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**FIRST STATE MONTESSORI ACADEMY, INC.**  
**(A Component Unit of the State of Delaware)**  
**WILMINGTON, DELAWARE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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FIRST STATE MONTESSORI ACADEMY, INC.  
(A Component Unit of the State of Delaware)

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FIRST STATE MONTESSORI ACADEMY, INC.  
(A Component Unit of the State of Delaware)

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## INDEPENDENT AUDITOR'S REPORT

September 29, 2021

Board of Directors  
First State Montessori Academy, Inc.  
Wilmington, Delaware

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc. ("the School"), Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

Board of Directors  
First State Montessori Academy, Inc.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of First State Montessori Academy, Inc., as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited First State Montessori Academy, Inc.'s 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated September 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors  
First State Montessori Academy, Inc.

*Other Information*

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED  
YEAR ENDED JUNE 30, 2021**

Our discussion and analysis of the First State Montessori Academy, Inc.'s ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2021. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3 and the School's financial statements, which begin on page 12.

**FINANCIAL HIGHLIGHTS**

Fiscal year 2021 was the School's seventh year of operations. During the year, the net position of the School decreased by \$1,801,827, or 24.06 percent. Program revenues accounted for \$634,395, or 7.23 percent of total revenues, and the general revenues accounted for \$8,145,194, or 92.77 percent of total revenues. The governmental funds reported a positive fund balance of \$4,352,881, which represents an increase of \$170,112 from 2020.

**REPORTING THE SCHOOL AS A WHOLE**

***The Statement of Net Position and Statement of Activities***

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

**REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS**

***Fund Financial Statements***

The fund financial statements of the School's major funds begin on page 14. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.



**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**Governmental Funds**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$9,291,390 at the close of the fiscal year. The largest portion of the School's total assets is cash and pooled cash (27.39 percent); and capital assets net of depreciation, including construction-in-progress (72.43 percent), the remaining of which is made up of accounts receivable (0.18 percent). The School uses capital assets to provide services; consequently, capital assets are not available for future spending.

A comparative net position analysis of fiscal years 2021 and 2020 follows:

**Table 1  
NET POSITION  
JUNE 30, 2021 AND 2020**

	Governmental Activities	
	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current and Other Assets:		
Cash and pooled cash	\$ 5,299,704	\$ 5,103,092
Other current assets	34,626	18,186
Total Current Assets	<u>5,334,330</u>	<u>5,121,278</u>
Noncurrent Assets:		
Construction-in-progress	-	1,986,229
Capital assets, net of depreciation	14,011,014	11,753,741
Total Noncurrent Assets	<u>14,011,014</u>	<u>13,739,970</u>

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**Table 1  
NET POSITION  
JUNE 30, 2021 AND 2020**

(cont'd)	Governmental Activities	
	2021	2020
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,452,861	1,570,459
Deferred outflows - OPEB	7,918,199	5,463,758
Total Deferred Outflows of Resources	9,371,060	7,034,217
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 28,716,404	 25,895,465
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	13,482	6,152
Accrued interest payable	254,666	255,416
Accrued salaries and related costs	967,967	932,357
Current portion of long-term debt	221,432	116,432
Total Current Liabilities	1,457,547	1,310,357
Noncurrent Liabilities:		
Long-term debt, net	14,282,255	14,503,687
Net pension liability	2,388,525	2,479,248
Net OPEB liability	17,268,868	12,352,326
Total Noncurrent Liabilities	33,939,648	29,335,261
 TOTAL LIABILITIES	 35,397,195	 30,645,618
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	422,214	18,198
Deferred inflows - OPEB	2,188,385	2,721,212
Total Deferred Inflows of Resources	2,610,599	2,739,410
 NET POSITION (DEFICIT)		
Net investment in capital assets	1,402,761	1,061,215
Unrestricted (deficit)	(10,694,151)	(8,550,778)
 TOTAL NET POSITION (DEFICIT)	 \$ (9,291,390)	 \$ (7,489,563)

Table 2, which follows, reflects the School's revenues received by funding source and how the funding received was expended by function for fiscal years 2021 and 2020.

