$ 2,333,365
Accounts receivable	15,640	6,495
Total Current Assets	2,138,137	2,339,860
NONCURRENT ASSETS:		
Construction-in-progress	27,823	35,579
Depreciable capital assets, net	1,023,523	1,227,194
Right-to-use assets, net	18,044,131	18,672,496
Subscription asset, net	11,059	-
Net pension asset	-	3,454,477
Total Noncurrent Assets	19,106,536	23,389,746
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	3,385,914	3,087,566
Deferred outflows - OPEB	12,715,985	13,793,049
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,101,899	16,880,615
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 37,346,572	\$ 42,610,221
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 50,306	\$ 222,765
Accrued salaries	1,665,489	1,761,203
Leases payable	694,461	699,041
Subscription liability	5,504	-
Total Current Liabilities	2,415,760	2,683,009
NONCURRENT LIABILITIES:		
Leases payable	19,185,227	19,864,607
Subscription liability	5,581	-
Compensated absences	242,052	237,711
Net pension liability	4,132,193	-
Net OPEB Liability	24,811,417	27,615,424
Total Noncurrent Liabilities	48,376,470	47,717,742
TOTAL LIABILITIES	50,792,230	50,400,751
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	-	6,939,076
Deferred inflows - OPEB	8,742,810	5,024,301
TOTAL DEFERRED INFLOWS OF RESOURCES	8,742,810	11,963,377
NET POSITION (DEFICIT)		
Net investment in capital assets	(784,237)	(628,379)
Unrestricted (deficit)	(21,404,231)	(19,125,528)
TOTAL NET POSITION (DEFICIT)	(22,188,468)	(19,753,907)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	\$ 37,346,572	\$ 42,610,221

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

SUSSEX ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With Summarized Comparative Data for the Year Ended June 30, 2022)

	Program Revenues				Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2023	2022
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ (14,921,387)	\$ -	\$ 563,742	\$ 169,784	\$ (14,187,861)	\$ (12,960,277)
Non-instructional programs	(1,038,183)	452,666	415	-	(585,102)	(387,436)
Support services:						
Operation and maintenance of facilities	(510,659)	53,730	-	-	(456,929)	(432,169)
Transportation	(706,635)	-	-	-	(706,635)	(605,509)
School food services	(115,166)	99,704	-	-	(15,462)	(23,629)
Interest	(1,464)	-	-	-	(1,464)	(1,101)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (17,293,494)	\$ 606,100	\$ 564,157	\$ 169,784	(15,953,453)	(14,410,121)
GENERAL REVENUES						
					2,933,780	2,706,749
					10,416,466	9,449,745
					31,814	87
					136,832	180,000
					13,518,892	12,336,581
					(2,434,561)	(2,073,540)
					(19,753,907)	(17,680,367)
					\$ (22,188,468)	\$ (19,753,907)

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

**SUSSEX ACADEMY
BALANCE SHEETS - GOVERNMENTAL FUND
JUNE 30, 2023 AND 2022**

	General Fund	
	2023	2022
ASSETS		
Cash and pooled cash	\$ 2,122,497	\$ 2,333,365
Accounts receivable	15,640	6,495
TOTAL ASSETS	\$ 2,138,137	\$ 2,339,860
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 50,306	\$ 222,765
Accrued salaries	1,665,489	1,761,203
TOTAL LIABILITIES	1,715,795	1,983,968
FUND BALANCE:		
Unassigned	422,342	355,892
TOTAL FUND BALANCE	422,342	355,892
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,138,137	\$ 2,339,860

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

**SUSSEX ACADEMY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUND
TO STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 422,342

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. Capital assets net of accumulated depreciation and amortization as detailed in the footnotes are included in the statements of net position. 19,106,536

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

Compensated absences	\$ (242,052)	
Leases payable	(19,879,688)	
Subscription liability	(11,085)	
Net pension liability	(4,132,193)	
Net OPEB liability	<u>(24,811,417)</u>	(49,076,435)

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

Deferred outflows - pension	3,385,914	3,385,914
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Deferred inflows and outflows related to the School's net OPEB liability are based on the differences between actual and projected investment returns, differences between actual and expected experience, changes in actuarial assumptions, changes in the actuarially determined proportion of the School's share the total liability, contributions, and investment returns, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - OPEB	12,715,985	
Deferred inflows - OPEB	<u>(8,742,810)</u>	<u>3,973,175</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (22,188,468)

