



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

FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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INDEPENDENT AUDITOR'S REPORT

September 21, 2020

Board of Directors
Sussex Academy
Georgetown, Delaware

Report on Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Board of Directors
Sussex Academy

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Sussex Academy as of June 30, 2020, 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.

Emphasis of a Matter

As discussed in Notes 1 to the financial statements, Sussex Academy has adopted the requirements of GASB Statement No. 84, "Fiduciary Activities." The statement provides additional guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result, the School now presents a statement of changes in fiduciary net position for its custodial fund. Our opinion is not modified with respect to this matter.

Report of Summarized Comparative Information

We have previously audited Sussex Academy's 2019 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 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, 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 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the

basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - governmental fund; combining statement of revenues, expenditures, and changes in fund balances - governmental fund; schedule of expenditures by natural classification - governmental fund; and budgetary comparison schedule - governmental fund - cash basis ("the supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
YEAR ENDED JUNE 30, 2020**

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, 2020. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3 and the School's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The net position of the School decreased by \$1,156,285, or 9.02 percent. Program revenues accounted for \$707,121, or 7.11 percent of total revenues, and the general revenues accounted for \$9,235,979, or 92.89 percent of total revenues. Also, the general fund reported a positive fund balance of \$1,392,076.

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. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the School's major fund and fund financial statements begins on page 13. 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.

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

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 17 and 18. 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 \$13,977,063 at the close of the fiscal year. The largest portion of the School's total assets is cash and equivalents (74.23 percent), and capital assets net of depreciation (25.77 percent) make up the remaining assets. The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

A summarized comparative analysis for the fiscal year 2020 to 2019 follows:

**Table 1
Net Position (Deficit)**

	Governmental Activities	
	2020	2019
Assets		
Current assets	\$ 2,632,389	\$ 2,715,258
Noncurrent assets	914,091	782,978
Total Assets	3,546,480	3,498,236
Deferred Outflows of Resources		
Deferred OPEB	4,321,803	2,764,506
Deferred pension	1,631,253	1,485,982
Total Deferred Outflows of Resources	5,953,056	4,250,488

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

**Table 1
Net Position (Deficit)**

(cont'd)	Governmental Activities	
	2020	2019
Liabilities		
Current liabilities	1,277,171	1,235,102
Noncurrent liabilities	18,761,638	17,165,802
Total Liabilities	<u>20,038,809</u>	<u>18,400,904</u>
Deferred Inflows of Resources		
Deferred OPEB	3,414,953	2,033,813
Deferred pension	22,837	134,785
Total Deferred Inflows of Resources	<u>3,437,790</u>	<u>2,168,598</u>
Net Position (Deficit)		
Net investment in capital assets	832,331	782,978
Unrestricted	<u>(14,809,394)</u>	<u>(13,603,756)</u>
Total Net Position (Deficit)	<u>\$ (13,977,063)</u>	<u>\$ (12,820,778)</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.

**Table 2
Change in Net Deficit**

	Governmental Activities	
	2020	2019
General revenues:		
Charges to school districts	\$ 1,911,427	\$ 1,781,140
State aid not restricted to specific purposes	7,132,877	6,514,830
Earnings on cash and equivalents	91,116	55,094
Miscellaneous revenue	100,559	82,918
Total general revenues	<u>9,235,979</u>	<u>8,433,982</u>
Program revenues:		
Operating grants and contributions	253,628	396,243
Capital grants and contributions	120,625	322
Charges for services	332,868	332,933
Total Revenues	<u>9,943,100</u>	<u>9,163,480</u>

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

**Table 2
Change in Net Deficit**

(cont'd)	Governmental Activities	
	2020	2019
Expenses:		
Instructional services	8,800,598	7,815,695
Non-instructional programs	652,095	769,084
Supporting services:		
Operation and maintenance of facilities	1,007,701	937,768
Transportation	569,161	497,780
School food service	66,551	39,416
Interest on capital lease	3,279	-
Total Expenses	11,099,385	10,059,743
Change in Net Deficit	\$ (1,156,285)	\$ (896,263)

Governmental Activities

The net position of the School's governmental activities decreased by \$1,156,285, and the unrestricted net position reflects a deficit balance of \$14,809,394. 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 due to hiring additional personnel and applying the teacher educational levels to the adopted salary schedule, and retiree payouts. In addition, the School's rental lease payments increased.

The statement of activities shows the cost of program services and the charges for services, and grants and contributions offsetting those services. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues for the governmental activities. General revenues which include charges to school districts, State aid not restricted for specific purposes, cash and investment earnings, and other local revenues must support the net cost of the programs.

