

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2019
(With Comparative Totals for 2018)

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
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(A COMPONENT UNIT OF THE STATE OF DELAWARE)
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Independent Auditors' Report

To the Board of Directors
Great Oaks Charter School - Wilmington

We have audited the accompanying financial statements of the governmental activities and the major fund of the Great Oaks Charter School - Wilmington, a component unit of the State of Delaware (School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Great Oaks Charter School - Wilmington'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.

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 auditors consider 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.

To the Board of Directors
Great Oaks Charter School - Wilmington

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 Great Oaks Charter School - Wilmington, as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited Great Oaks Charter School - Wilmington's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in our report dated October 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 management's discussion and analysis (pages 5 through 13), budgetary comparison information (pages 44 and 45), schedules of Great Oaks Charter School - Wilmington's proportionate share of net pension liability and school contributions (pages 46 and 47), and schedules of net other post-employment benefits liability and school contributions (page 48) 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.

To the Board of Directors
Great Oaks Charter School - Wilmington

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 Great Oaks Charter School - Wilmington's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of Great Oaks Charter School - Wilmington'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 Great Oaks Charter School - Wilmington's 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 Great Oaks Charter School - Wilmington's internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

October 29, 2019
Wilmington, Delaware

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The Board of Directors of Great Oaks Charter School - Wilmington (School) is pleased to present to readers of the financial statements of the School this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

Governmental Activities - As of June 30, 2019, the School's net position reflects a deficit balance of \$3,904,016. Program revenues accounted for \$1,094,805, or 13.1%, of total revenue, and general revenues accounted for \$7,247,363, or 86.9%, of total revenue.

As of June 30, 2018, the School's net position, as restated, reflected a deficit balance of \$3,272,480. Program revenues accounted for \$577,823, or 8.1%, of total revenue, and general revenues accounted for \$6,595,896, or 91.9%, of total revenue.

Fund Level - For the year ended June 30, 2019, the Governmental Fund reported a positive change in fund balance in the amount of \$96,699.

For the year ended June 30, 2018, the Governmental Fund reported a positive change in fund balance in the amount of \$117,038.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the School's basic financial statements. The School's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 15) presents information on all the School's assets, liabilities, and deferred inflow of resources, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as useful indicators as to whether the financial position of the School is improving or deteriorating.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements - Continued

The Statement of Activities (page 16) presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow in future fiscal periods.

Fund Financial Statements - The fund financial statements begin on page 18 and provide detailed information about the General Fund. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts that the School uses to keep track of specific sources of funding and spending for a particular purpose. The General Fund falls into the governmental category.

Governmental Funds - The School's basic services are reported in a Governmental Fund, which focuses on how cash flows into and out of the fund and the balances left at year-end that are available for future spending. The Governmental Fund financial statements provide a detailed, short-term view of the School's operations and the services it provides. Governmental Fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided (page 19) to explain the differences between the Governmental Fund Balance Sheet and the Statement of Net Position and between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (page 20). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets available to satisfy current liabilities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget, as well as the School's proportionate share of the net pension liability. The required supplementary information can be found on pages 44 through 48.

As noted earlier, net position may serve over time as a useful indicator of the School's overall financial position. In the case of the School, liabilities and deferred inflows exceeded assets and deferred outflows by \$3,904,016 at the close of fiscal year 2019, and \$3,272,480 at the close of fiscal year 2018, resulting in a negative net position in both years.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS

Required Supplementary Information - Continued

The School's net position analysis of fiscal years 2019 and 2018 follows:

	2019	2018
GOVERNMENTAL ACTIVITIES		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets	\$ 869,887	\$ 724,147
Noncurrent Assets	383,377	336,465
Deferred Outflows of Resources	4,452,743	2,603,088
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,706,007	\$ 3,663,700
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities	\$ 559,522	\$ 510,480
Noncurrent Liabilities	8,030,304	5,824,727
Deferred Inflows of Resources	1,020,197	600,973
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,610,023	6,936,180
NET POSITION		
Invested in Capital Assets	383,377	336,465
Unrestricted	(4,287,393)	(3,608,945)
TOTAL NET POSITION	(3,904,016)	(3,272,480)
TOTAL LIABILITIES AND NET POSITION	\$ 5,706,007	\$ 3,663,700

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS - CONTINUED

The Statement of Activities below reflects the cost of program services and the net cost of those services after taking into account the program revenue for governmental activities.

	<u>2019</u>	<u>2018</u>
REVENUES		
Charges to School Districts	\$ 2,196,491	\$ 1,974,090
State Aid	3,034,507	3,148,866
Contributed Services - Tutor Salaries	885,172	773,599
Federal Aid	1,105,379	696,339
Earnings on Cash and Investments	25,814	3,002
Program Revenues		
Transportation	425,329	419,581
Contributions and School Programs	669,476	158,242
	<u>8,342,168</u>	<u>7,173,719</u>
EXPENSES		
Instructional Services	6,897,127	5,485,264
Support Services		
Operation and Maintenance of Facilities	1,585,586	1,608,316
Transportation	490,991	349,553
	<u>8,973,704</u>	<u>7,443,133</u>
CHANGE IN NET POSITION	(631,536)	(269,414)
NET POSITION AT BEGINNING OF YEAR	<u>(3,272,480)</u>	<u>(3,003,066)</u>
NET POSITION AT END OF YEAR	<u><u>\$ (3,904,016)</u></u>	<u><u>\$ (3,272,480)</u></u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

THE SCHOOL'S FUND

The School's Governmental Fund reported a surplus in the amount of \$96,699 for the year ended June 30, 2019 as compared to a surplus of \$117,038 for the year ended June 30, 2018.

Governmental Fund - The Statement of Revenues, Expenditures, and Changes in Fund Balance that follows assist in illustrating the financial activities of the General Fund.

