

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

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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

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

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Early College High School at Delaware State University (a component unit of the State of Delaware) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Early College High School at Delaware State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Early College High School at Delaware State University as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 29 and 30, and schedules of school's proportionate share of pension liability on page 31, and schedules of contributions on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Early College High School at Delaware State University's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 26, 2017, on our consideration of the Early College High School at Delaware State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Early College High School at Delaware State University's internal control over financial reporting and compliance.



West Chester, Pennsylvania
September 26, 2017

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The discussion and analysis of the financial performance of Early College High School (the "School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

The School's net assets reflect a deficit balance of \$(864,004), a decrease of \$(255,328) from the previous year. Program revenues accounted for \$1,456,690 or 36.0% of total revenue, and general revenues accounted for \$2,743,358 or 64.0%.

The Governmental Fund reported a deficit balance in the amount of (\$787,685), a decrease of \$153,398 from the previous year.

USING THIS ANNUAL FINANCIAL REPORT

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

REPORTING EARLY COLLEGE HIGH SCHOOL AS A WHOLE

Fiscal year 2017 is the School's third year of operations. One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net assets and changes in them. The change in net assets provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as educational related legislation, student enrollment growth, facility conditions and other issues in arriving at a conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUND

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

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the School, liabilities and deferred inflows exceed assets and deferred outflows by \$864,004 at the close of the fiscal year resulting in an unrestricted deficit net position.

A comparative net asset analysis of fiscal years 2017-2016 follows:

Statements of Net Position
(Amounts Expressed in Thousands)

	Governmental Activities	
	2017	2016
ASSETS		
Current assets	\$ 394	\$ 127
Receivable from foundation	9	9
Capital assets	95	138
TOTAL ASSETS	498	274
 DEFERRED OUTFLOWS OF RESOURCES	 735	 238
LIABILITIES		
Current liabilities	340	952
Other liabilities	1,741	127
TOTAL LIABILITIES	2,081	1,079
 DEFERRED INFLOWS OF RESOURCES	 16	 42
NET POSITION		
Net investment in capital assets	95	138
Unrestricted	(959)	(747)
TOTAL NET POSITION	\$ (864)	\$ (609)

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Statements of Activities
(Amounts Expressed in Thousands)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
General revenues		
Charges to school districts	\$ 480	\$ 373
Payment from primary government	2,262	1,753
Earnings on cash and investments	1	33
Program revenues		
School programs	26	-
Operating grants and contributions	1,495	876
	<u>4,264</u>	<u>3,035</u>
TOTAL REVENUES		
EXPENSES		
Instructional services	3,421	2,462
Support services		
Operation and maintenance of facilities	454	457
Transportation	531	357
School lunch service	109	84
Interest on long-term debt	4	-
	<u>4,519</u>	<u>3,360</u>
TOTAL EXPENSES		
CHANGE IN NET POSITION	(255)	(325)
NET POSITION, BEGINNING OF YEAR	<u>(609)</u>	<u>(284)</u>
NET POSITION, END OF YEAR	<u>\$ (864)</u>	<u>\$ (609)</u>

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

THE SCHOOL'S FUNDS

The School's Governmental Fund reported a deficit balance of (\$787,685), a change of (\$153,398) from the previous year.

Governmental Fund

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

	<u>2017</u>	<u>2016</u>
REVENUES		
Charges to school districts	\$ 480	\$ 373
State aid	2,262	1,753
Federal aid	152	113
Earnings on cash and investments	1	33
Contributions	260	182
School lunch fees	55	50
School programs	14	-
In-kind support	<u>1,041</u>	<u>531</u>
TOTAL REVENUES	<u>4,265</u>	<u>3,035</u>
EXPENDITURES		
Current		
Instructional services	3,320	2,497
Support services		
Operation and maintenance of facilities	454	400
Transportation	531	357
Food services	109	83
Capital outlay	-	13
Debt service		
Interest	<u>4</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4,418</u>	<u>3,350</u>
NET CHANGE IN FUND BALANCE	<u>\$ (153)</u>	<u>\$ (315)</u>

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

The majority of School's total revenue (65%) comes from state sources and local school districts. State and local revenue is contingent upon the School's total enrollment population and the students' residential districts. Delaware State University provides free rent and tuition to the School which is recognized as In-Kind revenue (25%). The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding which accounts for (4%) of total revenue. Contributions, earnings on cash, program revenue, and students' lunch fees account for (6%) of total revenue. The reliance on this revenue is to support programs and facility expenditures that are not allotted for in federal, state and local funds.