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**Table 2  
CHANGES IN NET POSITION  
FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

	Governmental Activities	
	2021	2020
<b>REVENUES</b>		
General revenue:		
Charges to school districts	\$ 2,918,422	\$ 2,833,091
Payments from primary government	5,193,159	5,149,034
Earnings on cash and pooled cash	33,613	55,689
Program revenue:		
Charges for services	9,350	145,720
Operating grants and contributions	625,045	1,448,668
<b>TOTAL REVENUES</b>	<u>8,779,589</u>	<u>9,632,202</u>
<b>EXPENSES</b>		
Instructional services	7,546,104	6,878,170
Support services:		
Operation and maintenance of facilities	1,960,670	2,299,717
Transportation	503,112	492,771
Food service	14,112	73,279
Interest and financing costs on long-term debt	557,418	1,061,451
<b>TOTAL EXPENSES</b>	<u>10,581,416</u>	<u>10,805,388</u>
<b>CHANGE IN NET DEFICIT</b>	<u>\$ (1,801,827)</u>	<u>\$ (1,173,186)</u>

***Governmental Activities***

The net position of the School's governmental activities decreased by \$1,801,827, and unrestricted net position reflects a negative balance of \$10,694,151. The decrease in net position is primarily the result of a large increase in the School's proportionate share of the net pension and OPEB liabilities.

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

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

	2021		2020	
	Total Cost	Net Cost	Total Cost	Net Cost
<i>Governmental Activities</i>				
Instructional services	\$ 7,546,104	\$ 6,911,801	\$ 6,878,170	\$ 5,322,034
Support services:				
Operation and maintenance of facilities	1,960,670	1,960,670	2,299,717	2,299,717
Transportation	503,112	503,112	492,771	492,771
Food service	14,112	14,020	73,279	35,027
Interest and financing costs on long-term debt	557,418	557,418	1,061,451	1,061,451
<b>Total Expenses</b>	<b><u>\$ 10,581,416</u></b>	<b><u>\$ 9,947,021</u></b>	<b><u>\$ 10,805,388</u></b>	<b><u>\$ 9,211,000</u></b>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$9,947,021 of support.

**THE SCHOOL'S FUNDS**

The general fund (as presented on the balance sheet on page 14) reported a fund balance of \$2,457,447, which represents an increase of \$216,042 from the prior year fund balance amount of \$2,241,405. The capital projects fund reported a fund balance of \$1,895,434, which represents a decrease of \$45,930 from the prior year fund balance amount of \$1,941,364. The general fund and capital projects fund together make up the School's governmental funds. The schedule below presents the makeup of the total governmental fund balance amount at year end.

	Governmental Funds	
	2021	2020
FUND BALANCE		
Restricted	\$ 1,895,434	\$ 1,941,364
Unassigned	2,457,447	2,241,405
<b>Total Fund Balance</b>	<b><u>\$ 4,352,881</u></b>	<b><u>\$ 4,182,769</u></b>

The table that follows assists in illustrating the financial activities and balance of the governmental funds.

**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

	2021	2020
REVENUES		
Charges to school districts	\$ 2,918,422	\$ 2,833,091
State aid	5,193,159	5,149,034
Federal aid	543,151	779,054
Earnings on cash and pooled cash	33,613	55,689
Food service revenue	92	38,252

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

	2021	2020
(cont'd)		
Contributions	81,894	669,614
School programs	9,258	107,468
<b>TOTAL REVENUES</b>	<b>8,779,589</b>	<b>9,632,202</b>
<b>EXPENDITURES</b>		
Current:		
Instructional services	5,176,145	5,238,958
Operation and maintenance of facilities	1,621,479	2,070,635
Transportation	503,112	492,771
Food service	14,112	73,279
Capital outlays:		
Property	620,029	12,165,946
Equipment	-	4,503
Debt Service:		
Principal	60,000	-
Interest	612,100	246,659
Financing costs	2,500	559,376
<b>TOTAL EXPENDITURES</b>	<b>8,609,477</b>	<b>20,852,127</b>
<b>OTHER FINANCING SOURCES</b>		
Debt proceeds	-	12,645,000
Premiums on bonds	-	1,975,119
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>14,620,119</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>170,112</b>	<b>3,400,194</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,182,769</b>	<b>782,575</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,352,881</b>	<b>\$ 4,182,769</b>

The largest revenue reported by the School for the year was for aid received from the State of Delaware, accounting for 59.15 percent of total revenues. Charges to local school districts for students attending the School was also significant, accounting for 33.24 percent.

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**  
**YEAR ENDED JUNE 30, 2021**

**GENERAL FUND BUDGET INFORMATION**

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

The following are explanations for the more significant variances between budget and actual revenues and expenditures as shown on page 37.

***Revenues***

Federal Aid

A favorable variance of \$201,694 was realized due to unexpected federal funding being received under the Federal Charter Schools Program.

***Expenditures***

Salaries

A favorable variance of \$103,088 was realized primarily due to conservative budgeting as well as efficiencies being realized as the school adapted to required operational changes as a result of the ongoing pandemic.

Contractual Services

A favorable variance of \$227,787 is due primarily to the decrease in food service and student body activities as a result of the ongoing pandemic.