	<u>2019</u>	<u>2018</u>
REVENUES		
Charges to School Districts	\$ 2,196,491	\$ 1,974,090
State Aid	3,034,507	3,148,866
Contributed Services - Tutor Salaries	885,172	773,599
Contributions	575,733	82,295
Transportation	425,329	419,581
Federal Aid	1,105,379	696,339
Earnings on Cash and Investments	25,814	3,002
School Programs	93,743	75,946
	<u>8,342,168</u>	<u>7,173,718</u>
EXPENDITURES		
Instructional Services	6,014,154	4,928,740
Operation and Maintenance of Facilities	1,585,586	1,608,316
Transportation	490,991	349,554
Capital Outlays	154,739	170,071
	<u>8,245,470</u>	<u>7,056,681</u>
NET CHANGE IN FUND BALANCE	<u>\$ 96,698</u>	<u>\$ 117,037</u>

The majority of the School's total revenue (63% in fiscal year 2019 and 71% in fiscal year 2018) comes from state sources and local school district contributions. State revenue is contingent upon the School's total enrollment population and the students' residential districts. The School received an in-kind contribution from the Great Oaks Foundation related to tutor salaries, which represents 11% of revenue in fiscal years 2019 and 2018. The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding, which accounted for 13% and 10% of total revenue in fiscal years 2019 and 2018, respectively. The reliance on this revenue is to support programs and facility expenditures that are not allotted for in federal, state, and local funds.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

THE SCHOOL'S FUND - CONTINUED

General Fund Budget Information - The School budget is prepared in accordance with the cash 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.

The School adopted a preliminary fiscal year 2019 budget at the onset of the fiscal year. A final budget was adopted after the student enrollment count was certified by the Delaware Department of Education. The final budget contained revenues of \$8,599,735 and expenditures of \$7,579,687. The budget is prepared on a cash basis; the annual financial statements are prepared on a modified accrual basis. Variances of budget to actuals are outlined as follows:

Revenues

State Aid (Including Transportation) - The favorable variance of \$15,767 is due to credentialing of staff generating additional income.

Federal Aid - The unfavorable variance of \$1,166,449 is due to timing differences and available federal funds that carry over into fiscal year 2020.

Earnings on Cash and Investments - The favorable variance of \$25,814 is due to interest not being included in the budget.

Contributions - The unfavorable variance of \$24,267 is due to receiving less donations than expected.

Expenditures

Salaries - The unfavorable variance of \$54,174 is due to the budget being prepared on a cash basis, while the annual financial statements are prepared on a modified accrual basis. The annual financial statements contain accruals of deferred payroll.

Employment Costs - The favorable variance of \$28,883 is due to the budget being prepared on a cash basis, while the annual financial statements are prepared on a modified accrual basis.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

THE SCHOOL'S FUND - CONTINUED

Expenditures - Continued

Contractual Services - The favorable variance of \$46,313 is due to incurring less legal fees and performing fewer medical services and psychological evaluations than anticipated.

Communications - The unfavorable variance of \$14,736 is due to communications not being included in the budget.

Facility Costs - The favorable variance of \$29,549 is due to the reclassification of tutor rent facilities.

Supplies and Materials - The favorable variance of \$74,464 is due to having fewer students than budgeted and making fewer supplies purchases than anticipated.

The School adopted a preliminary fiscal year 2018 budget at the onset of the fiscal year. A final budget was adopted after the student enrollment count was certified by the Delaware Department of Education. The final budget contained revenues of \$7,032,103 and expenditures of \$6,384,320. The budget is prepared on a cash basis, the annual financial statements are prepared on a modified accrual basis. Variances of budget to actuals are outlined as follows:

Revenues

Charges to School Districts - The unfavorable variance of \$4,910 is immaterial.

State Aid (Including Transportation) - The favorable variance of \$52,001 is due to credentialing of staff generating additional income.

Federal Aid - The unfavorable variance of \$477,299 is due to timing differences and available federal funds that carry over into fiscal year 2019.

Earnings on Cash and Investments - The favorable variance of \$3,002 is due to interest not being included in the budget.

Contributions - The unfavorable variance of \$169,705 is due to grants and donations not being budgeted and the budget being prepared on a cash basis while the annual financial statements are prepared on a modified accrual basis.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

THE SCHOOL'S FUND - CONTINUED

Revenues - Continued

School Programs - The unfavorable variance of \$35,073 is due to the budget being prepared on a cash basis, while the annual financial statements are prepared on a modified accrual basis.

Expenditures

Salaries - The unfavorable variance of \$102,808 is due to the budget being prepared on a cash basis, while the annual financial statements are prepared on a modified accrual basis. The annual financial statements contain accruals of deferred payroll, compensated absences.

Employment Costs - The favorable variance of \$81,228 is due to the budget being prepared on a cash basis, while the annual financial statements are prepared on a modified accrual basis.

Travel - The unfavorable variance of \$2,029 is immaterial.

Contractual Services - The favorable variance of \$490,430 is due to the reclassification of tutor stipends to salaries and other employment costs and the reclassification of tutor rent to facilities.

Communications - The unfavorable variance of \$6,502 is immaterial.

Insurance - The favorable variance of \$2,911 is immaterial.

Facility Costs - The unfavorable variance of \$544,681 is due to the reclassification of tutor rent to facilities.

Transportation - The favorable variance of \$37,709 is due to costs being under the anticipated budget.