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

SUSSEX ACADEMY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	General Fund	
	2023	2022
REVENUES		
Charges to school districts	\$ 2,933,780	\$ 2,706,749
State sources	10,416,466	9,449,745
Federal sources	547,577	885,357
Earnings on cash and pooled cash	31,814	87
Food service revenue	99,704	87,161
Facilities rental	53,730	25,518
Contributions	180,849	25,449
Athletic revenue	415	4,084
Swimming pool revenue	452,666	455,922
Scholarship revenue	5,100	6,600
Miscellaneous revenue	136,832	180,000
TOTAL REVENUES	14,858,933	13,826,672
EXPENDITURES		
Current:		
Instructional services	11,740,061	11,672,698
Non-instructional programs	549,645	499,303
Operation and maintenance of facilities	659,530	575,951
Transportation	968,976	794,570
Food services	115,166	110,790
Capital outlays	84,766	363,782
Debt service:		
Principal	698,464	730,089
Interest	1,464	1,101
TOTAL EXPENDITURES	14,818,072	14,748,284
DEFICIENCY (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	40,861	(921,612)
OTHER FINANCING SOURCES (USES)		
Right to use and subscription asset proceeds	25,589	51,420
TOTAL OTHER FINANCING SOURCES (USES)	25,589	51,420
NET CHANGE IN FUND BALANCE	66,450	(870,192)
FUND BALANCE, BEGINNING OF YEAR	355,892	1,226,084
FUND BALANCE, END OF YEAR	\$ 422,342	\$ 355,892

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

SUSSEX ACADEMY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ 66,450

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

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization exceeded capital outlays in the current period.

Capital outlays	\$ 165,476	
Depreciation/Amortization expense	<u>(994,209)</u>	(828,733)

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

Payment on lease		692,960
Lease proceeds		(9,000)
Payment on subscription liability		5,504
Subscription proceeds		(16,589)

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

Compensated absences		(4,341)
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Pension expenses in the statement of activities differ from the amount reported in the governmental fund because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental fund when a requirement to remit contributions to the plan exists. (349,246)

OPEB expenses in the statement of activities differ from the amount reported in the governmental fund because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing plan, whereas OPEB expenditures are recognized in the governmental fund when a requirement to remit contributions to the plan exists. (1,991,566)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (2,434,561)

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

**SUSSEX ACADEMY
STATEMENTS OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
Student activity cash	\$ 14,429	\$ 77,657
Student club cash	118,678	99,952
School store cash	5,861	6,256
TOTAL ASSETS	\$ 138,968	\$ 183,865
 NET POSITION		
Restricted for student and club activities	\$ 138,968	\$ 183,865
TOTAL NET POSITION	\$ 138,968	\$ 183,865

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

SUSSEX ACADEMY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ADDITIONS		
Student activity receipts	\$ 235,815	\$ 227,756
Student club receipts	183,027	165,850
School store receipts	<u>7,358</u>	<u>11,508</u>
TOTAL ADDITIONS	<u>426,200</u>	<u>405,114</u>
DEDUCTIONS		
Student activity expenses	299,042	167,872
Student club expenses	164,302	148,634
School store expenses	<u>7,753</u>	<u>7,727</u>
TOTAL DEDUCTIONS	<u>471,097</u>	<u>324,233</u>
CHANGE IN NET ASSETS	(44,897)	80,881
NET POSITION, BEGINNING OF YEAR	<u>183,865</u>	<u>102,984</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 138,968</u></u>	<u><u>\$ 183,865</u></u>

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

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

The Sussex Academy of Arts & Sciences is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware and is doing business as Sussex Academy. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. An initial charter is granted for a three-year period, renewable every ten years thereafter.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state, and federal funds, they may not charge tuition.