Repairs and Maintenance

An unfavorable variance of \$145,468 is due to items being budgeted as capital outlays but not meeting the school's definition as a capital addition. These items are presented as charges for repairs and maintenance for financial statement presentation.

Capital Outlays – Property

A favorable variance of \$264,413 was recognized primarily as a result of some items budgeted as capital outlays not meeting the definition of capital additions and being charged to repairs and maintenance.

**CAPITAL ASSETS**

The School has \$14,011,014 invested in capital assets, net of depreciation. Detailed information regarding capital assets is reflected in Note 3 of the financial statements.

**FIRST STATE MONTESSORI ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2021**

**DEBT OBLIGATIONS**

As of June 30, 2021, the School had total outstanding debt of \$12,585,000 in the form of Revenue Bonds, Series of 2019.

Other obligations include the School's proportionate share of the net pension and OPEB liabilities. More detailed information about long-term liabilities is included in Notes 5, 6, and 7 to the financial statements, respectively.

**FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS**

The School opened in August 2014 with 280 students, and the School continues to grow. Management anticipates that revenue and expenses will increase as a result of the future growth and has developed a budget to support the identified growth. The School has identified a continued need to provide students with additional support services and educational programs. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state, and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 576-1500.

## **BASIC FINANCIAL STATEMENTS**



**FIRST STATE MONTESSORI ACADEMY, INC.**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 AND 2020**

	Governmental Activities	
	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS:</b>		
Cash and pooled cash	\$ 5,299,704	\$ 5,103,092
Accounts receivable	34,626	18,186
Total Current Assets	5,334,330	5,121,278
<b>NONCURRENT ASSETS:</b>		
Construction-in-progress	-	1,986,229
Capital assets, net of depreciation	14,011,014	11,753,741
Total Noncurrent Assets	14,011,014	13,739,970
<b>TOTAL ASSETS</b>	19,345,344	18,861,248
 <b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred outflows - pension	1,452,861	1,570,459
Deferred outflows - OPEB	7,918,199	5,463,758
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	9,371,060	7,034,217
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$28,716,404</b>	<b>\$25,895,465</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 13,482	\$ 6,152
Accrued interest payable	254,666	255,416
Accrued salaries and related costs	967,967	932,357
Current portion of long -term debt	221,432	116,432
Total Current Liabilities	1,457,547	1,310,357
<b>NONCURRENT LIABILITIES:</b>		
Long-term debt, net	14,282,255	14,503,687
Net pension liability	2,388,525	2,479,248
Net OPEB liability	17,268,868	12,352,326
Total Noncurrent Liabilities	33,939,648	29,335,261
<b>TOTAL LIABILITIES</b>	35,397,195	30,645,618
 <b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred inflows - pension	422,214	18,198
Deferred inflows - OPEB	2,188,385	2,721,212
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	2,610,599	2,739,410
 <b>NET POSITION (DEFICIT):</b>		
Net investment in capital assets	1,402,761	1,061,215
Unrestricted (deficit)	(10,694,151)	(8,550,778)
<b>TOTAL NET DEFICIT</b>	(9,291,390)	(7,489,563)
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<b>\$28,716,404</b>	<b>\$25,895,465</b>

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With Summarized Comparative Data for the Year Ended June 30, 2020)**

GOVERNMENTAL ACTIVITIES	Program Revenues				Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2021	2020
Instructional services	\$ (7,546,104)	\$ 9,258	\$ 625,045	\$ -	\$ (6,911,801)	\$ (5,322,034)
Support services:						
Operation and maintenance of facilities	(1,960,670)	-	-	-	(1,960,670)	(2,299,717)
Transportation	(503,112)	-	-	-	(503,112)	(492,771)
Food service	(14,112)	92	-	-	(14,020)	(35,027)
Interest and financing costs on long-term debt	(557,418)	-	-	-	(557,418)	(1,061,451)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (10,581,416)</u></u></b>	<b><u><u>\$ 9,350</u></u></b>	<b><u><u>\$ 625,045</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>(9,947,021)</u></u></b>	<b><u><u>(9,211,000)</u></u></b>
<b>GENERAL REVENUES</b>						
					2,918,422	2,833,091
					5,193,159	5,149,034
					33,613	55,689
					<u>8,145,194</u>	<u>8,037,814</u>
					(1,801,827)	(1,173,186)
					<u>(7,489,563)</u>	<u>(6,316,377)</u>
					<u>\$ (9,291,390)</u>	<u>\$ (7,489,563)</u>