Supplies and Materials - The favorable variance of \$144,981 is due to costs being under the anticipated budget.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEAR ENDED JUNE 30, 2019

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School opened in August 2015 enrolling sixth grade. The seventh, eighth, and ninth grades were added in August 2016, 2017, and 2018, respectively. The School plans to grow enrollment in upcoming 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 of Delaware's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances to its various stakeholders and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report, and requests for additional financial information should be addressed to the Executive Director, 302 660-4790.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF NET POSITION
JUNE 30, 2019
(With Comparative Totals for 2018)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental Activities	
	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 672,962	\$ 704,383
Deposits	19,764	19,764
Other Receivables	177,161	-
TOTAL CURRENT ASSETS	869,887	724,147
NONCURRENT ASSETS		
Capital Assets, Net	383,377	336,465
TOTAL ASSETS	1,253,264	1,060,612
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Pensions	1,051,928	868,114
Deferred Amounts on Other Post-Employment Benefits	3,400,815	1,734,974
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,452,743	2,603,088
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,706,007	\$ 3,663,700

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	\$ 202,484	\$ 217,364
Accrued Salaries and Related Costs	357,038	293,116
TOTAL CURRENT LIABILITIES	559,522	510,480
NONCURRENT LIABILITIES		
Net Pension Liability	1,115,914	895,752
Net Other Post-Employment Benefits Liability	6,914,390	4,928,975
TOTAL NONCURRENT LIABILITIES	8,030,304	5,824,727
TOTAL LIABILITIES	8,589,826	6,335,207
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Pensions	63,408	15,793
Deferred Amounts on Other Post-Employment Benefits	956,789	585,180
TOTAL DEFERRED INFLOWS OF RESOURCES	1,020,197	600,973
NET POSITION		
Invested in Capital Assets	383,377	336,465
Unrestricted	(4,287,393)	(3,608,945)
TOTAL NET POSITION	(3,904,016)	(3,272,480)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 5,706,007	\$ 3,663,700

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	Program Services			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2019	2018
GOVERNMENTAL ACTIVITIES						
Instructional Services	\$ 6,897,127	\$ -	\$ 669,476	\$ -	\$ (6,227,651)	\$ (5,327,022)
Support Services						
Operational and Maintenance of Facilities	1,585,586	-	-	-	(1,585,586)	(1,608,316)
Transportation	490,991	-	425,329	-	(65,662)	70,028
	\$ 8,973,704	\$ -	\$ 1,094,805	\$ -	(7,878,899)	(6,865,310)
GENERAL REVENUES						
					2,196,491	1,974,090
Charges to School Districts					885,172	773,599
Contributed Services - Tutor Salaries					3,034,507	3,148,866
State Aid					1,105,379	696,339
Federal Aid					25,814	3,002
Earnings on Cash and Investments					7,247,363	6,595,896
					CHANGE IN NET POSITION	(631,536)
						(269,414)
					NET POSITION - Beginning of Year	(3,272,480)
					(3,272,480)	(3,003,066)
					NET POSITION - End of Year	\$ (3,904,016)
					\$ (3,904,016)	\$ (3,272,480)

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

FUND FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2019
(With Comparative Totals for 2018)

	General Fund	Total Governmental Fund	
		2019	2018
ASSETS			
Cash and Pooled Cash	\$ 672,962	\$ 672,962	\$ 704,383
Deposits	19,764	19,764	19,764
Other Receivables	177,161	177,161	-
TOTAL ASSETS	\$ 869,887	\$ 869,887	\$ 724,147
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 202,484	\$ 202,484	\$ 217,364
Accrued Salaries and Related Costs	357,038	357,038	293,116
TOTAL LIABILITIES	559,522	559,522	510,480
FUND BALANCE			
Unassigned	310,365	310,365	213,667
TOTAL LIABILITIES AND FUND BALANCE	\$ 869,887	\$ 869,887	\$ 724,147

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2019
(With Comparative Totals for 2018)

	2019	2018
TOTAL GOVERNMENTAL FUND BALANCE	\$ 310,365	\$ 213,667
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. Capital assets net of accumulated depreciation, as detailed in the footnotes, are included in the Government-Wide statement of net position.	383,377	336,465
Deferred pension and OPEB amounts are not reported in the Governmental Fund's financial statements but are not reported in the Government-Wide financial statements		
Deferred Inflows on Pensions	(63,408)	(15,793)
Deferred Outflows on Pensions	1,051,928	868,114
Deferred Inflows on Other Post-Employment Benefits	(956,789)	(585,180)
Deferred Outflows on Other Post-Employment Benefits	3,400,815	1,734,974
Long-term liabilities applicable to the governmental activities are not reported as fund liabilities.		
Net Pension Liability	(1,115,914)	(895,752)
Net Other Post-Employment Benefits Liability	(6,914,390)	(4,928,975)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (3,904,016)	\$ (3,272,480)

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2019
(With Comparative Totals for 2018)

	<u>General Fund</u>	<u>Total</u> <u>Governmental Fund</u>	
		<u>2019</u>	<u>2018</u>
REVENUES			
Charges to School Districts	\$ 2,196,491	\$ 2,196,491	\$ 1,974,090
State Aid	3,034,507	3,034,507	3,148,866
Contributed Services - Tutor Salaries	885,172	885,172	773,599
Transportation	425,329	425,329	419,581
Federal Aid	1,105,379	1,105,379	696,339
Contributions	575,733	575,733	82,295
School Programs	93,743	93,743	75,946
Earnings on Cash and Investments	25,814	25,814	3,002
TOTAL REVENUES	<u>8,342,168</u>	<u>8,342,168</u>	<u>7,173,718</u>
EXPENDITURES			
Current			
Instruction	6,014,154	6,014,154	4,928,740
Operation and Maintenance of Facilities	1,585,586	1,585,586	1,608,316
Transportation	490,991	490,991	349,554
Capital Outlays			
Furniture and Equipment	154,739	154,739	170,071
TOTAL EXPENDITURES	<u>8,245,470</u>	<u>8,245,470</u>	<u>7,056,681</u>
NET CHANGE IN FUND BALANCE	96,698	96,698	117,037
FUND BALANCE - Beginning of Year	<u>213,667</u>	<u>213,667</u>	<u>96,630</u>
FUND BALANCE - End of Year	<u>\$ 310,365</u>	<u>\$ 310,365</u>	<u>\$ 213,667</u>