General Fund Budget Information

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

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

Revenues

State Aid - The favorable variance of \$4,192 is attributed to staff adjustments relating to degree, experience and health changes.

Federal Aid - The unfavorable variance of \$2,326 is due to funds are considered received when authorized by the Department of Education.

Earnings on Cash and Investments - The favorable variance of \$971 is due to minimal interest receipts are not budgeted

School Programs - The favorable variance of \$9,337 is due to increased managed student collections for federal reimbursements and meal receipts.

Contributions - The unfavorable variance of \$30,297 was due to a technical problem at the federal Department of Education level to transfer funds before year end, and the remaining amount is still under review with the former management company.

In-Kind Support - The favorable variance of \$48,031 is due to increased student activity in DSU college courses.

Expenditures

Salaries and employment costs – The favorable variance of \$11,188 is due to staff adjustments after the contract year began.

Contractual services - The favorable variance of \$68,779 is due to administrative found efficiencies to minimize use of the line of credit.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Tuition Expense - The unfavorable variance of \$50,053 is due to increased student interest and activity in DSU college courses.

Rent Expense - The unfavorable variance of \$348 is an immaterial amount. This amount is a non-cash transaction as the Delaware State University provides the School facility free of charge.

Transportation Expense - The unfavorable variance of \$3,942 is due to increased cost to transport the student body to and from school.

Debt Service - Principal - The favorable variance of \$500,000 is due to principal payments on the line of credit are considered a reduction of the line of credit liability.

Other Financing Sources

Proceeds from line of credit - The unfavorable variance of \$994,540 is due to withdrawals on the line of credit are considered an increase in the line of credit liability.

A contingency reserve of \$57,746 was budgeted but none was spent during the fiscal year ended June 30, 2017. The School is required to budget this contingency, but does not charge any expenses against it.

Capital Assets

The School has \$94,637 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. The increase in accumulated depreciation was \$43,679. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Line of Credit

The School has a line of Credit agreement with WSFS Bank for \$1,000,000 at an interest rate of 2.70%. The outstanding balance on the line of Credit was \$850,004 at year end.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School opened in August 2014 enrolling ninth and tenth grade. The School plans to grow enrollment over the next two years to its authorized chartered enrollment. Management anticipates that revenue and expenses will increase as a result of the enrollment growth and has developed a budget to support the identified growth. The School has identified a continued need to provide students with additional support services and educational programs. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's Director of Finance's Office at 302-678-3247.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Cash and cash equivalents	\$ 304,223
Other receivable	89,378
Receivable from foundation	9,171
Capital assets	<u>94,637</u>
TOTAL ASSETS	497,409
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension activities	<u>735,010</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,232,419</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Accounts payable	
Trade	\$ 52,086
Due to State of Delaware, pension costs	41,334
Due to Delaware State University	181,587
Accrued salaries	247,033
Line of credit	850,004
Net pension liability	<u>708,831</u>
TOTAL LIABILITIES	<u>2,080,875</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension activities	<u>15,548</u>
NET POSITION	
Net investment in capital assets	94,637
Unrestricted	<u>(958,641)</u>
TOTAL NET POSITION	<u>(864,004)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,232,419</u>

See accompanying notes to the basic financial statements.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY

(A Component Unit of the State of Delaware)

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 304,223
Other receivables	89,378
Receivable from foundation	<u>9,171</u>
TOTAL ASSETS	<u>\$ 402,772</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	
Trade	\$ 52,086
Due to State of Delaware, pension costs	41,334
Accrued salaries	247,033
Line of credit	<u>850,004</u>
TOTAL LIABILITIES	<u>1,190,457</u>
FUND BALANCE	
Unassigned	<u>(787,685)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 402,772</u>

See accompanying notes to the basic financial statements.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

TOTAL GOVERNMENTAL FUND BALANCE \$ (787,685)

Amounts reported for governmental activities in the statement of net position are 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 statement of net position. 94,637

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund.
Deferred outflows related to pension activities 735,010

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The liabilities consist of:

Due to Delaware State University	(181,587)
Net pension liability	(708,831)
Deferred inflows related to pension activities	<u>(15,548)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (864,004)