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

**FIRST STATE MONTESSORI ACADEMY, INC.  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021**

**(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>	
			2021	2020
<b>ASSETS</b>				
Cash and pooled cash	\$ 3,404,270	\$ 1,895,434	\$ 5,299,704	\$ 5,103,092
Accounts receivable	<u>34,626</u>	<u>-</u>	<u>34,626</u>	<u>18,186</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,438,896</u></u>	<u><u>\$ 1,895,434</u></u>	<u><u>\$ 5,334,330</u></u>	<u><u>\$ 5,121,278</u></u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 13,482	\$ -	\$ 13,482	\$ 6,152
Accrued salaries and related benefits	<u>967,967</u>	<u>-</u>	<u>967,967</u>	<u>932,357</u>
Total Liabilities	<u><u>981,449</u></u>	<u><u>-</u></u>	<u><u>981,449</u></u>	<u><u>938,509</u></u>
<b>FUND BALANCE:</b>				
Restricted	-	1,895,434	1,895,434	1,941,364
Unassigned	<u>2,457,447</u>	<u>-</u>	<u>2,457,447</u>	<u>2,241,405</u>
Total Fund Balance	<u><u>2,457,447</u></u>	<u><u>1,895,434</u></u>	<u><u>4,352,881</u></u>	<u><u>4,182,769</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 3,438,896</u></u>	<u><u>\$ 1,895,434</u></u>	<u><u>\$ 5,334,330</u></u>	<u><u>\$ 5,121,278</u></u>

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 4,352,881

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 14,011,014

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities. Those liabilities consist of:

Long-term debt, net	\$ (14,503,687)	
Accrued interest payable	(254,666)	
Net pension liability	(2,388,525)	
Net OPEB liability	<u>(17,268,868)</u>	(34,415,746)

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

Deferred outflows - pension	1,452,861	
Deferred inflows - pension	<u>(422,214)</u>	1,030,647

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

Deferred outflows - OPEB	7,918,199	
Deferred inflows - OPEB	<u>(2,188,385)</u>	<u>5,729,814</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (9,291,390)

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	General Fund	Capital Projects Fund	Totals	
			2021	2020
<b>REVENUES</b>				
Charges to school districts	\$ 2,918,422	\$ -	\$ 2,918,422	\$ 2,833,091
State aid	5,193,159	-	5,193,159	5,149,034
Federal aid	543,151	-	543,151	779,054
Earnings on cash and pooled cash	33,403	210	33,613	55,689
Food service revenue	92	-	92	38,252
Contributions	81,894	-	81,894	669,614
School programs	9,258	-	9,258	107,468
<b>TOTAL REVENUES</b>	<u>8,779,379</u>	<u>210</u>	<u>8,779,589</u>	<u>9,632,202</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	5,176,145	-	5,176,145	5,238,958
Operation and maintenance of facilities	1,598,929	22,550	1,621,479	2,070,635
Transportation	503,112	-	503,112	492,771
Food service	14,112	-	14,112	73,279
Capital outlays:				
Property	496,439	123,590	620,029	12,165,946
Equipment	-	-	-	4,503
Debt service:				
Principal	-	60,000	60,000	-
Interest	-	612,100	612,100	246,659
Financing costs	-	2,500	2,500	559,376
<b>TOTAL EXPENDITURES</b>	<u>7,788,737</u>	<u>820,740</u>	<u>8,609,477</u>	<u>20,852,127</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	-	-	12,645,000
Premiums on bonds	-	-	-	1,975,119
Transfers in (out)	(774,600)	774,600	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(774,600)</u>	<u>774,600</u>	<u>-</u>	<u>14,620,119</u>
<b>NET CHANGE IN FUND BALANCE</b>	216,042	(45,930)	170,112	3,400,194
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,241,405</u>	<u>1,941,364</u>	<u>4,182,769</u>	<u>782,575</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,457,447</u>	<u>\$ 1,895,434</u>	<u>\$ 4,352,881</u>	<u>\$ 4,182,769</u>

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ 170,112

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 \$5,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 620,029	
Depreciation expense	<u>(348,985)</u>	271,044

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Similarly, amortization of premium reduces the liability in the statement of net position. Interest on long-term debt is not accrued for in the governmental funds, but is recognized on the statement of net position; therefore, the change in accrual must be recognized.

Amortization of premium on bonds	56,432	
Accrued interest	750	
Principal repayments	<u>60,000</u>	117,182

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (430,891)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing OPEB plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,929,274)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,801,827)

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

First State Montessori Academy, Inc. 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. An initial charter is granted for a three-year period, renewable every five years thereafter.

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

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The School reports the following major governmental funds:

- **General Fund** – The general fund is the School's operating fund. It accounts for all financial resources of the School.
- **Capital Projects Fund** – This fund is maintained to accumulate resources to be used for construction and other capital activities of the School.