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(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, 2019
(With Comparative Totals for 2018)

	2019	2018
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 96,698	\$ 117,037
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	154,739	170,071
Depreciation Expense	(107,827)	(112,469)
	46,912	57,602
Pension and OPEB expenses in the statement of activities differ from the amounts reported in the Governmental Funds because pension and OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension and OPEB plans, whereas pension expenditures are recognized in the Governmental Funds when a requirement to remit contributions to the plan exists.		
Pension	(83,963)	(91,878)
OPEB	(691,183)	(352,175)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ (631,536)	\$ (269,414)

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

NOTES TO FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School - Great Oaks Charter School - Wilmington 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. Great Oaks Charter School - Wilmington's initial charter was granted for a four-year period, renewable every five years thereafter. Great Oaks Charter School - Wilmington's first full year of school started August 2015. The School's initial charter expired on June 30, 2019 and was renewed through June 30, 2024.

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 Great Oaks Charter School - Wilmington 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 Great Oaks Charter School - Wilmington (School) are described below.

Reporting Entity - The School 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 government-wide financial statements (statement of net position and 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 sole major individual governmental fund is reported as a separate column in the fund financial statements.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1: 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 districts 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 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.

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.

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Capital assets are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$2,500 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 costs incurred during construction are capitalized.

Capital assets 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:

Furniture	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 net 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 future periods that will be recognized as an outflow of resources (expense/expenditure) in the future periods. The School reports deferred outflows related to pension and other post-employment benefits activity in the government-wide statement of net position.

The School's deferred outflows are \$1,051,928 for pensions and \$3,400,815 for other post-employment benefits, as of June 30, 2019.

In addition to liabilities, the statement of net 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) that will be recognized as an inflow of resources (revenue) in the future periods. The School reports deferred inflows related to pension and other post-employment benefits in the government wide statement of net position.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows/Inflows of Resources - Continued

The School's deferred inflows are \$63,408 for pensions and \$956,789 for other post-employment benefits as of June 30, 2019.

Fund Balance - In the fund financial statements, the Governmental Fund reports classifications 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. The School did not have any nonspendable resources as of June 30, 2019.
- 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 classifies unspent grant monies as being restricted because their use is restricted by donors. The School did not have any restricted resources as of June 30, 2019.
- 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, 2019.
- 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. The School did not have any assigned resources as of June 30, 2019.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance - Continued

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

When both restricted and nonrestricted 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 Taxes - The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The School believes it has appropriate support for any tax positions taken and, thus, does not have any uncertain tax positions that are material to the financial statements. The School's federal Returns of Organization Exempt from Income Tax (Form 990) for tax years 2016, 2017, and 2018 are subject to examination by authorities, generally for three years after they were filed.

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 2: CASH AND CASH EQUIVALENTS

As of June 30, 2019, the School had a cash and cash equivalent balance of \$672,962, the entirety of which was part of an investment pool controlled by the State of Delaware Treasurer's Office in Dover, Delaware. All investment decisions are made by the State of Delaware Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash and 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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 3: FAIR VALUE MEASUREMENTS

The School follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 establishes a fair value hierarchy per inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The School participates, with other state organizations, in a cash and investment pool controlled by the State of Delaware Treasurer's Office (Note 2). The pool is invested in a combination of cash and fixed income instruments with maturities of up to five years. The State reports that investments are stated at their quoted market prices, except investment securities with a remaining maturity of one year or less at the time of purchase which are stated at cost or amortized cost. These investments would normally be considered level 1 and level 2 inputs on the fair value hierarchy; however, the existence of pooled allocations in determining the School's share of the pool is considered to be a level 2 input. The fair value for pooled cash and investments categorized as level 2 as of June 30, 2019 was \$672,962.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government Activities				
Capital Assets Being Depreciated				
Computer Equipment	\$ 188,641	\$ 15,029	\$ -	\$ 203,670
Furniture and Equipment	379,961	101,730	-	481,691
Leasehold Improvements	-	37,980	-	37,980
Total Capital Assets Being Depreciated	<u>568,602</u>	<u>154,739</u>	<u>-</u>	<u>723,341</u>
Accumulated Depreciation				
Computer Equipment	121,446	44,856	-	166,302
Furniture and Equipment	110,691	61,301	-	171,992
Leasehold Improvements	-	1,670	-	1,670
Total Accumulated Depreciation	<u>232,137</u>	<u>107,827</u>	<u>-</u>	<u>339,964</u>
Total Capital Assets Being Depreciated, Net	<u>336,465</u>	<u>46,912</u>	<u>-</u>	<u>383,377</u>
Government Activities				
Capital Assets, Net	<u>\$ 336,465</u>	<u>\$ 46,912</u>	<u>\$ -</u>	<u>\$ 383,377</u>

Depreciation expense was \$107,827 for the year ended June 30, 2019, which is included in instructional services on the statement of activities.

NOTE 5: PENSION PLAN

Summary of Significant Accounting Policies

The School's employees are considered state employees and are covered under the State of Delaware Public Employees' Retirement System - State Employees' Pension Plan (DPERS). Tutors working in the School's programs are employees of the Great Oaks Foundation and are not included in the Plan.

Pensions - For purposes of measuring the School's allocation of 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 DPERS, and additions to/deductions from its 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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5: PENSION PLAN - CONTINUED

Summary of Significant Accounting Policies - Continued

Pensions - Continued

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 (Board).