	Services			
	2020		2019	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	\$ 8,800,598	\$ 8,516,354	\$ 7,815,695	\$ 7,428,320
Non-instructional programs	652,095	395,306	769,084	489,446
Support services:				
Operation and maintenance of facilities	1,007,701	882,096	937,768	888,146
Transportation	569,161	569,161	497,780	497,780
School food services	66,551	26,068	39,416	26,553
Interest on capital lease	3,279	3,279	-	-
Total Expenses	\$ 11,099,385	\$ 10,392,264	\$ 10,059,743	\$ 9,330,245

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

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

THE SCHOOL'S FUNDS

The governmental fund (as presented on the balance sheet on page 13) reported a fund balance of \$1,392,076, which is a decrease from the prior year's amount of \$1,480,156. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019.

	2020	2019	Decrease
General Fund	\$ 1,392,076	\$ 1,480,156	\$ (88,080)

General Fund

The minimal decrease in the School's fund balance of the general fund is primarily due to increases in funding due to increased enrollments as the School continues to grow.

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

	Amounts		Percentage (%) Change
	2020	2019	
Revenues			
Charges to school districts	\$ 1,911,427	\$ 1,781,140	7.31%
State sources	7,132,877	6,514,830	9.49%
Federal sources	223,720	222,755	0.43%
Earnings on cash and equivalents	91,116	55,094	65.38%
School food service fees	40,483	12,863	214.72%
Facilities rental	42,564	49,300	-13.66%
Contributions	16,515	158,570	-89.59%
Athletic revenue	6,968	8,868	-21.43%
Swimming pool revenue	249,821	270,770	-7.74%
Scholarship revenue	6,425	6,050	6.20%
Miscellaneous revenue	99,227	82,918	19.67%
Total Revenues	\$ 9,821,143	\$ 9,163,158	7.18%

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.

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

Expenditures by Object	Amounts		<u>Percentage (%) Change</u>
	2020	2019	
Current:			
Instruction services	\$ 7,466,739	\$ 6,939,151	7.60%
Non-instructional programs	645,548	726,174	-11.10%
Supporting services:			
Operation and maintenance of facilities	993,898	931,575	6.69%
Transportation	556,505	487,018	14.27%
School food services	66,551	39,416	68.84%
Capital outlay	259,795	65,703	295.41%
Debt service	32,887	-	100.00%
Total Expenditures by Object	\$ 10,021,923	\$ 9,189,037	9.06%

GENERAL FUND BUDGET INFORMATION

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

For the fiscal year ended June 30, 2020, actual revenues came in over anticipated amounts by \$15,384, and actual expenditures came in over budget by \$62,000.

CAPITAL ASSETS

The School has \$914,091 invested in capital assets, net of depreciation. During the current year, the School made capital acquisitions of \$350,676 and incurred depreciation expense of \$219,563. Due to the School continuing to add grades, the School purchased significant capital assets.

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

- Purchase of computer equipment totaling \$111,367
- Leasehold improvements totaling \$30,592
- Capital contributions relating computer purchases and leasehold improvements totaled \$37,584 and \$83,040, respectively

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

DEBT OBLIGATIONS

The School is also committed to certain leasing arrangements described in Note 4 to the financial statements.

**SUSSEX ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

The School financed the purchase of certain computer equipment. This capital lease balance totals \$81,760 at June 30, 2020.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School's student population and revenue for grades six through eight continues to grow. The enrollment for the high school grades has been lower than anticipated in previous years but enrollment in grade nine has increased annually since we began offering our high school program. For the first time, each high school grade level for SY 2020-2021 will have more than 100 students enrolled, with total high school enrollment reaching 500 students for the first time. 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.

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 expenses. The annual budget process will be greatly enhanced once the School and its facilities have reached their final state, enrollment is at full capacity, and there is a several-year pattern of revenues and expenses to use for budget projections. Additionally, the Department of Education approved a minor budget modification request in FY 2019 to increase the approved enrollment from 770 to 840 students over a two-year period to acquire the additional resources that are projected to be needed to expand the curricular and service needs of our student body.

In March 2020, the Delaware Department of Education approved a major charter modification to add elementary grades (K-5) to Sussex Academy beginning in the fall of 2020. Sussex Academy will enroll 240 elementary students who will attend school at a separate campus. 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. Additional startup and maintenance expenses are anticipated and will be accounted for within the school budget.