Encumbrance Accounting

Encumbrance accounting is employed by the School's governmental fund. Encumbrances (i.e. purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At June 30, 2021, the School did not have any outstanding encumbrances.



FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

Receivables

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

Capital Assets

Capital assets, which include buildings, building improvements, and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

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

Buildings	40 years
Building improvements	23 - 25 years
Furniture and equipment	5 years

Collections

The School maintains a small collection of various artwork that was donated by a third party at the start of the School's operations. As this collection is held for the furtherance of the education of its students, rather than for financial gain, it has not been capitalized.

Fund Equity

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

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

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

*Unassigned* – all other spendable amounts.

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

Net Position

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the entity-wide financial statements and the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed at the entity-wide level to the extent that they do not represent payments for bond insurance. Bond insurance costs are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, generally are reported as debt service expenditures.

Deferred Inflows and Outflows of Resources

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

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

Income Tax Status

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

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, presentation of prior year totals by fund and activity type have not

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

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

been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the School's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

NOTE 2 CASH AND POOLED CASH

At June 30, 2021, the School has a cash and pooled cash of \$5,299,704. Of that amount, \$3,386,080 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

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

At June 30, 2021, the reported amount of the School's deposits not held with the State Treasurer's Office was \$1,913,624, and the bank balance was \$1,913,624. Of the balance, \$268,191 was covered by federal depository insurance, while the remaining \$1,645,433 was exposed to custodial credit risk as it was uninsured and uncollateralized.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balances 6/30/20	Increases	Decreases	Balances 6/30/21
Governmental Activities:				
Construction-in-progress	\$ 1,986,229	\$ 547,029	\$ 2,533,258	\$ -
Capital assets being depreciated:				
Building improvements	1,730,188	2,606,258	-	4,336,446
Furniture and equipment	53,897	-	-	53,897
Buildings	10,307,773	-	-	10,307,773
Total capital assets being Depreciated	12,091,858	2,606,258	-	14,698,116
Accumulated depreciation	(338,117)	(348,985)	-	(687,102)

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CAPITAL ASSETS (cont'd)

	<u>Balances 6/30/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances 6/30/21</u>
(cont'd)				
Total capital assets being depreciated, net	11,753,741	2,061,016	-	13,814,757
Governmental Activities, Net	<u>\$13,739,970</u>	<u>\$2,411,787</u>	<u>\$2,337,000</u>	<u>\$13,814,757</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 9,794
Operation and maintenance of facilities	<u>339,191</u>
	<u>\$ 348,985</u>

NOTE 4 FUND BALANCE

As of June 30, 2021, fund balance is composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Restricted for capital projects	\$ -	\$ 1,895,434
Unassigned	<u>2,457,447</u>	<u>-</u>
Total Fund Balance	<u>\$ 2,457,447</u>	<u>\$ 1,895,434</u>

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan ("the Plan"), which is a cost-sharing, multiple-employer defined benefit public employees' retirement system ("the State PERS") defined by the Delaware Code.

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2021. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at [www.delawarepensions.com](http://www.delawarepensions.com).

Plan Description and Eligibility

The State Employees' Pension Plan covers virtually all full-time or regular part-time employees of the State, including employees of other affiliated entities.

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

Benefits Provided

*Service Benefits*

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

*Vesting*

Employees hired Pre-2012 vest in the plan after five years of credited service. Employees hired Post-2012 vest in the plan after ten years of credited service.

*Retirement*

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

*Disability Benefits*

Disability benefits for those employees hired Pre-2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of this

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired Post-2012 are also included in the Disability Insurance Program.

*Survivor and Burial Benefits*

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

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

Contributions

*Member Contributions*

Employees hired Pre-2012 contribute three percent of earnings in excess of \$6,000. Employees hired Post-2012 contribute five percent of earnings in excess of \$6,000.

*Employer Contributions*

Employer contributions are determined by the Board. For the year ended June 30, 2021, the rate of the employer contribution was 12.33 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2021 was \$475,851.

*PRI Contribution*

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General Assembly. The increases are funded over a five-year period from the PRI fund. The allocation of the contribution from the PRI fund to the Pension Trust is a reduction of the net pension liability of each participating employer.

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

At June 30, 2021, the School reported a liability of \$2,388,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2019 to June 30, 2020. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

measurement period. At June 30, 2020, the School's proportion was 0.1699 percent, which represents an increase from the prior measurement date of 0.0107 percent.