See accompanying notes to the basic financial statements.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
REVENUES	
Charges to school districts	\$ 480,239
State aid	2,262,148
Federal aid	151,608
Earnings on cash and investments	971
Food service revenue	54,637
Contributions	259,262
School programs	14,266
In-kind support	<u>1,041,071</u>
TOTAL REVENUES	<u>4,264,202</u>
EXPENDITURES	
Current	
Instructional services	3,319,375
Support services	
Operation and maintenance of facilities	454,196
Transportation, buses	531,208
Food services	108,723
Debt service	
Interest	4,098
TOTAL EXPENDITURES	<u>4,417,600</u>
NET CHANGE IN FUND BALANCE	(153,398)
FUND BALANCE AT BEGINNING OF YEAR, restated	<u>(634,287)</u>
FUND BALANCE AT END OF YEAR	<u>\$ (787,685)</u>

See accompanying notes to the basic financial statements.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ (153,398)

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 \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (43,679)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expense of the cost sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(58,251)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (255,328)

See accompanying notes to the basic financial statements.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Early College High School is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. Early College High School's initial charter was granted for a four-year period, renewable every five years thereafter. Early College High School's first full year of school started August 2014. The initial charter expires on June 30, 2018.

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

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School.

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

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

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statements Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to the School are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

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

The School reports the following major governmental fund:

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

Budgetary Data

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

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

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

Capital Assets

Capital assets, which include leasehold improvements, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

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

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

Leasehold improvements	5-10 years
Equipment	5 years

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports deferred outflow related to pension activity, reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual and expected investment returns, changes of assumptions, and actual contributions subsequent to the measurement date.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reported deferred inflows related to differences between expected and actual experience, which are reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Balance

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

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

- ***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact.
- ***Restricted:*** This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School has classified unspent grant monies as being restricted because their use is restricted by donors.
- ***Committed:*** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal vote of the Board of Directors (the highest level of decision-making authority of the School). These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (formal vote of the Board of Directors) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2017.
- ***Assigned:*** This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Executive Director.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ***Unassigned:*** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In-Kind Support

The School receives contributed services from Delaware State University. Rent in the amount of \$390,348 was provided, as well as tuition for students enrolled in college courses totaling \$650,723. These amounts are included as revenue in the Statement of Revenues, Expenditures and Changes in Fund Balance along with a corresponding expense represent the amount the School would have paid for the services if purchased.

Income Tax

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2017, the School had a cash equivalent balance of \$304,223, the entirety of which was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	\$ 218,394	\$ -	\$ -	\$ 218,394
TOTAL CAPITAL ASSETS BEING DEPRECIATED	218,394	-	-	218,394
Accumulated depreciation				
Furniture and equipment	(80,078)	(43,679)	-	(123,757)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>\$ 138,316</u>	<u>\$ (43,679)</u>	<u>\$ -</u>	<u>\$ 94,637</u>

Depreciation expense was charged to the governmental functions as follows:

Support services	<u>\$ 43,679</u>
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NOTE D - PENSION PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - PENSION PLAN (Continued)

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

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

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

Contributions

Members Contributions

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

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 9.58% of earnings for the Fiscal Year 2016. Contributions to the plan from the School were \$121,375 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$708,831 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2016, the School's proportion was 0.0470%, which was an increase of 0.0279% from its proportion measured as of June 30, 2015.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - PENSION PLAN (Continued)

For the year ended June 30, 2017, the School recognized pension expense of \$179,626. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 15,548
Net difference between projected and actual investment earnings	220,927	-
Changes in assumptions	65,639	-
Changes in proportions	327,069	-
Contributions subsequent to the measurement date	<u>121,375</u>	<u>-</u>
	<u>\$ 735,010</u>	<u>\$ 15,548</u>

\$121,375 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 91,967
2019	91,967
2020	160,723
2021	133,057
2022	65,644
Thereafter	<u>54,729</u>
	<u>\$ 598,087</u>

Actuarial Assumptions - The total pension liability as of June 30, 2016, was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.2%, includes inflation at 2.5%

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - PENSION PLAN (Continued)

- **Salary Increases** - 3.5% plus Merit, includes inflation at 2.5%
- **Cost of living adjustments** – Ad hoc

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study conducted in 2016, details of which are provided in the presentation of that study to the Board of Trustees. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Key assumption changes include a reduction in the inflation assumption from 3.0% to 2.5% and a change to use the updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	34.0%	5.7%
International equity	14.7%	5.7%
Fixed income	25.0%	2.0%
Alternative investments	20.9%	7.8%
Cash and equivalents	5.4%	0.0%
	<u>100.0%</u>	

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE D - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
Charter School's proportionate share of the net pension liability	\$ 1,231,049	\$ 708,831	\$ 268,740

Pension Plan Fiduciary Net Position - Detailed information about DPERS's fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 1, 860 Silver Lake Blvd., Dover, DE 19904.