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, 2020 AND 2019

	Governmental Activities	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,632,389	\$ 2,715,258
Total Current Assets	2,632,389	2,715,258
NONCURRENT ASSETS:		
Construction-in-progress	3,067	-
Depreciable capital assets, net	911,024	782,978
Total Noncurrent Assets	914,091	782,978
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,631,253	1,485,982
Deferred outflows - OPEB	4,321,803	2,764,506
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,953,056	4,250,488
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 9,499,536	\$ 7,748,724
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,396	\$ 20,993
Accrued salaries	1,221,917	1,214,109
Capital lease	36,858	-
Total Current Liabilities	1,277,171	1,235,102
NONCURRENT LIABILITIES:		
Capital lease	44,902	-
Compensated absences	104,025	96,075
Net pension liability	3,111,304	2,372,058
Net OPEB Liability	15,501,407	14,697,669
Total Noncurrent Liabilities	18,761,638	17,165,802
TOTAL LIABILITIES	20,038,809	18,400,904
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	22,837	134,785
Deferred inflows - OPEB	3,414,953	2,033,813
TOTAL DEFERRED INFLOWS OF RESOURCES	3,437,790	2,168,598
NET POSITION (DEFICIT)		
Net investment in capital assets	832,331	782,978
Unrestricted (deficit)	(14,809,394)	(13,603,756)
TOTAL NET POSITION (DEFICIT)	(13,977,063)	(12,820,778)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 9,499,536	\$ 7,748,724

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

SUSSEX ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Deficit		
	Expenses	Charges for Services	Operating Grants and Contributions			Totals	
						2020	2019
GOVERNMENTAL ACTIVITIES							
Instructional services	\$ (8,800,598)	\$ -	\$ 246,660	\$ 37,584	\$ (7,428,320)		
Non-instructional programs	(652,095)	249,821	6,968		(489,446)		
Support services:							
Operation and maintenance of facilities	(1,007,701)	42,564	-	83,041	(888,146)		
Transportation	(569,161)	-	-	-	(497,780)		
School food services	(66,551)	40,483	-	-	(26,553)		
Interest on capital lease	(3,279)	-	-	-	-		
TOTAL GOVERNMENTAL ACTIVITIES	\$ (11,099,385)	\$ 332,868	\$ 253,628	\$ 120,625	(9,330,245)		
GENERAL REVENUES							
Charges to school districts				1,911,427	1,781,140		
Payments from primary government				7,132,877	6,514,830		
Earnings on cash and investments				91,116	55,094		
Other local sources				100,559	82,918		
TOTAL GENERAL REVENUES				9,235,979	8,433,982		
CHANGE IN NET DEFICIT				(1,156,285)	(896,263)		
NET DEFICIT BEGINNING OF YEAR				(12,820,778)	(11,924,515)		
NET DEFICIT, END OF YEAR				\$ (13,977,063)	\$ (12,820,778)		

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

**SUSSEX ACADEMY
BALANCE SHEETS - GOVERNMENTAL FUND
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,632,389	\$ 2,715,258
TOTAL ASSETS	<u>\$ 2,632,389</u>	<u>\$ 2,715,258</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 18,396	\$ 20,993
Accrued salaries	1,221,917	1,214,109
TOTAL LIABILITIES	<u>1,240,313</u>	<u>1,235,102</u>
FUND BALANCE:		
Unassigned	1,392,076	1,480,156
TOTAL FUND BALANCE	<u>1,392,076</u>	<u>1,480,156</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,632,389</u>	<u>\$ 2,715,258</u>

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, 2020**

TOTAL FUND BALANCE - GOVERNMENTAL FUND \$ 1,392,076

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 as detailed in the footnotes are included in the statements of net position. 914,091

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	\$ (104,025)	
Capital lease	(81,760)	
Net pension liability	(3,111,304)	
Net OPEB liability	<u>(15,501,407)</u>	(18,798,496)

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	1,631,253	
Deferred inflows - pension	<u>(22,837)</u>	1,608,416

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	4,321,803	
Deferred inflows - OPEB	<u>(3,414,953)</u>	<u>906,850</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (13,977,063)