For the year ended June 30, 2021, the School recognized pension expense of \$906,742. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 415,038
Changes of assumptions	167,321	-
Difference between actual and expected experience	311,379	7,176
Changes in proportions	498,310	-
Contributions subsequent to the date of measurement	<u>475,851</u>	<u>-</u>
	<u>\$ 1,452,861</u>	<u>\$ 422,214</u>

An amount of \$475,851 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2020 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 110,926
2023	110,988
2024	111,019
2025	110,932
2026	<u>110,931</u>
	<u>\$ 554,796</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions, applied to all periods:



FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

- Investment return/discount rate – 7.0 percent, including inflation of 2.5 percent
- Salary increases – 2.5 percent plus merit; including inflation of 2.5 percent
- Cost-of-living adjustments – 0.0 percent

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

Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

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

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

Discount Rate

The discount used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

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

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

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 4,585,710	\$ 2,388,525	\$ 536,702

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2021. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at [www.delawarepensions.com](http://www.delawarepensions.com).

Plan Description and Eligibility

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

Benefits Provided

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

Contributions

*Employer Contributions*

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2021, the rate of the employer contribution was 11.80 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2021 was \$455,495.

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

At June 30, 2021, the School reported a liability of \$17,268,868 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total pension liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2019 to June 30, 2020. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2020, the School's proportion was 0.1659 percent, which was an increase of 0.0109 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$2,384,769. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 19,184
Changes in proportions	4,041,077	-
Changes in assumptions	2,920,215	982,149
Net difference between expected and actual experience	501,412	1,187,052
Contributions subsequent to the date of measurement	<u>455,495</u>	<u>-</u>
	<u>\$ 7,918,199</u>	<u>\$ 2,188,385</u>

An amount of \$455,495 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2020 measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB, and will be recognized in OPEB expense as follows:

Year Ending June 30,

2022	\$ 1,054,832
2023	1,054,839
2024	1,055,163
2025	1,055,274
2026	<u>1,054,211</u>
	<u>\$ 5,274,319</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 2.21 percent
- Salary increases – 3.25 percent
- Healthcare cost trend rates – 5.60 percent

The discount rate was based on the Bond Buyer GO 20-Bond Municipal Bond Index.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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

Discount Rate

The discount rate to measure the total OPEB liability was 3.50 percent at the beginning of the current measurement period and 2.21 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2020 measurement dates is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 2.21 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21 percent) or one percentage point higher (3.21 percent) than the current rate.

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
School's proportionate share of the net OPEB liability	\$ 20,706,128	\$ 17,268,868	\$ 14,591,665

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 5.60 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.60 percent) or one percentage point higher (6.60 percent) than the current rate.

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	<u>1% Decrease 4.60%</u>	<u>Current Healthcare Trend Rate 5.60%</u>	<u>1% Increase 6.60%</u>
School's proportionate share of the net OPEB liability	\$ 16,208,745	\$ 17,268,868	\$ 18,897,689

Plan Fiduciary Net Position

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

NOTE 7 LONG-TERM LIABILITIES

Revenue Bonds

Revenue Bonds, Series of 2019, interest ranging from 3.875% to 5.000%, maturing in fiscal year 2055, with interest payable semi-annually on March 1 and September 1. The purpose of this issue was to provide funding for and building purchase and the related renovations of the building.

\$ 12,585,000

TOTAL REVENUE BONDS OUTSTANDING

\$ 12,585,000

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 165,000	\$ 608,400	\$ 773,400
2023	165,000	602,300	767,300
2024	175,000	595,500	770,500
2025	180,000	588,400	768,400
2026	190,000	581,000	771,000
2027 - 2031	1,060,000	2,782,250	3,842,250
2032 - 2036	1,320,000	2,503,750	3,823,750
2037 - 2041	1,685,000	2,130,125	3,815,125
2042 - 2046	2,155,000	1,652,375	3,807,375
2047 - 2051	2,755,000	1,041,125	3,796,125
2052 - 2055	2,735,000	300,250	3,035,250
Total	<u>\$ 12,585,000</u>	<u>\$ 13,385,475</u>	<u>\$ 25,970,475</u>

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LONG-TERM LIABILITIES (cont'd)

Interest expense was \$557,418 for the year ended June 30, 2021.

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

	Amounts Outstanding 7/1/2020	Additions	Retirements	Amounts Outstanding 6/30/2021	Due Within One Year
Governmental Activities:					
Bonds payable	\$12,645,000	\$ -	\$ 60,000	\$12,585,000	\$ 165,000
Bonds premium	1,975,119	-	56,432	1,918,687	56,432
	14,620,119	-	116,432	14,503,687	221,432
Net OPEB liability	12,352,326	4,916,542	-	17,268,868	-
Net pension liability	2,479,248	-	90,723	2,388,525	-
Total Governmental Activities	<u>\$29,451,693</u>	<u>\$ 4,916,542</u>	<u>\$ 207,155</u>	<u>\$34,161,080</u>	<u>\$ 221,432</u>

Payments of bonds payable are expected to be funded by the capital projects fund. Payments of other long-term liabilities are expected to be funded by the general fund.