NOTE E - LINE OF CREDIT

The School has a \$1,000,000 bank line of credit. The line of credit accrues interest at 2.25% plus the LIBOR rate on the due date and is payable monthly. The interest rate in effect as of June 30, 2017, was 3.26%. As of June 30, 2017 \$850,004 was borrowed on the line. The line of credit is payable on demand and secured by an assignment of accounts and equipment.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE F - RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School.

NOTE G - LEASING ARRANGEMENT AS LESSEE

The School leases the building based on a non-written agreement with Delaware State University. Rent is allocated based on square footage and no lease term has been specified. Rent expense for the lease of the building is recorded as In-kind donation as no amount is due related to rent. Total in-kind rent expense recognized was \$390,348. The School also leases certain copier equipment under an operating leasing arrangement expiring in August 2018. The minimum future rental payments under the noncancelable leasing arrangement having remaining terms in excess of one year were \$562 for the year ended June 30, 2018. At June 30, 2017, total rent expense excluding in-kind rent was \$7,473.

NOTE H - COMMITMENTS AND CONTINGENCIES

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

Grants

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

NOTE I - ECONOMIC DEPENDENCY

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

State subsidy.....	54%
Other local sources.....	11%
Delaware State University	25%

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE J - RELATED PARTY TRANSACTIONS

Pursuant to a memorandum of understanding The School has various transactions with Delaware State University. The university provides in-kind support to the School in terms of rent, utilities, and tuition remission. As of June 30, 2017 the School owed the University \$181,587 for expenditures paid by the University on behalf of the School. The purpose of this relationship is to ensure the financial viability of the School.

NOTE K - PRIOR PERIOD ADJUSTMENT

The beginning fund balance on the statement of revenues, expenditures and changes in fund balance as of June 30, 2016 has been restated for a prior period adjustment. Fund balance decreased by \$318,143 as a result of removing the liability due to Delaware State University of \$181,857, which cannot be liquidated using current financial resources, and the addition of the line of credit balance of \$500,000, which is considered liquid.

REQUIRED SUPPLEMENTARY INFORMATION

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget Favorable (Unfavorable)
REVENUES				
Charges to school districts	\$ 536,173	\$ 480,719	\$ 480,239	\$ (480)
State aid	2,351,128	2,257,956	2,262,148	4,192
Federal aid	153,865	153,934	151,608	(2,326)
Earnings on cash and investments	-	-	971	971
Food service revenue	77,213	45,300	54,637	9,337
Contributions	239,590	289,559	259,262	(30,297)
School programs	-	14,059	14,266	207
In-kind support	993,040	993,040	1,041,071	48,031
TOTAL REVENUES	4,351,009	4,234,567	4,264,202	29,635
EXPENDITURES				
Salaries	1,333,065	1,383,380	1,372,192	11,188
Employment costs	653,906	669,871	673,833	(3,962)
Travel	5,000	5,000	-	5,000
Contractual services	500,687	575,846	507,067	68,779
Tuition expense	627,026	600,670	650,723	(50,053)
Communications	5,000	9,121	8,613	508
Insurance	27,087	28,101	28,101	-
Facility costs	393,040	393,040	393,388	(348)
Transportation - buses	386,858	527,267	531,209	(3,942)
Repairs and maintenance	29,000	31,860	32,707	(847)
Supplies and materials	241,000	247,454	215,669	31,785
Debt service:				
Principal	500,000	500,000	-	500,000
Interest	5,000	1,124	4,098	(2,974)
TOTAL EXCESS EXPENDITURES	4,706,669	4,972,734	4,417,600	555,134
DEFICIENCY OF REVENUES OVER EXPENDITURES	(355,660)	(738,167)	(153,398)	584,769
OTHER FINANCING SOURCES				
Proceeds from line of credit	500,000	994,540	-	(994,540)
NET CHANGE IN FUND BALANCE	\$ 144,340	256,373	\$ (153,398)	\$ (409,771)

See accompanying notes to the budgetary comparison schedule.