The following are brief descriptions of the Plan in effect as of June 30, 2018. 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, Delaware 19904; by calling 1-800-722-7300; or by visiting the DPERS website at www.delawarepensions.com.

General Information about the Pension Plan

Plan Description - DPERS is a cost-sharing multiple 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).

Service Benefits - Service benefits are calculated by taking the final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% and multiplied by years of credited service after December 31, 1996, subject to minimum limitations. For this Plan, final average monthly compensation is the monthly average of the highest 3 periods of 12 consecutive months of compensation.

Vesting and Benefits Provided - DPERS provides retirement, disability and death benefits. Pre-2012 members vest after 5 years of credited service. Post 2011 members vest after 10 years of credited service. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 5 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 10 years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5: PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

Vesting and Benefits Provided - Continued

Pre-2012 participants are eligible for disability benefits after 5 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 5 years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 67.7% with 2% reduction of benefit, 75% with a 3% reduction of benefit, or 100% with a 6% 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 State of Delaware General Assembly. Employer contributions were set by the Board at 12.93% and 10.42% of covered payroll for fiscal years 2019 and 2018, respectively. Contributions to the Plan from the School were \$278,474 during the year ended June 30, 2019. As of June 30, 2019, \$32,611 was due to the Pension Plan.

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

As of June 30, 2019, the School reported a liability of \$1,115,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward DPERS' total pension liability as of June 30, 2017 to June 30, 2018. The School's proportion of the net pension liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2019, the School's proportion was .0864%.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5: PENSION PLAN - CONTINUED

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

For the year ended June 30, 2019, the School recognized pension expense of \$362,438. As of June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ 47,303
Changes of Assumptions	194,294	-
Changes in the Proportion	520,840	-
Differences Between Expected and Actual Experience in the Measurement of the Total Pension Liability	58,320	16,105
Contributions Made After the Measurement Date	<u>278,474</u>	<u>-</u>
	<u>\$ 1,051,928</u>	<u>\$ 63,408</u>

The School's share of net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2020	\$ 224,074
2021	173,214
2022	49,289
2023	80,516
2024	96,130
Thereafter	<u>86,823</u>
	<u>\$ 710,046</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5: PENSION PLAN - CONTINUED

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

Actuarial Assumptions - The measurement of the collective DPERS total pension liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017 with update procedures used to roll forward the total pension liability to June 30, 2018, using the following actuarial assumptions:

Investment Rate of Return/Discount Rate - 7.0%, including inflation at 2.50%.

Projected Salary Increases - 2.50% plus merit with no COLA's, including inflation

Mortality rates were 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.

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

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 DPERS' current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic Equity	5.7%	30.7%
International Equity	5.7%	13.9%
Fixed Income	2.0%	23.3%
Alternative Investments	7.8%	24.4%
Cash and Equivalents	0.0%	7.7%

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5: PENSION PLAN - CONTINUED

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

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
School's Proportionate Share of the Net Pension Liability	<u>\$ 2,165,553</u>	<u>\$ 1,115,914</u>	<u>\$ 234,583</u>

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

The School's employees are considered state employees and are covered under the State of Delaware Other Postemployment Benefits Plan (OPEB). Tutors working in the School's programs are employees of the Great Oaks Foundation and are not included in the Plan.

For purposes of measuring the School's allocation of net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by the State of Delaware. 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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Summary of Significant Accounting Policies - Continued

On July 1, 2007, the Delaware OPEB Fund Trust (OPEB Trust) was established pursuant to Section 115 of the Internal Revenue Code and separate from the DPERS. The OPEB Trust is administered by the DPERS Board of Directors. Policy for and management of the OPEB benefits provided to retirees are the responsibility of the State. The following is a brief description of the Plan in effect as of June 30, 2018. For a more complete description, please refer to the State of Delaware's OPEB Trust Audited Financial Statements available online at <https://auditor.delaware.gov>.

General Information about the Plan

Plan Description - The OPEB Trust is a cost-sharing multiple-employer defined benefit plan established by Delaware Code. The OPEB Trust provides retirement medical coverage to pensioners and their eligible dependents in the State Employees', Judiciary, New State Police, and Closed State Police pension plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' Pension Plan. Those employers are Delaware State University, Delaware State Housing Authority, Delaware Charter Schools, University of Delaware, and Delaware Solid Waste Authority.

Service Benefits - Substantially all state employees become eligible for post-retirement benefits if they reach retirement age while working for the State. The costs of providing these benefits are shared between the State and the retired employee.

Vesting Provisions -

- Early Retirement: Age 55 with 15 years of service or any age with 25 years of service,
- Normal Retirement (hired before January 1, 2012): Age 62 with 5 years of service, or age 60 with 15 years of service, or any age with 30 years of service,
- Normal Retirement (hired on or after January 1, 2012): Age 65 with 10 years of service, or age 60 with 20 years of service, or any age with 30 years of service,
- Spouse and Survivor Coverage: Both are available under any of the plan options with similar retiree contributions. Surviving spouses are eligible for coverage after the retiree's death.

Benefits Provided - During the fiscal year ended June 30, 2019, the State provided health insurance options through several providers.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

General Information about the Plan - Continued

Retiree Contributions - The cost of the healthcare benefits for retirees and beneficiaries is shared between the Plan and the retirees. Retiree contribution rates are affected by the retiree date of hire, with eligible retirees hired after June 30, 1991 paying a proportionately higher rate if their years of service total less than 20.

Funding Policy - The State of Delaware funds the OPEB 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, typically from the General Fund. Additional funding has also been provided on an ad hoc basis. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may be amended by the State Legislature. Funds are recorded in the OPEB Trust for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the OPEB Trust.

The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the OPEB Trust and is responsible for the financial management of the OPEB Trust.