NOTE 8 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2021 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 774,600

Transfers from the general fund to the capital projects fund were to cover current year debt service payments. There were no interfund payables or receivables as of June 30, 2021.

NOTE 9 RISK MANAGEMENT

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

FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various 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.

NOTE 11 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2021, economic and operational uncertainties have arisen which may impact the School in fiscal year 2022. While the School has fully resumed in-class learning, there continues to be uncertainty regarding the potential for another resurgence of the virus, which may require another period of remote or hybrid learning. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

Grants

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

NOTE 12 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Communications	\$	2,911
Insurance	\$	4,861
Transportation - buses	\$	1,112
Repairs and maintenance	\$	145,468

The excess expenditures were covered by other current year expenditure appropriations that were under budget and overall revenues coming in higher than budgeted.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$10,694,151 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the



FIRST STATE MONTESSORI ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 DEFICIT NET POSITION (cont'd)

measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 29, 2021, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges to school districts	\$ 2,960,620	\$ 2,964,617	\$ 2,918,422	\$ (46,195)
State aid	5,186,287	5,218,661	5,193,159	(25,502)
Federal aid	241,826	341,457	543,151	201,694
Earnings on cash and investments	-	-	33,403	33,403
Food service revenue	75,000	5,134	92	(5,042)
Contributions	50,000	50,000	81,894	31,894
School programs	100,000	76,005	9,258	(66,747)
<b>TOTAL REVENUES</b>	<u>8,613,733</u>	<u>8,655,874</u>	<u>8,779,379</u>	<u>123,505</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	3,941,175	3,978,475	3,875,387	103,088
Employment costs	1,866,423	1,866,422	1,832,773	33,649
Contractual services	548,063	481,684	253,897	227,787
Communications	5,500	5,500	8,411	(2,911)
Public utilities services	260,000	215,000	115,128	99,872
Insurance	38,000	45,443	50,304	(4,861)
Transportation - buses	502,000	502,000	503,112	(1,112)
Repairs and maintenance	220,000	288,000	433,468	(145,468)
Supplies and materials	279,000	279,000	219,818	59,182
Capital outlays:				
Property	687,851	760,852	496,439	264,413
<b>TOTAL EXPENDITURES</b>	<u>8,348,012</u>	<u>8,422,376</u>	<u>7,788,737</u>	<u>633,639</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>265,721</u>	<u>233,498</u>	<u>990,642</u>	<u>757,144</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Contingency	(287,938)	(288,666)	-	288,666
Appropriated fund balance	2,452,130	2,452,130	-	(2,452,130)
Transfers out	(674,600)	(674,600)	(774,600)	(100,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,489,592</u>	<u>1,488,864</u>	<u>(774,600)</u>	<u>(2,263,464)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,755,313	1,722,362	216,042	(1,506,320)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>2,241,405</u>	<u>2,241,405</u>	<u>2,241,405</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 3,996,718</u>	<u>\$ 3,963,767</u>	<u>\$ 2,457,447</u>	<u>\$ (1,506,320)</u>

Note: The School's budget is presented on the modified accrual basis of accounting.

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>MEASUREMENT DATE</u>					
	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
School's proportion of the net pension liability	0.1699%	0.1592%	0.1425%	0.1236%	0.0784%	0.0577%
School's proportion of the net pension liability - dollar value	\$ 2,388,525	\$ 2,479,248	\$ 1,840,653	\$ 1,812,210	\$ 1,181,416	\$ 384,095
School's covered employee payroll	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188	\$ 1,076,757
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%
Plan fiduciary net position as a percentage of the total pension liability	87.27%	85.41%	87.49%	85.31%	84.11%	92.67%

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

**FIRST STATE MONTESSORI ACADEMY, INC.  
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>
Contractually required contribution	\$ 475,851	\$ 438,097	\$ 390,842	\$ 294,859	\$ 230,744	\$ 143,239
Contributions in relation to the contractually required contribution	<u>475,851</u>	<u>438,097</u>	<u>390,842</u>	<u>294,859</u>	<u>230,744</u>	<u>143,239</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111	\$ 1,495,188
Contributions as a percentage of covered-employee payroll	12.33%	11.96%	11.83%	10.42%	9.58%	9.58%

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

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**STATE OF DELAWARE EMPLOYEES' OPEB PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>			
	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.1659%	0.1550%	0.1389%	0.1208%
School's proportion of the net OPEB liability - dollar value	\$ 17,268,868	\$ 12,352,326	\$ 11,404,995	\$ 9,971,884
School's covered employee payroll	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741	\$ 2,408,111
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	471.44%	373.82%	403.04%	414.10%
Plan fiduciary net position as a percentage of the total OPEB liability	4.27%	4.89%	4.44%	4.13%