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Charges to school districts	\$ 1,911,427	\$ 1,781,140
State sources	7,132,877	6,514,830
Federal sources	223,720	222,755
Earnings on cash and cash equivalents	91,116	55,094
Food service revenue	40,483	12,863
Facilities rental	42,564	49,300
Contributions	16,515	158,570
Athletic revenue	6,968	8,868
Swimming pool revenue	249,821	270,770
Scholarship revenue	6,425	6,050
Miscellaneous revenue	99,227	82,918
TOTAL REVENUES	<u>9,821,143</u>	<u>9,163,158</u>
EXPENDITURES		
Current:		
Instructional services	7,466,739	6,939,151
Non-instructional programs	645,548	726,174
Operation and maintenance of facilities	993,898	931,575
Transportation	556,505	487,018
Food services	66,551	39,416
Capital outlays	259,795	65,703
Debt service:		
Principal	29,608	-
Interest	3,279	-
TOTAL EXPENDITURES	<u>10,021,923</u>	<u>9,189,037</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(200,780)</u>	<u>(25,879)</u>
OTHER FINANCING SOURCES		
Refund of prior year expenditures	1,332	-
Proceeds from capital lease	111,368	-
TOTAL OTHER FINANCING SOURCES	<u>112,700</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(88,080)	(25,879)
FUND BALANCE, BEGINNING OF YEAR	<u>1,480,156</u>	<u>1,506,035</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,392,076</u>	<u>\$ 1,480,156</u>

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, 2020

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (88,080)

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 expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 350,676	
Depreciation expense	<u>(219,563)</u>	131,113

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.

Capital lease		(81,760)
Compensated absences		<u>(7,950)</u>

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. (482,027)

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. (627,581)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,156,285)

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

SUSSEX ACADEMY
STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2020

ASSETS	
Student activity cash	\$ 115,746
Student club cash	<u>70,828</u>
TOTAL ASSETS	<u>\$ 186,574</u>
NET POSITION	
Restricted for student and club activities	<u>\$ 186,574</u>
TOTAL NET POSITION	<u>\$ 186,574</u>

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

SUSSEX ACADEMY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

ADDITIONS	
Student activity receipts	\$ 179,211
Student club receipts	<u>194,178</u>
TOTAL ADDITIONS	<u>373,389</u>
DEDUCTIONS	
Student activity expenses	154,876
Student club expenses	<u>149,117</u>
TOTAL DEDUCTIONS	<u>303,993</u>
CHANGE IN NET ASSETS	69,396
NET POSITION, BEGINNING OF YEAR	<u>117,178</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 186,574</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 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. The School generally uses the following estimated useful lives:

Leasehold improvements	5 - 10 years
Furniture and equipment	3 - 10 years

Deferred Inflows and Outflows of Resources

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

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 percent of the *per diem* rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

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 \$104,025 at June 30, 2020.

Fund Equity

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

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

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

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 unassigned fund balances are available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are 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, reduced by outstanding debt used to finance the acquisition of capital assets. 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 accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the School's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Implementation of GASB Statement

During the year ended June 30, 2020, the School implemented Governmental Accounting Standards Board ("GASB") Statement No. 84, "Fiduciary Activities." The purpose of this statement is to establish criteria for identifying and reporting fiduciary activities in order to enhance the consistency and comparability, ultimately increasing the value of the information reported within the financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2020, the School has a cash equivalent balance of \$2,818,963. Of that amount, \$2,415,887 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2020, the reported amount of the School's deposits not held with the State Treasurer's Office was \$403,076, and the bank balance was \$404,818. Of the bank balance, \$250,000 was covered by federal depository insurance, while \$154,818 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, 2020 is as follows:

	Balances 6/30/19	Increases	Decreases	Balances 6/30/20
General capital assets not being depreciated:				
Construction-in-progress	\$ -	\$ 3,067	\$ -	\$ 3,067
Total general capital assets not being depreciated	<u>-</u>	<u>3,067</u>	<u>-</u>	<u>3,067</u>
Capital assets being depreciated:				
Land improvements	28,489	-	-	28,489
Leasehold improvements	301,069	113,632	-	414,701
Furniture and equipment	1,412,043	233,977	-	1,646,020
Total capital assets being depreciated	1,741,601	347,609	-	2,089,210
Accumulated depreciation	(958,623)	(219,563)	-	(1,178,186)
Total capital assets being depreciated, net	<u>782,978</u>	<u>128,046</u>	<u>-</u>	<u>911,024</u>
Governmental Activities, Net	<u>\$ 782,978</u>	<u>\$ 131,113</u>	<u>\$ -</u>	<u>\$ 914,091</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 177,757
Non-instructional programs	6,547
Operation and maintenance of facilities	22,603
Transportation	<u>12,656</u>
	<u>\$ 219,563</u>