Contributions - The contribution rates for the employer and retiree are established annually by the budgeting process of the State. Those rates include an employer contribution based on projected pay-as-you go financing requirements as a percent of covered payroll, with an additional amount to prefund benefits, which is not actuarially determined. For fiscal years 2019 and 2018, the School's contribution was 9.69% and 9.71% of covered payroll and totaled \$277,501 and \$189,174, respectively. As of June 30, 2019, \$24,439 was due to the OPEB plan.

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2019, the School reported a liability of \$6,914,390 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the total OPEB liability as of June 30, 2017 to June 30, 2018. The School's proportion of the net OPEB liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2019, the School's proportion was 0.0842%.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

For the year ended June 30, 2019, the School recognized OPEB expense of \$968,864. As of June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to the OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ -	\$ 17,373
Changes of Assumptions	-	939,416
Changes in the Proportion	3,123,314	-
Contributions	<u>277,501</u>	<u>-</u>
	<u>\$ 3,400,815</u>	<u>\$ 956,789</u>

The School's share of net deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	\$ 295,046
2021	295,046
2022	295,046
2023	298,487
2024	462,347
Thereafter	<u>520,553</u>
	<u>\$ 2,166,525</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

Actuarial Assumptions - The collective total OPEB liability as of June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total OPEB liability to June 30, 2018. The actuarial assumptions used the following actuarial assumptions:

Actuarial Cost Method - Entry Age Normal

Investment Rate of Return - 3.75%, net of OPEB Plan investment expense, including inflation.

Discount Rate - Increased from 3.58% at the beginning of the year to 3.87% at the end based on the Bond Buyer GO 20-year Bond Municipal Bond Index.

Projected Salary Increases - 3.25% plus merit

Healthcare Cost Trend Rate - 6.80%, decreasing 0.2% per year to 4% in 2032. The healthcare cost trend rate decreased from 7.00% in 2017 to 6.80% in 2018.

Mortality rates were based on the sex-distinct RP-2014 Total Dataset Health Annuitant Mortality Table, including adjustments factors.

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

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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

Actuarial Assumptions - Continued

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Targeted Asset Allocation</u>
Domestic Equity	5.7%	38.7%
International Equity	5.7%	19.0%
Fixed Income	2.0%	39.3%
Cash and Equivalents	0.0%	3.0%

Discount Rate - The discount rate used to measure the total OPEB liability was 3.58 percent at the beginning of the current measurement period and 3.87 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 discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2018 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87 percent) and 1 percentage-point higher (4.87 percent) than the current discount rate:

1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
<u>\$ 8,226,230</u>	<u>\$ 6,914,390</u>	<u>\$ 5,880,323</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability of the OPEB Trust, as well as what the OPEB Trust's net OPEB liabilities would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (6.8 percent decreasing to 5.8 percent) and 1 percentage-point higher (6.8 increasing to 7.8 percent) than the current healthcare trend rates:

1% Decrease 5.8%	Current Trend Rate 6.80%	1% Increase 7.8%
<u>\$ 5,885,964</u>	<u>\$ 6,914,390</u>	<u>\$ 8,163,564</u>

NOTE 7: 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 8: ACADEMIC, TUTOR, AND BUSINESS SERVICES AGREEMENT

The School entered into an Academic, Tutor, and Business Services Agreement with Great Oaks Foundation, Inc., a related party, (GOF), a not-for-profit organization dedicated to helping start and run charter schools on July 1, 2018. The agreement provides academic, management, and other administrative support services to the School. Pursuant to the terms of the agreement, the School shall pay GOF a management fee equivalent to 8.0% of total non-competitive public revenue of the School for the current year.

Additionally, under revised agreement, GOF receives a service fee from the School for the term in an amount representing the product of \$6,750 and the number of regular AmeriCorps tutors, plus \$12,850 each for the number of AmeriCorps staff that are retained at the School.

The management fee and the service fee are payable in equal monthly installments.

The management fee expense for the year ended June 30, 2019 was \$433,033. The service fee expense for the year ended June 30, 2019 was \$447,700.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 9: CONTRIBUTED SERVICES

The School recognized contribution revenue for the year ended June 30, 2019 for contributed tutoring services. Tutors were provided to the School by the GOF without cost to the School. The tutors are AmeriCorps participants and are paid a stipend amount by the Foundation. Contribution revenue was measured based on the stipend amount which approximates the fair value of those services. The amount recognized for the year ended June 30, 2019 was \$885,172.

NOTE 10: LEASING ARRANGEMENT AS LESSEE

The School leases its facility from the Community Education Building (CEB) located at 1200 North French Street. Total annual lease payment is \$1,077,759. In addition, the School leases 23 residential apartment units located in Wilmington, Delaware for use and occupancy by teachers employed by the School. The lease term for all units is one year. As of June 30, 2019, the minimum future rental payments are as follows:

Year Ending June 30	<u>Lease Payments</u>
2020	\$ 1,581,738
2021	241,800
2022	241,800
2023	<u>20,150</u>
	<u>\$ 2,085,488</u>

The School leases its copier equipment under operating leasing arrangements. Total rental expense for the year ended June 30, 2019 was \$56,834. As of June 30, 2019, the minimum future rental payments under noncancelable leasing arrangements having remaining terms in excess of one year for the remaining years and in the aggregate are:

Year Ending June 30	<u>Lease Payments</u>
2020	\$ 67,654
2021	65,954
2022	64,740
2023	64,740
2024	<u>64,740</u>
	<u>\$ 327,828</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 11: 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, state, 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 12: ECONOMIC DEPENDENCY

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

State Subsidy	42%
Charges to School Districts	26%
Contributions	19%
Federal Aid	13%

NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following functions:

Salaries	\$ 54,174
Travel	\$ 7,436
Communications	\$ 14,736
Repairs and Maintenance	\$ 10,639