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

Reporting Entity

The School is a special purpose government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

Separate financial statements are provided for the governmental fund and fiduciary fund, even though the latter is excluded from the entity-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. 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, 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, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Charges to the school districts, state appropriations, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major governmental fund:

- **General Fund** – The general fund is the School's operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Additionally, the School reports the following fund type:

- **Student Activities Custodial Fund** (a fiduciary fund) – The student activities custodial fund accounts for assets held on behalf of student groups.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental fund. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Receivables

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

Capital Assets

Capital assets, which include leasehold improvements and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 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 not capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. Right-to-use assets and subscription assets are amortized over the term life. The School generally uses the following estimated useful lives:

Leasehold improvements	5 - 10 years
Furniture and equipment	3 - 10 years
Right-to-use asset	life of the lease
Subscription asset	Life of the agreement

Deferred Outflows and Inflows of Resources

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

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports certain items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods.

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. A liability for these amounts is reported in the governmental fund only when the liability matures, for example, as a result of employee resignations and retirements.

Vacation – Twelve-month employees can accumulate up to 42 days of vacation. Any days in excess of 42 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination and retirement at the current rate of pay.

Sick Leave – Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year, and annual employees earn one day of sick leave for each month worked. Any unused sick days shall be accumulated to the employee's credit. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50% of the *per diem* rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

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

The School's compensated absences liability was \$242,052 at June 30, 2023.

Fund Equity

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

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

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

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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

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

Unassigned – all other spendable amounts.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, and outstanding debt. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Any remaining portions of net position are reflected as unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes it is more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and, therefore, should be read in conjunction with the School's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2023, the School implemented Governmental Accounting Standards Board ("GASB") Statement No. 96, "Subscription-Based Information Technology Arrangements." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain subscription-based information technology arrangements and liabilities for those arrangements.

NOTE 2 CASH AND POOLED CASH

At June 30, 2023, the School has a cash equivalent balance of \$2,261,465. Of that amount, \$1,914,098 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2023, the reported amount of the School's deposits not held with the State Treasurer's Office was \$347,367, and the bank balance was \$354,832. Of the bank balance, \$250,000 was covered by federal depository insurance, while \$104,832 was exposed to custodial credit risk because it was not insured nor covered by collateral held by the financial institution.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 is as follows:

	<u>Balances 6/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances 6/30/23</u>
General capital assets not being depreciated/amortized:				
Construction-in-progress	\$ 35,579	\$ -	\$ 7,756	\$ 27,823
Total general capital assets not being depreciated/amortized	<u>35,579</u>	<u>-</u>	<u>7,756</u>	<u>27,823</u>
Capital assets being depreciated/amortized:				
Leasehold improvements	751,802	42,001	-	793,803
Right-to-use assets - buildings	24,619,747	-	-	24,619,747
Right-to-use assets - equipment	417,889	9,000	-	426,889
Subscription assets	-	16,589	-	16,589
Furniture and equipment	<u>2,051,960</u>	<u>105,642</u>	<u>-</u>	<u>2,157,602</u>
Total capital assets being depreciated/amortized	27,841,398	173,232	-	28,014,630
Accumulated depreciation	(1,576,568)	(351,314)	-	(1,927,882)
Accumulated amortization - right-to-use assets	(6,365,140)	(637,365)	-	(7,002,505)
Accumulated amortization - subscription assets	<u>-</u>	<u>(5,530)</u>	<u>-</u>	<u>(5,530)</u>
Total capital assets being depreciated/amortized, net	<u>19,899,690</u>	<u>(820,977)</u>	<u>-</u>	<u>19,078,713</u>
Governmental Activities, Net	<u>\$19,935,269</u>	<u>\$ (820,977)</u>	<u>\$ (7,756)</u>	<u>\$19,106,536</u>

Depreciation and amortization expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 838,640
Non-instructional programs	69,207
Operation and maintenance of facilities	39,257
Transportation	<u>47,105</u>
	<u>\$ 994,209</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT

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

	<u>Outstanding 6/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding 6/30/23</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Compensated absences	\$ 237,711	\$ 4,341	\$ -	\$ 242,052	\$ -
Leases payable	20,563,648	9,000	692,960	19,879,688	694,461
Subscription liability	-	16,589	5,504	11,085	5,504
Net pension liability	-	4,132,193	-	4,132,193	-
Net OPEB liability	<u>27,615,424</u>	<u>-</u>	<u>2,804,007</u>	<u>24,811,417</u>	<u>-</u>
Total Governmental Activities	<u>\$48,416,783</u>	<u>\$4,162,123</u>	<u>\$3,502,471</u>	<u>\$ 49,076,435</u>	<u>\$ 699,965</u>

Leases

The School entered into a leasing arrangement for real property with the Sussex Preparatory Academy Foundation, Inc. (a related 501(c)(3) nonprofit corporation) for a term of 40 years. The lease commenced on June 11, 2013 and expires in June 2053. The lease was amended in August 2016 and was extended to June 2057. The lease calls for monthly rental payments of an amount equal to the Sussex Preparatory Academy Foundation, Inc.'s debt obligation for the property.