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

**FIRST STATE MONTESSORI ACADEMY, INC.  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
STATE OF DELAWARE EMPLOYEES' OPEB PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 455,495	\$ 458,317	\$ 389,541	\$ 312,034
Contributions in relation to the contractually required contribution	<u>455,495</u>	<u>458,317</u>	<u>389,541</u>	<u>312,034</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 3,859,294	\$ 3,663,018	\$ 3,304,379	\$ 2,829,741
Contributions as a percentage of covered-employee payroll	11.80%	12.51%	11.79%	11.03%

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

**SUPPLEMENTARY INFORMATION**



**FIRST STATE MONTESSORI ACADEMY, INC.  
COMBINING BALANCE SHEET - GENERAL FUND  
JUNE 30, 2021**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled cash	\$ 85,904	\$ 3,318,366	\$ -	\$ 3,404,270
Accounts receivable	<u>-</u>	<u>-</u>	<u>34,626</u>	<u>34,626</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 85,904</u></u>	<u><u>\$ 3,318,366</u></u>	<u><u>\$ 34,626</u></u>	<u><u>\$ 3,438,896</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 13,482	\$ -	\$ 13,482
Accrued salaries and employment costs	<u>-</u>	<u>933,341</u>	<u>34,626</u>	<u>967,967</u>
<b>TOTAL LIABILITIES</b>	<u><u>-</u></u>	<u><u>946,823</u></u>	<u><u>34,626</u></u>	<u><u>981,449</u></u>
<b>FUND BALANCES:</b>				
Unassigned	<u>85,904</u>	<u>2,371,543</u>	<u>-</u>	<u>2,457,447</u>
<b>TOTAL FUND BALANCES</b>	<u><u>85,904</u></u>	<u><u>2,371,543</u></u>	<u><u>-</u></u>	<u><u>2,457,447</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 85,904</u></u>	<u><u>\$ 3,318,366</u></u>	<u><u>\$ 34,626</u></u>	<u><u>\$ 3,438,896</u></u>

**FIRST STATE MONTESSORI ACADEMY, INC.  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2021**

	State Allocation	Local Funding	Federal Funding	Total
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 2,918,422	\$ -	\$ 2,918,422
State aid	5,193,159	-	-	5,193,159
Federal aid	-	-	543,151	543,151
Earnings on cash and pooled cash	-	33,403	-	33,403
Food service revenue	-	92	-	92
Contributions	-	81,894	-	81,894
School programs	-	9,258	-	9,258
<b>TOTAL REVENUES</b>	<u>5,193,159</u>	<u>3,043,069</u>	<u>543,151</u>	<u>8,779,379</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	3,933,040	911,163	331,942	5,176,145
Operation and maintenance of facilities	705,047	858,612	35,270	1,598,929
Transportation	503,112	-	-	503,112
Food service	-	9,008	5,104	14,112
Capital outlays:				
Property	111,123	214,481	170,835	496,439
Debt service:				
Interest	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>5,252,322</u>	<u>1,993,264</u>	<u>543,151</u>	<u>7,788,737</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(59,163)</u>	<u>1,049,805</u>	<u>-</u>	<u>990,642</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	(774,600)	-	(774,600)
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>(774,600)</u>	<u>-</u>	<u>(774,600)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(59,163)	275,205	-	216,042
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>145,067</u>	<u>2,096,338</u>	<u>-</u>	<u>2,241,405</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 85,904</u>	<u>\$ 2,371,543</u>	<u>\$ -</u>	<u>\$ 2,457,447</u>

**FIRST STATE MONTESSORI ACADEMY, INC.**  
**SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

EXPENDITURES

Current:

Salaries	\$ 3,875,387
Employment costs	1,832,773
Contractual services	253,897
Professional development	8,411
Public utilities services	115,128
Insurance	50,304
Transportation - buses	503,112
Repairs and maintenance	456,018
Supplies and materials	219,818

Capital outlays:

Property	620,029
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Debt service:

Financing Costs	2,500
Principal	60,000
Interest	612,100

TOTAL EXPENDITURES

\$ 8,609,477



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

September 29, 2021

Board of Directors  
First State Montessori Academy, Inc.  
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of First State Montessori Academy, Inc. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2021.

Internal Control Over Financial Reporting

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

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

Board of Directors  
First State Montessori Academy, Inc.

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

#### Compliance and Other Matters

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

#### Purpose of This Report

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

  
BARBACANE, THORNTON & COMPANY LLP