NOTE 14: SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND
JUNE 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Changes to School Districts	\$ 2,074,852	\$ 2,196,491	\$ 2,196,491	\$ -
State Aid (Including Transportation)	3,200,701	3,444,069	3,459,836	15,767
Federal Aid (Including Carryover of Appropriations from Fiscal Year 2018)	2,216,228	2,271,828	1,105,379	(1,166,449)
Earnings on Cash and Investments	-	-	25,814	25,814
Contributions (Excluding In-Kind Tutor Donation)	600,000	600,000	575,733	(24,267)
School Programs	87,347	87,347	93,743	6,396
TOTAL REVENUES	8,179,128	8,599,735	7,456,996	(1,142,739)
EXPENDITURES				
Current				
Salaries (Excluding In-Kind Tutor Salaries)	2,266,875	2,392,000	2,446,174	(54,174)
Employment Costs	1,134,921	1,101,443	1,072,561	28,882
Travel	-	6,000	13,436	(7,436)
Contractual Services	1,348,642	1,519,191	1,472,878	46,313
Communications	-	-	14,736	(14,736)
Insurance	60,000	60,000	51,511	8,489
Facility Costs (Including Capital Outlays)	1,657,407	1,667,634	1,638,175	29,459
Transportation - Buses	495,500	495,500	490,991	4,509
Repairs and Maintenance	40,000	40,000	50,639	(10,639)
Supplies and Materials	228,287	183,661	109,197	74,464
Contingency Reserve (Not Utilized)	106,958	114,258	-	114,258
TOTAL EXPENDITURES	7,338,590	7,579,687	7,360,298	219,389
EXCESS OF REVENUES OVER EXPENDITURES	\$ 840,538	\$ 1,020,048	\$ 96,698	\$ (923,350)

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

NOTE 1: BASIS OF ACCOUNTING

The School's budget is prepared on 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. The School's budget excludes revenue from an in-kind donation of \$885,172 for tutors from the Great Oaks Foundation and an equal amount of expenditures made for the tutors' salaries and employment costs.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF SCHOOL'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's Proportion of the Net Pension Liability	0.0864%	0.0611%	0.0405%
School's Proportionate Share of the Net Pension Liability	\$ 1,115,914	\$ 895,752	\$ 610,904
School's Covered-Employee Payroll	\$ 2,388,420	\$ 1,700,028	\$ 893,283
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	46.7%	52.7%	68.4%
The Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	87.5%	85.0%	84.1%

Source: Delaware Public Employees' Retirement System, State Employees' Pension Plan as of June 30, 2018, June 30, 2017, and June 30, 2016. Prior years' information is not available.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 278,474	\$ 195,843	\$ 127,269
Contributions in Relation to the Contractually Required Contribution	<u>278,474</u>	<u>195,843</u>	<u>127,269</u>
Contribution (Excess) Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	<u>\$ 2,388,420</u>	<u>\$ 1,700,028</u>	<u>\$ 893,283</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>11.7%</u>	<u>11.5%</u>	<u>14.2%</u>

This presentation covers the years ended June 30, 2019, 2018, and 2017. Prior years' information is not available.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULES OF NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY
AND SCHOOL CONTRIBUTIONS
JUNE 30, 2019

In accordance with GASB No. 75, the following required supplementary information is provided with respect to the School's Net OPEB Liability.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Schedule of Net OPEB Liability</u>		
Measurement Date	June 30, 2018	June 30, 2017
Percentage Proportion	0.0842%	0.0597%
Net OPEB Liability Share	\$ 6,914,390	\$ 4,928,975
Employer-Covered Payroll	\$ 2,388,420	\$ 1,700,028
OPEB Liability as a Percentage of Covered Payroll	289.50%	289.90%
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	-4.44%	4.13%

Schedule of Contributions

Required Contribution	\$ 277,501	\$ 189,174
Actual Contribution	277,501	189,174
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>
Employer-Covered Payroll	\$ 2,388,420	\$ 1,700,028
Actual Contribution as a Percentage of Covered Payroll	11.62%	11.13%

Notes to Required Supplementary Information

Actuarial Valuation Date	June 30, 2017	June 30, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Discount Rate	3.87%	3.58%
Healthcare Trend Rate	6.80%	7.00%
Mortality Rate	RP-2014 Total Dataset Employee Mortality Table	RP-2014 Total Dataset Health Annuitant Mortality Table

Investment Allocation

Domestic Equity	36.70%	36.70%
International Equity	19.20%	19.20%
Fixed Income	38.10%	38.10%
Cash and Equivalents	6.00%	6.00%

Investment Rate of Return

Domestic Equity	3.75%	3.75%
International Equity	3.75%	3.75%
Fixed Income	3.75%	3.75%
Cash and Equivalents	0.00%	0.00%

SINGLE AUDIT SECTION



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***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
Great Oaks Charter School - Wilmington

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 and the major fund of Great Oaks Charter School - Wilmington (a component unit of the State of Delaware) (School), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 29, 2019.

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, a misstatement 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

To the Board of Directors
Great Oaks Charter School - Wilmington

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

Great Oaks Charter School's Response to Finding

Great Oaks Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Great Oaks Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Belfint, Lyons & Shuman, P.A.

October 29, 2019
Wilmington, Delaware



***Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance***

To the Board of Directors
Great Oaks Charter School - Wilmington

Report on Compliance for Each Major Federal Program

We have audited Great Oaks Charter School - Wilmington's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Great Oaks Charter School - Wilmington's major federal programs for the year ended June 30, 2019. Great Oaks Charter School - Wilmington's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Great Oaks Charter School - Wilmington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a

To the Board of Directors
Great Oaks Charter School - Wilmington

test basis, evidence about Great Oaks Charter School - Wilmington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Great Oaks Charter School - Wilmington's compliance.