The School has several leases for certain copier equipment. The leases are for a term of five years, expiring at various dates in fiscal years 2022, 2025, 2026, and 2028.

In March 2014, the School entered into a lease for solar panel equipment. The lease is for a term of 20 years, expiring February 2034. The lease calls for monthly payments of \$324, increasing approximately 3% each year. As of June 30, 2023, the monthly payment was \$398. In March 2017, the School entered into a lease for solar panel equipment to power the pool building. The lease is for a term of 20 years, expiring February 2037. The lease calls for monthly payments of \$155, increasing approximately 3% each year. As of June 30, 2023, the monthly payment was \$174.

The assets acquired through the leases are as follows:

ASSET	
Right-to-use - buildings	\$ 24,619,747
Right-to-use - equipment	426,889
Less: accumulated amortization	<u>(7,002,505)</u>
Total	<u>\$ 18,044,131</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

Presented below is a summary of minimum lease payments to maturity by years for all leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 694,461	\$ 1,041	\$ 695,502
2025	682,577	1,024	683,601
2026	675,557	1,013	676,570
2027	665,511	998	666,509
2028	665,307	998	666,305
2029 - 2033	3,233,743	4,851	3,238,594
2034 - 2038	3,062,033	4,593	3,066,626
2039 - 2043	3,052,560	4,579	3,057,139
2044 - 2048	3,052,560	4,579	3,057,139
2049 - 2053	3,052,560	4,579	3,057,139
2054 - 2057	1,042,819	1,564	1,044,383
Total	<u>\$19,879,688</u>	<u>\$ 29,819</u>	<u>\$19,909,507</u>

Subscriptions

The School entered into subscription-based information technology arrangement for educational technology for the students. The arrangement began July 2022 and expires July 2024.

Presented below is a summary of minimum payments to maturity by years for the arrangement:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,504	\$ 277	\$ 5,781
2025	5,581	140	5,721
Total	<u>\$ 11,085</u>	<u>\$ 417</u>	<u>\$ 11,502</u>

NOTE 5 FUND BALANCE

As of June 30, 2023, fund balance is composed of the following:

	<u>General Fund</u>
Unassigned	\$ 422,342
Total Fund Balance	<u>\$ 422,342</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer defined benefit pension plan ("the State PERS") established in the Delaware Code. The Plan is administered by the Delaware Public Employees Retirement System ("DPERS").

The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees.

The following are brief descriptions of the Plan in effect as of June 30, 2022. For a more complete description, please refer to the Delaware Employees' Pension Plan Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

There are two tiers within this plan: 1) employees hired prior to January 1, 2012 (Pre-2012), and 2) employees hired on or after January 1, 2012 (Post-2011).

Benefits Provided

Service Benefits

Final average monthly compensation (employees hired Post-2011 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this plan, final average monthly compensation is the monthly average of the highest three periods of 12 consecutive months of compensation.

Vesting

Pre-2012 date of hire: 5 years of credited service. Post-2011 date of hire: 10 years of credited service (5 of which must be consecutive).

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Retirement

Employees hired Pre-2011 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired Post-2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

Pre-2012 date of hire: Same as Service Benefits. Employee must have 5 years of credited service. In lieu of disability pension benefits, over 90% of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 date of hire; in the Disability Insurance Program.

Survivor and Burial Benefits

If employee is receiving a pension, the eligible survivor receives 50% of pension (or 67.7% with 2% reduction of benefit, 75% with 3% reduction of benefit, or 100% with 6% reduction of benefit); if employee is active with at least 5 years of credited service, eligible survivor receives 75% of pension the employee would have received at age 62. Amount payable to a surviving spouse under age 50 at the time the survivor's pension begins shall be reduced for each month under 50 in accordance with actuarial tables approved by the Board. Any actuarial reduction for such a spouse shall, however, not apply for the period during which the spouse has in his or her care an unmarried child or children.