NOTE 4 LONG-TERM LIABILITIES

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

	Outstanding 6/30/19	Additions	Retirements	Outstanding 6/30/20	Amounts Due within One Year
Governmental Activities:					
Compensated absences	\$ 96,075	\$ 7,950	\$ -	\$ 104,025	\$ -
Capital leases	-	111,368	(29,608)	81,760	36,858
Net pension liability	2,372,058	739,246	-	3,111,304	-
Net OPEB liability	14,697,669	803,738	-	15,501,407	-
Total Governmental Activities	<u>\$17,165,802</u>	<u>\$1,662,302</u>	<u>\$ (29,608)</u>	<u>\$ 18,798,496</u>	<u>\$ 36,858</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (cont'd)

Capital Leases

The School has entered into long-term lease agreements for chrome books. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follows:

Chrome books	\$ 111,368
Less: accumulated depreciation	<u>(20,418)</u>
Total	<u>\$ 90,950</u>

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

Year Ending December 31,

2021	\$ 39,464
2022	39,464
2023	<u>6,577</u>
Total minimum lease payments	85,505
Less: amount representing interest	<u>(3,745)</u>
	<u>\$ 81,760</u>

NOTE 5 FUND BALANCE

As of June 30, 2020, fund balance is composed of the following:

	<u>General Fund</u>
Unassigned	<u>\$ 1,392,076</u>
Total Fund Balance	<u>\$ 1,392,076</u>

NOTE 6 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

defined benefit public employees' retirement system ("the State PERS") defined by the Delaware Code.

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

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

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

Benefits Provided

Service Benefits

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

Vesting

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

Retirement

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

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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

Disability Benefits

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

Survivor and Burial Benefits

In the event of the death of a member of the Plan, the eligible survivor receives 50 percent of the benefits received under the pension (or 67.7 percent with two percent reduction of the benefit, or 75 percent with a three percent reduction of the benefit, or 100 percent with six percent reduction of benefit). If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2020, the rate of the employer contributions was 11.96 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2020 was \$561,933.

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, 2020, the School reported a liability of \$3,111,304 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.1998 percent, which was an increase of 0.0125 percent from its proportion as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$1,043,960. At June 30, 2020, 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	\$ 35,314	\$ -
Changes in proportions	449,338	-
Changes in assumptions	322,979	-
Contributions subsequent to the date of measurement	561,933	-
Differences between actual and expected experience	<u>261,689</u>	<u>22,837</u>
	<u>\$1,631,253</u>	<u>\$ 22,837</u>

An amount of \$561,933 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

Year Ending June 30,

2021	\$ 401,179
2022	114,631
2023	186,833
2024	222,940
2025	120,900
	<u>\$1,046,483</u>

Actuarial Assumptions

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

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

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

Mortality rates were based on the Sex Distinct RP-2014 Combined Mortality Table projected to 2018 using an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 PENSION PLAN (cont'd)

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

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

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates determined by the Board, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease 6.0%</u>	<u>Current Rate Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
School's proportionate share of the net pension liability	\$ 5,620,182	\$ 3,111,304	\$ 1,004,614

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 Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

Benefits Provided

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

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, 2020, the rate of the employer contribution was 12.51 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2020 was \$587,869.

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

At June 30, 2020, the School reported a liability of \$15,501,407 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.1945 percent, which was an increase of 0.0155 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$1,215,450. At June 30, 2020, 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	\$ -	\$ 14,039
Changes in proportions	2,979,252	-
Changes in assumptions	754,682	1,660,749
Contributions subsequent to the date of measurement	587,869	-
Net difference between expected and actual experience	-	1,740,165
	<u>\$4,321,803</u>	<u>\$3,414,953</u>

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$587,869 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

Year Ending June 30,

2021	\$ (118,669)
2022	(118,669)
2023	(110,720)
2024	268,279
2025	398,760
	<u>\$ 318,981</u>

Actuarial Assumptions

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

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

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are projected to 2020.

The total OPEB liabilities are measured based on the assumptions pertaining to interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2016. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the actual experience deviates, the larger the impact on future financial statements.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Discount Rate

The discount rate to measure the total OPEB liability was 3.87 percent at the beginning of the current measurement period and 3.50 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discounts rates used at the June 30, 2019 and 2018 measurement date are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

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

	1% Decrease 2.50%	Current Rate Discount Rate 3.50%	1% Increase 4.50%
School's proportionate share of the net OPEB liability	\$ 18,380,762	\$ 15,501,407	\$ 13,216,959

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 6.8 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.8 percent) or one percentage point higher (7.8 percent) than the current rate.

	1% Decrease 5.80%	Current Rate Healthcare Trend Rate 6.80%	1% Increase 7.80%
School's proportionate share of the net OPEB liability	\$ 13,246,967	\$ 15,501,407	\$ 18,192,740

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 Comprehensive Annual Financial Report, which can be found on the Plan's website at www.delawarepensions.com.