Opinion on Each Major Federal Program

In our opinion, Great Oaks Charter School - Wilmington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Great Oaks Charter School - Wilmington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Great Oaks Charter School - Wilmington's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Great Oaks Charter School - Wilmington's internal control over compliance.

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

To the Board of Directors
Great Oaks Charter School - Wilmington

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

October 29, 2019

Wilmington, Delaware

GREAT OAKS CHARTER SCHOOL - WILMINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
United States Department of Education				
<i>Special Education Cluster (IDEA)-Cluster</i>				
<i>Passed through State of Delaware Department of Education</i>				
Special Education Grants to States - IDEA Part B	84.027	IDEA Part B--2019	\$ 58,394	\$ -
Special Education Grants to States - IDEA Part B	84.027	IDEA Part B--2018	<u>27,315</u>	<u>-</u>
Subtotal Special Education Cluster (IDEA)-Cluster			<u>85,709</u>	<u>-</u>
<i>Title I Grants to Local Educational Agencies</i>				
<i>Passed through State of Delaware Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	Title I--2018	76,389	-
Title I Grants to Local Educational Agencies	84.010	Title I--2019	<u>223,090</u>	<u>-</u>
Subtotal Title I Grants to Local Educational Agencies			<u>299,479</u>	<u>-</u>
<i>Charter Schools</i>				
<i>Passed through Great Oaks Foundation</i>				
Charter Schools	84.282	CSP--2019	<u>270,322</u>	<u>-</u>
Subtotal Charter Schools			<u>270,322</u>	<u>-</u>
<i>Twenty-First Century Community Learning Centers</i>				
<i>Passed through State of Delaware Department of Education</i>				
Twenty-First Century Community Learning Centers	84.287	21st Century--2018	<u>319,445</u>	<u>-</u>
Subtotal Twenty-First Century Community Learning Centers			<u>319,445</u>	<u>-</u>
<i>Supporting Effective Instruction State Grants</i>				
<i>Passed through State of Delaware Department of Education</i>				
Supporting Effective Instruction State Grants	84.367	IASA Title II--2019	34,270	-
Supporting Effective Instruction State Grants	84.367	IASA Title II 2018	22,241	-
Supporting Effective Instruction State Grants	84.367	Title II SAHE--2018	<u>56,566</u>	<u>-</u>
Subtotal Supporting Effective Instruction State Grants			<u>113,077</u>	<u>-</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
YEAR ENDED JUNE 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
United States Department of Education				
<i>Title IV Student Support and Academic Enrichment Program</i>				
<i>Passed through State of Delaware Department of Education</i>				
Title IV Student Support and Academic Enrichment Program	84.424	TITLE IV--2019	\$ 18,086	\$ -
<i>Subtotal Title IV Student Support and Academic Enrichment Program</i>			18,086	-
<i>Total Department of Education</i>			1,106,118	-
<i>Total Expenditures of Federal Awards</i>			\$ 1,106,118	\$ -

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Great Oaks Charter School, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE:

The School has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified? _____ Yes X No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? _____ X Yes _____ None Reported
- Noncompliance Material to Financial Statements Noted? _____ Yes X No

Federal Awards

Internal Control Over Major Programs:

- Material Weaknesses Identified? _____ Yes X No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses? _____ Yes X None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.01	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers
Dollar Threshold used to Distinguish Between Type A and Type B Programs	\$750,000
Auditee Qualified as Low-Risk Auditee?	_____ Yes <u> X </u> No

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED JUNE 30, 2019

CURRENT FINDINGS

II. FINANCIAL STATEMENT FINDING

Reference Number: 2019-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: During our audit work, the School's general ledger required several adjusting journal entries to make it complete. Some of these adjustments should have been made during the year-end financial close process.

Criteria: Strong internal control requires adequate review and adjustment of the year-end accounting data and financial information used to prepare the School's financial statements in accordance with generally accepted accounting principles (GAAP), in a timely manner.

Cause: While the School's financial team (management, financial consultant, Board members and Foundation management) accumulated most of the entries necessary to prepare a trial balance and reports on a cash basis, the current procedures did not capture all year-end accruals of revenues and expenses. Nor did the current procedures take into account the documents required to the conduct of the annual audit. The turnover of staff in key positions also contributed to the condition.

Effect: A number of adjustments were required for the fair presentation of the financial statements.

Recommendation: We recommend that the School enhance its financial closing procedures in the current year so that it captures the closing adjustments and supporting documents that were missed in fiscal year 2019. As part of the process, the School should evaluate all fiscal year 2019 post-closing and audit adjustments to ensure that procedures and controls are in place to properly identify and record similar entries in the future, on a timely basis. We also recommend that the School review the sufficiency of resources dedicated to the financial reporting close process to ensure that the financial statements are prepared accurately and timely.

Views of Responsible Officials and Planned Corrective Actions: See corrective action plan.

III. FEDERAL AWARD FINDING

No current year findings.



GREAT OAKS CHARTER SCHOOLS

**GREAT OAKS CHARTER SCHOOL – WILMINGTON
RESPONSE TO FINANCIAL STATEMENT FINDINGS
AND CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

I. FINANCIAL STATEMENT FINDINGS

Reference Number: 2019-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

The School agrees with this finding. Our focus has been on meeting budgets and have not focused on a balance sheet. We see that current procedures allow for the possibility that year end adjustments could present a different profit and loss figure than projected on a cash basis. We were hampered by the Operations manager being on maternity leave.

The School will continue the existing close process at 9/30, 12/31 and 3/31 and expect to be timelier and more accurate at 6/30/2020.

Responsible Positions:

Executive Director

Business Operations Manager

Board Treasurer

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

CURRENT STATUS OF PRIOR YEAR FINDINGS

No financial statement findings or federal award findings for the year ended June 30, 2018.