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

Contributions

Member Contributions

Employees hired Pre-2012 contribute 3% of earnings in excess of \$6,000. Employees hired Post-2012 contribute 5% of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2023, the rate of the employer contributions was 11.15% of covered payroll. The School's contribution to PERS for the year ended June 30, 2023 was \$789,593.

PRI Contribution

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the pension trust is a reduction of the net pension liability of each participating employer.

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

At June 30, 2023, the School reported a liability of \$4,132,193 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2022, the School's proportion was 0.3021%, which was an increase of 0.0186% from its proportion as of June 30, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$1,138,839. At June 30, 2023, 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>
Net difference between projected and actual investment earnings	\$ 792,980	\$ -
Changes in proportions	929,830	-
Changes in assumptions	446,803	-
Contributions subsequent to the date of measurement	789,593	-
Differences between actual and expected experience	<u>426,708</u>	<u>-</u>
	<u>\$3,385,914</u>	<u>\$ -</u>

An amount of \$789,593 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2022 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Year Ending June 30,

2024	\$ 240,400
2025	86,114
2026	184,042
2027	1,892,448
2028	<u>193,317</u>
	<u>\$ 2,596,321</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return/discount rate – 7.0%, including inflation of 2.5%
- Salary increases – 2.5% to 11.5%, including inflation of 2.5%
- Cost-of-living adjustments – 0.0%

The total pension liability is measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

Mortality rates were based on the Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (“ad hoc COLAs”), as they are not substantively automatic. The primary considerations relevant to making this determination include the historical patterns of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

(expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	31.8%
International equity	5.7%	15.0%
Fixed income	2.0%	23.6%
Alternative investments	7.8%	21.5%
Cash and equivalents	0.0%	8.1%

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

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

The following presents the net pension liability, calculated using the discount rate of 7.0%, 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.

	<u>1% Decrease 6.0%</u>	<u>Current Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
School's proportionate share of the net pension liability	\$ 8,628,641	\$ 4,132,193	\$ 675,684

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Pension Plan Fiduciary Net Position

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits ("OPEB") Fund Trust ("the Plan"), which is a cost-sharing, multiple-employer defined benefit plan established in the Delaware Code.

The State of Delaware General Assembly is responsible for setting benefits and contributions, and amending plan provisions; administrative rules and regulations are adopted and maintained by the DPERS Board of Pension Trustees, which acts as the Board of Trustees ("the Board") for the Plan and is responsible for the financial management of the Plan.

The following are brief descriptions of the Plan in effect as of June 30, 2022. For a more complete description, please refer to the Delaware Public Employees' Retirement System Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents. The participant's cost of plan benefits is variable based on years of service. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Contributions

Member Contributions

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

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2023, the rate of the employer contribution was 14.98% of covered payroll. The School's contribution to the Plan for the year ended June 30, 2023 was \$1,060,741.

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

At June 30, 2023, the School reported a liability of \$24,811,417 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2022, the School's proportion was 0.2927%, which was an increase of 0.0189% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$3,052,307. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 57,934	\$ -
Changes in proportions	7,139,768	-
Changes in assumptions	3,830,011	5,702,770
Contributions subsequent to the date of measurement	1,060,741	-
Net difference between expected and actual experience	<u>627,531</u>	<u>3,040,040</u>
	<u>\$12,715,985</u>	<u>\$ 8,742,810</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$1,060,741 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2022 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2024	\$ 758,861
2025	955,182
2026	1,258,126
2027	314,082
2028	527,471
Thereafter	<u>(901,288)</u>
	<u>\$ 2,912,434</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.54%
- Salary increases – 3.25% plus merit
- Healthcare cost trend rates – 5.17%

Mortality rates are based on the Sex-distinct Employee, Healthy Annuitant, and Disabled Annuitant Mortality Tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment facts. 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 behavior in future years. The assumptions used were based on the results of an actuarial experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. 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.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16% at the beginning of the current measurement period and 3.54% at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2022 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.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.54%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate.