NOTE 8 OPERATING LEASES

The School is involved in the following operating leasing arrangements:

School Facility

The School entered into a leasing arrangement for real property with the Sussex Preparatory Academy Foundation, Inc. (a 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. Future minimum rental payments are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 610,512
2022	610,512
2023	610,512
2024	610,512
2025	610,512
2026 - 2030	3,052,560
2031 - 2035	3,052,560
2036 - 2040	3,052,560
2041 - 2045	3,052,560
2046 - 2050	3,052,560
2051 - 2055	2,449,560
2056 - 2057	<u>417,818</u>
	<u>\$ 21,182,738</u>

Total rental costs incurred for the year ended June 30, 2020 were \$610,512.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OPERATING LEASES (cont'd)

Copier Equipment

In August 2016, the School entered into three operating leases for certain copier equipment in exchange for the two old copier leases. The operating leases are for a term of five years, expiring August 2021. The leases call for monthly payments of \$889. Future minimum lease payments are as follows:

Years Ending June 30,

2021	\$ 10,668
2022	889
	<u>11,557</u>
	\$ 11,557

Total lease payments for the year ended June 30, 2020 was \$10,668.

Solar Panel

In March 2014, the School entered into an operating lease for solar panel equipment. The operating lease is for a term of 20 years, expiring February 2034. The lease calls for monthly payments of \$324, increasing approximately three percent each year. As of June 30, 2020, the monthly payment was \$375. In March 2017, the School entered into an operating lease for solar panel equipment to power the pool building. The operating lease is for a term of 20 years, expiring February 2037. The lease calls for monthly payments of \$155, increasing approximately three percent each year. As of June 30, 2020, the monthly payment was \$164. Future minimum lease payments are as follows:

Years Ending June 30,

2021	\$ 6,734
2022	6,936
2023	7,143
2024	7,358
2025	7,579
2026 - 2030	41,443
2031 - 2035	38,614
2036 - 2037	5,356
	<u>121,163</u>
	\$ 121,163

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OPERATING LEASES (cont'd)

Mower

In July 2018, the School entered into a lease for a new mower. The operating lease is for a term of three years, expiring June 2021. The lease calls for monthly payments of \$742. Future minimum lease payments are as follows:

Years Ending June 30,

2021	\$	8,907
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Total lease payments for the year ended June 30, 2020 was \$8,907.

NOTE 9 RISK MANAGEMENT

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

NOTE 10 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2020, economic and operational uncertainties have arisen which may impact the School in fiscal year 2021. There exist uncertainties surrounding the School's operations in the 2020 - 2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

Grants

The School receives 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.

SUSSEX ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Employment costs	\$	107,401
Insurance	\$	2,043
Land, buildings, and facilities	\$	77,736
Supplies and materials	\$	16,011
Scholarships awarded	\$	126,182

The excess expenditures over appropriations were financed by revenue that came in greater than anticipated amounts and the School's fund balance.

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$14,809,394 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 13 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 21, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SUSSEX ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 1,928,330	\$ 1,928,330	\$ 1,911,427	\$ (16,903)
State sources	7,130,860	7,130,860	7,132,877	2,017
Federal sources	246,720	246,720	223,720	(23,000)
Earnings on cash and cash investments	30,000	30,000	91,116	61,116
Food service revenue	27,808	27,808	40,483	12,675
Facilities rental	42,564	42,564	42,564	-
Contributions	16,515	16,515	16,515	-
Athletic revenue	6,968	6,968	6,968	-
Swimming pool revenue	249,821	249,821	249,821	-
Scholarship revenue	6,425	6,425	6,425	-
Miscellaneous revenue	119,748	119,748	99,227	(20,521)
TOTAL REVENUES	<u>9,805,759</u>	<u>9,805,759</u>	<u>9,821,143</u>	<u>15,384</u>
EXPENDITURES				
Current:				
Salaries	5,092,958	5,092,958	5,082,522	10,436
Employment costs	2,276,332	2,276,332	2,383,733	(107,401)
Travel	19,000	19,000	12,940	6,060
Contractual services	263,000	263,000	222,996	40,004
Communications	24,000	24,000	2,960	21,040
Public utilities service	312,000	312,000	225,474	86,526
Insurance	37,500	37,500	39,543	(2,043)
Transportation	595,000	595,000	560,774	34,226
Land, buildings, and facilities	625,500	625,500	703,236	(77,736)
Repairs and maintenance	157,500	157,500	90,597	66,903
Supplies and materials	380,633	380,633	396,644	(16,011)
Scholarships awarded	10,000	10,000	7,822	2,178
Capital outlays	133,613	133,613	259,795	(126,182)
Debt service:				
Principal	29,608	29,608	29,608	-
Interest	3,279	3,279	3,279	-
TOTAL EXPENDITURES	<u>9,959,923</u>	<u>9,959,923</u>	<u>10,021,923</u>	<u>(62,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(154,164)</u>	<u>(154,164)</u>	<u>(200,780)</u>	<u>(46,616)</u>
OTHER FINANCING SOURCES				
Refund of prior year expenditures	-	-	1,332	1,332
Proceeds from capital lease	-	-	111,368	111,368
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>112,700</u>	<u>112,700</u>
NET CHANGE IN FUND BALANCE	(154,164)	(154,164)	(88,080)	66,084
FUND BALANCE, BEGINNING OF YEAR	<u>1,480,156</u>	<u>1,480,156</u>	<u>1,480,156</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,325,992</u>	<u>\$ 1,325,992</u>	<u>\$ 1,392,076</u>	<u>\$ 66,084</u>