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

NOTE A - BASIS OF ACCOUNTING

The School's budget is prepared on the accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

Employment costs	\$	3,962
Tuition expense		50,053
Facility costs		348
Transportation, buses		3,942
Repairs and maintenance		847
Interest		<u>2,974</u>
	\$	<u><u>62,126</u></u>

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
 SCHEDULES OF THE SCHOOL'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability	<u>0.0470%</u>	<u>0.0191%</u>	<u>0.0000%</u>
School's proportionate share of the net pension liability	\$ <u>708,831</u>	\$ <u>127,234</u>	\$ <u>65</u>
School's covered-employee payroll	\$ <u>898,964</u>	\$ <u>356,684</u>	\$ <u>324</u>
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>78.85%</u>	<u>35.67%</u>	<u>20.06%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
 SCHEDULES OF SCHOOL CONTRIBUTIONS
 LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 121,375	\$ 85,941	\$ 34,099
Contributions in relation to the contractually required contribution	<u>121,375</u>	<u>85,941</u>	<u>34,099</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
School's covered-employee payroll	\$ <u><u>1,266,962</u></u>	\$ <u><u>898,964</u></u>	\$ <u><u>356,684</u></u>
Contributions as a percentage of covered-employee payroll	9.58%	9.56%	9.56%

SUPPLEMENTARY INFORMATION SECTION

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUND
 JUNE 30, 2017

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
ASSETS				
Cash and cash equivalents	\$ 2,426	\$ 301,797	\$ -	\$ 304,223
Receivable from other governments		77,601	11,777	89,378
Receivable from foundation	-	9,171	-	9,171
TOTAL ASSETS	\$ 2,426	\$ 388,569	\$ 11,777	\$ 402,772
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable				
Trade	\$ -	\$ 52,086	\$ -	\$ 52,086
Due to State of Delaware, pension costs	-	39,802	1,532	41,334
Accrued salaries	-	236,788	10,245	247,033
Line of credit		850,004	-	850,004
TOTAL LIABILITIES	-	1,178,680	11,777	1,190,457
FUND BALANCE				
Unassigned	2,426	(790,111)	-	(787,685)
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,426	\$ 388,569	\$ 11,777	\$ 402,772

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY

(A Component Unit of the State of Delaware)

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2017

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
REVENUES				
Charges to school districts	\$ -	\$ 480,239	\$ -	\$ 480,239
State aid	2,262,148	-	-	2,262,148
Federal aid	-	-	151,608	151,608
Earnings on cash and investments	-	971	-	971
Food service revenue	-	54,637	-	54,637
Contributions	-	259,262	-	259,262
School programs	-	14,266	-	14,266
In-kind support	-	1,041,071	-	1,041,071
TOTAL REVENUES	2,262,148	1,850,446	151,608	4,264,202
EXPENDITURES				
Current				
Instructional services	2,034,673	1,136,584	148,118	3,319,375
Support services				
Operation and maintenance of facilities	42,484	411,712	-	454,196
Transportation, buses	167,221	363,987	-	531,208
Food services	11,246	93,987	3,490	108,723
Capital outlay				
Debt service				
Interest	4,098	-	-	4,098
TOTAL EXPENDITURES	2,259,722	2,006,270	151,608	4,417,600
NET CHANGE IN FUND BALANCE	2,426	(155,824)	-	(153,398)
FUND BALANCE AT BEGINNING OF YEAR, restated	-	(634,287)	-	(634,287)
FUND BALANCE AT END OF YEAR	\$ 2,426	\$ (790,111)	\$ -	\$ (787,685)

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
EXPENDITURES	
Salaries	\$ 1,372,192
Employment costs	673,833
Contractual services	507,067
Communications	8,613
Insurance	28,101
Facility costs	393,388
Tuition expense	650,723
Transportation - buses	531,209
Repairs and maintenance	32,707
Supplies and materials	215,669
Interest	<u>4,098</u>
 TOTAL EXPENDITURES	 \$ <u><u>4,417,600</u></u>

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Early College High School at Delaware State University as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Early College High School at Delaware State University's basic financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Maillie LLP

West Chester, Pennsylvania
September 26, 2017

EARLY COLLEGE HIGH SCHOOL AT DELAWARE STATE UNIVERSITY
(A Component Unit of the State of Delaware)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

None.