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
School's proportionate share of the net OPEB liability	\$ 29,253,538	\$ 24,811,417	\$ 21,275,142

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.17%, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.17%) or one percentage point higher (6.17%) than the current rate.

	1% Decrease 4.17%	Current Healthcare Trend Rate 5.17%	1% Increase 6.17%
School's proportionate share of the net OPEB liability	\$ 21,309,270	\$ 24,811,417	\$ 28,975,248

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Plan Fiduciary Net Position

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

NOTE 8 RISK MANAGEMENT

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

NOTE 9 UNCERTAINTIES

Grants

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

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Employment costs	\$	36,648
Contractual services	\$	138,438
Communications	\$	4,103
Insurance	\$	729
Transportation	\$	24,183

The excess expenditures over appropriations were financed by other expense categories being under budget.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$21,404,231 includes the effect of the deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 12 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 27, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SUSSEX ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 2,933,780	\$ 2,933,780	\$ 2,933,780	\$ -
State sources	10,036,603	10,036,603	10,416,466	379,863
Federal sources	608,657	608,657	547,577	(61,080)
Earnings on cash and pooled cash	-	-	31,814	31,814
Food service revenue	93,396	93,396	99,704	6,308
Facilities rental	53,730	53,730	53,730	-
Contributions	180,849	180,849	180,849	-
Athletic revenue	415	415	415	-
Swimming pool revenue	452,666	452,666	452,666	-
Scholarship revenue	5,100	5,100	5,100	-
Miscellaneous revenue	232,445	232,445	136,832	(95,613)
TOTAL REVENUES	<u>14,597,641</u>	<u>14,597,641</u>	<u>14,858,933</u>	<u>261,292</u>
EXPENDITURES				
Current:				
Salaries	7,948,376	7,948,376	7,872,244	76,132
Employment costs	3,648,622	3,648,622	3,685,270	(36,648)
Travel	5,018	5,018	-	5,018
Contractual services	493,027	493,027	631,465	(138,438)
Communications	48,998	48,998	53,101	(4,103)
Public utilities service	478,163	478,163	412,658	65,505
Insurance	71,432	71,432	72,161	(729)
Transportation	635,347	635,347	659,530	(24,183)
Land, buildings, and facilities	35,448	35,448	-	35,448
Repairs and maintenance	289,982	289,982	180,788	109,194
Supplies and materials	469,932	469,932	460,361	9,571
Scholarships awarded	5,800	5,800	5,800	-
Capital outlays	366,827	366,827	84,766	282,061
Debt service:				
Principal	697,997	697,997	698,464	(467)
Interest	-	-	1,464	(1,464)
TOTAL EXPENDITURES	<u>15,194,969</u>	<u>15,194,969</u>	<u>14,818,072</u>	<u>376,897</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(597,328)</u>	<u>(597,328)</u>	<u>40,861</u>	<u>638,189</u>
OTHER FINANCING SOURCES				
Right to use and subscription asset proceeds	-	-	25,589	25,589
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>25,589</u>	<u>25,589</u>
NET CHANGE IN FUND BALANCE	<u>(597,328)</u>	<u>(597,328)</u>	<u>66,450</u>	<u>663,778</u>
FUND BALANCE, BEGINNING OF YEAR	<u>355,892</u>	<u>355,892</u>	<u>355,892</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (241,436)</u>	<u>\$ (241,436)</u>	<u>\$ 422,342</u>	<u>\$ 663,778</u>

SUSSEX ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN

	MEASUREMENT DATE								
	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
PROPORTIONATE SHARE OF NET PENSION LIABILITY									
School's proportion of the net pension liability (asset)	0.3021%	0.2835%	0.2179%	0.1998%	0.1873%	0.1656%	0.1508%	0.1237%	0.1021%
School's proportion of the net pension liability (asset) - dollar value	\$ 4,132,193	\$ (3,454,477)	\$ 3,063,687	\$ 3,111,304	\$ 2,372,058	\$ 2,428,230	\$ 2,271,864	\$ 822,657	\$ 376,048
School's covered employee payroll	\$ 6,966,578	\$ 6,195,320	\$ 4,698,436	\$ 4,146,788	\$ 3,646,708	\$ 3,226,701	\$ 2,875,251	\$ 2,306,203	\$ 1,868,023
School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	59.31%	-55.76%	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.76%	110.48%	87.27%	85.41%	87.49%	85.31%	84.11%	92.67%	95.80%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**SUSSEX ACADEMY
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' PENSION PLAN**