SUSSEX ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
PROPORTIONATE SHARE OF NET PENSION LIABILITY						
School's proportion of the net pension liability	0.1998%	0.1873%	0.1656%	0.1508%	0.1237%	0.1021%
School's proportion of the net pension liability - dollar value	\$ 3,111,304	\$ 2,372,058	\$ 2,428,230	\$ 2,271,864	\$ 822,657	\$ 376,048
School's covered employee payroll	\$ 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 as a percentage of its covered employee payroll	75.03%	65.05%	75.25%	79.01%	35.67%	20.13%
Plan fiduciary net position as a percentage of the total pension liability	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
 FOR THE YEAR ENDED JUNE 30, 2020**

	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
CONTRIBUTIONS						
Contractually required contribution	\$ 561,933	\$ 490,565	\$ 379,987	\$ 309,118	\$ 275,449	\$ 220,473
Contributions in relation to the contractually required contribution	<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>
School's covered employee payroll	\$ 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	11.96%	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
FOR THE YEAR ENDED JUNE 30, 2020

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>		
	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1945%	0.1790%	0.1618%
School's proportion of the net OPEB liability - dollar value	\$ 15,501,407	\$ 14,697,669	\$ 13,361,601
School's covered employee payroll	\$ 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	373.82%	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	4.89%	4.44%	4.13%

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

**SUSSEX ACADEMY
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
STATE OF DELAWARE EMPLOYEES' OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 587,869	\$ 488,850	\$ 402,119
Contributions in relation to the contractually required contribution	<u>587,869</u>	<u>488,850</u>	<u>402,119</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 4,698,436	\$ 4,146,788	\$ 3,646,708
Contributions as a percentage of covered-employee payroll	12.51%	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

**SUSSEX ACADEMY
COMBINING BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020**

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and cash equivalents	\$ 1,028	\$ 2,631,361	-	\$ 2,632,389
TOTAL ASSETS	<u>\$ 1,028</u>	<u>\$ 2,631,361</u>	<u>-</u>	<u>\$ 2,632,389</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	\$ -	\$ 18,396	-	\$ 18,396
Accrued salaries	-	1,221,917	-	1,221,917
TOTAL LIABILITIES	<u>-</u>	<u>1,240,313</u>	<u>-</u>	<u>1,240,313</u>
FUND BALANCES:				
Unassigned	1,028	1,391,048	-	1,392,076
TOTAL FUND BALANCES	<u>1,028</u>	<u>1,391,048</u>	<u>-</u>	<u>1,392,076</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,028</u>	<u>\$ 2,631,361</u>	<u>-</u>	<u>\$ 2,632,389</u>