CONTRIBUTIONS	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 789,593	\$ 867,339	\$ 763,883	\$ 561,933	\$ 490,565	\$ 379,987	\$ 309,118	\$ 275,449	\$ 220,473
Contributions in relation to the contractually required contribution	<u>789,593</u>	<u>867,339</u>	<u>763,883</u>	<u>561,933</u>	<u>490,565</u>	<u>379,987</u>	<u>309,118</u>	<u>275,449</u>	<u>220,473</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 7,081,552	\$ 6,966,578	\$ 6,195,320	\$ 4,698,436	\$ 4,146,788	\$ 3,646,708	\$ 3,226,701	\$ 2,875,251	\$ 2,306,203
Contributions as a percentage of covered employee payroll	11.15%	12.45%	12.33%	11.96%	11.83%	10.42%	9.58%	9.58%	9.56%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SUSSEX ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE OF DELAWARE EMPLOYEES' OPEB PLAN

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>					
	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.2927%	0.2738%	0.2127%	0.1945%	0.1790%	0.1618%
School's proportion of the net OPEB liability - dollar value	\$ 24,811,417	\$ 27,615,424	\$ 22,150,238	\$ 15,501,407	\$ 14,697,669	\$ 13,361,601
School's covered employee payroll	\$ 6,966,578	\$ 6,195,320	\$ 4,698,436	\$ 4,146,788	\$ 3,646,708	\$ 3,226,701
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	356.15%	445.75%	471.44%	373.82%	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	6.43%	6.06%	4.27%	4.89%	4.44%	4.13%

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

**SUSSEX ACADEMY
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' OPEB PLAN**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 1,060,741	\$ 799,811	\$ 731,205	\$ 587,869	\$ 488,850	\$ 402,119
Contributions in relation to the contractually required contribution	<u>1,060,741</u>	<u>799,811</u>	<u>731,205</u>	<u>587,869</u>	<u>488,850</u>	<u>402,119</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 7,081,552	\$ 6,966,578	\$ 6,195,320	\$ 4,698,436	\$ 4,146,788	\$ 3,646,708
Contributions as a percentage of covered employee payroll	14.98%	11.48%	11.80%	12.51%	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

**SUSSEX ACADEMY
COMBINING BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023**

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and pooled cash	\$ 169,252	\$ 1,953,245	\$ -	\$ 2,122,497
Accounts receivable	-	15,640	-	15,640
TOTAL ASSETS	\$ 169,252	\$ 1,968,885	\$ -	\$ 2,138,137
 LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ 50,306	\$ -	\$ 50,306
Accrued salaries	-	1,665,489	-	1,665,489
TOTAL LIABILITIES	-	1,715,795	-	1,715,795
 FUND BALANCES:				
Unassigned	169,252	253,090	-	422,342
TOTAL FUND BALANCES	169,252	253,090	-	422,342
 TOTAL LIABILITIES AND FUND BALANCES	\$ 169,252	\$ 1,968,885	\$ -	\$ 2,138,137

SUSSEX ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	\$ -	\$ 2,933,780	\$ -	\$ 2,933,780
State sources	10,416,466	-	-	10,416,466
Federal sources	-	-	547,577	547,577
Earnings on cash and pooled cash	-	31,814	-	31,814
Food service revenue	-	99,704	-	99,704
Facilities rental	-	53,730	-	53,730
Contributions	-	180,849	-	180,849
Athletic revenue	-	415	-	415
Swimming pool revenue	-	452,666	-	452,666
Scholarship revenue	-	5,100	-	5,100
Miscellaneous revenue	-	136,832	-	136,832
TOTAL REVENUES	<u>10,416,466</u>	<u>3,894,890</u>	<u>547,577</u>	<u>14,858,933</u>
EXPENDITURES				
Current:				
Instructional services	8,011,210	3,219,885	508,966	11,740,061
Non-instructional programs	344,801	204,844	-	549,645
Operation and maintenance of facilities	658,224	1,306	-	659,530
Transportation	-	100,763	14,403	115,166
Food services	342,796	626,180	-	968,976
Capital outlays	12,114	48,444	24,208	84,766
Debt service:				
Principal	698,464	-	-	698,464
Interest	1,464	-	-	1,464
TOTAL EXPENDITURES	<u>10,069,073</u>	<u>4,201,422</u>	<u>547,577</u>	<u>14,818,072</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>347,393</u>	<u>(306,532)</u>	<u>-</u>	<u>40,861</u>
OTHER FINANCING SOURCES (USES)				
Right to use and subscription asset proceeds	-	25,589	-	25,589
Transfer in (out)	(178,598)	178,598	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(178,598)</u>	<u>204,187</u>	<u>-</u>	<u>25,589</u>
NET CHANGE IN FUND BALANCES	168,795	(102,345)	-	66,450
FUND BALANCES, BEGINNING OF YEAR	<u>457</u>	<u>355,435</u>	<u>-</u>	<u>355,892</u>
FUND BALANCES, END OF YEAR	<u>\$ 169,252</u>	<u>\$ 253,090</u>	<u>\$ -</u>	<u>\$ 422,342</u>

SUSSEX ACADEMY
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

EXPENDITURES

Current:

Salaries	\$ 7,872,244
Employment costs	3,685,270
Contractual services	631,465
Communications	53,101
Public utilities service	412,658
Insurance	72,161
Transportation	659,530
Repairs and maintenance	180,788
Supplies and materials	460,361
Scholarships awarded	5,800
Capital outlays	84,766
Debt service:	
Principal	698,464
Interest	1,464

TOTAL EXPENDITURES

\$ 14,818,072

OTHER INFORMATION

SUSSEX ACADEMY
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 2,933,780	\$ 2,933,780	\$ 2,933,780	\$ -
State sources	10,036,603	10,036,603	10,416,466	379,863
Federal sources	608,657	608,657	547,577	(61,080)
Earnings on cash and pooled cash	-	-	31,814	31,814
Food service revenue	93,396	93,396	99,704	6,308
Facilities rental	53,730	53,730	49,155	(4,575)
Contributions	180,849	180,849	169,784	(11,065)
Athletic revenue	415	415	415	-
Swimming pool revenue	452,666	452,666	459,161	6,495
Scholarship revenue	5,100	5,100	5,100	-
Miscellaneous revenue	232,445	232,445	136,832	(95,613)
TOTAL REVENUES	<u>14,597,641</u>	<u>14,597,641</u>	<u>14,849,788</u>	<u>252,147</u>
EXPENDITURES				
Current:				
Salaries	7,948,376	7,948,376	7,948,508	(132)
Employment costs	3,648,622	3,648,622	3,704,719	(56,097)
Travel	5,018	5,018	-	5,018
Contractual services	493,027	493,027	626,745	(133,718)
Communications	48,998	48,998	53,101	(4,103)
Public utilities service	478,163	478,163	420,553	57,610
Insurance	71,432	71,432	72,161	(729)
Transportation	635,347	635,347	659,530	(24,183)
Land, buildings, and facilities	35,448	35,448	-	35,448
Repairs and maintenance	289,982	289,982	189,741	100,241
Supplies and materials	469,932	469,932	461,974	7,958
Scholarships awarded	5,800	5,800	5,800	-
Capital outlays	366,827	366,827	217,896	148,931
Debt service:				
Principal	697,997	697,997	698,464	(467)
Interest	-	-	1,464	(1,464)
TOTAL EXPENDITURES	<u>15,194,969</u>	<u>15,194,969</u>	<u>15,060,656</u>	<u>134,313</u>
NET CHANGE IN FUND BALANCE	(597,328)	(597,328)	(210,868)	386,460
FUND BALANCE, BEGINNING OF YEAR	<u>2,333,365</u>	<u>2,333,365</u>	<u>2,333,365</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,736,037</u>	<u>\$ 1,736,037</u>	<u>\$ 2,122,497</u>	<u>\$ 386,460</u>

OTHER REPORT



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

September 27, 2023

Board of Directors
Sussex Academy
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sussex Academy ("the School"), Georgetown, Delaware, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") 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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Board of Directors
Sussex Academy

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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