**SUSSEX ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	\$ -	\$ 1,911,427	-	\$ 1,911,427
State sources	7,132,877	-	-	7,132,877
Federal sources	-	-	223,720	223,720
Earnings on cash and cash investments	-	91,116	-	91,116
Food service revenue	-	40,483	-	40,483
Facilities rental	-	42,564	-	42,564
Contributions	-	16,515	-	16,515
Athletic revenue	-	6,968	-	6,968
Swimming pool revenue	-	249,821	-	249,821
Scholarship revenue	-	6,425	-	6,425
Miscellaneous revenue	-	99,227	-	99,227
TOTAL REVENUES	<u>7,132,877</u>	<u>2,464,546</u>	<u>223,720</u>	<u>9,821,143</u>
EXPENDITURES				
Current:				
Instructional services	5,158,614	2,124,597	183,528	7,466,739
Non-instructional programs	448,474	189,074	8,000	645,548
Operation and maintenance of facilities	821,902	171,996	-	993,898
Transportation	549,462	7,043	-	556,505
Food services	-	34,359	32,192	66,551
Capital outlays	107,443	152,352	-	259,795
Debt service:				
Principal	20,622	8,986	-	29,608
Interest	2,399	880	-	3,279
TOTAL EXPENDITURES	<u>7,108,916</u>	<u>2,689,287</u>	<u>223,720</u>	<u>10,021,923</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,961</u>	<u>(224,741)</u>	<u>-</u>	<u>(200,780)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	1,332	-	1,332
Proceeds from capital lease	-	111,368	-	111,368
Transfer in (out)	(27,705)	27,705	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,705)</u>	<u>140,405</u>	<u>-</u>	<u>112,700</u>
NET CHANGE IN FUND BALANCES	<u>(3,744)</u>	<u>(84,336)</u>	<u>-</u>	<u>(88,080)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>4,772</u>	<u>1,475,384</u>	<u>-</u>	<u>1,480,156</u>
FUND BALANCES, END OF YEAR	<u>\$ 1,028</u>	<u>\$ 1,391,048</u>	<u>\$ -</u>	<u>\$ 1,392,076</u>

SUSSEX ACADEMY
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

EXPENDITURES

Current:

Salaries	\$ 5,082,522
Employment costs	2,383,733
Travel	12,940
Contractual services	222,996
Communications	2,960
Public utilities service	225,474
Insurance	39,543
Transportation	560,774
Land, buildings, and facilities	703,236
Repairs and maintenance	90,597
Supplies and materials	396,644
Scholarships awarded	7,822
Capital outlays	259,795
Debt service	
Principal	29,608
Interest	3,279

TOTAL EXPENDITURES	\$ 10,021,923

SUSSEX ACADEMY
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 1,928,330	\$ 1,928,330	\$ 1,911,427	\$ (16,903)
State sources	7,130,860	7,130,860	7,132,877	2,017
Federal sources	246,720	246,720	223,720	(23,000)
Earnings on cash and cash investments	30,000	30,000	91,116	61,116
Food service revenue	27,808	27,808	40,483	12,675
Facilities rental	42,564	42,564	42,564	-
Contributions	16,515	16,515	16,515	-
Athletic revenue	6,968	6,968	6,968	-
Swimming pool revenue	249,821	249,821	249,821	-
Scholarship revenue	6,425	6,425	6,425	-
Miscellaneous revenue	119,748	119,748	99,227	(20,521)
TOTAL REVENUES	<u>9,805,759</u>	<u>9,805,759</u>	<u>9,821,143</u>	<u>15,384</u>
EXPENDITURES				
Current:				
Salaries	5,092,958	5,092,958	5,074,308	18,650
Employment costs	2,276,332	2,276,332	2,384,139	(107,807)
Travel	19,000	19,000	12,940	6,060
Contractual services	263,000	263,000	225,653	37,347
Communications	24,000	24,000	2,960	21,040
Public utilities service	312,000	312,000	230,953	81,047
Insurance	37,500	37,500	39,543	(2,043)
Transportation	595,000	595,000	560,774	34,226
Land, buildings, and facilities	625,500	625,500	703,236	(77,736)
Repairs and maintenance	157,500	157,500	82,400	75,100
Supplies and materials	380,633	380,633	394,619	(13,986)
Scholarships awarded	10,000	10,000	7,822	2,178
Capital outlays	133,613	133,613	153,110	(19,497)
Debt service:				
Principal	29,608	29,608	29,608	-
Interest	3,279	3,279	3,279	-
TOTAL EXPENDITURES	<u>9,959,923</u>	<u>9,959,923</u>	<u>9,905,344</u>	<u>54,579</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(154,164)</u>	<u>(154,164)</u>	<u>(84,201)</u>	<u>69,963</u>
OTHER FINANCING SOURCES				
Refund of prior year expenditures	-	-	1,332	1,332
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>112,700</u>	<u>112,700</u>
NET CHANGE IN FUND BALANCE	(154,164)	(154,164)	28,499	182,663
FUND BALANCE, BEGINNING OF YEAR	<u>2,715,258</u>	<u>2,715,258</u>	<u>2,715,258</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,561,094</u>	<u>\$ 2,561,094</u>	<u>\$ 2,743,757</u>	<u>\$ 182,663</u>



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 21, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

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

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

Board of Directors
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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

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