



FIRST STATE MILITARY ACADEMY
(A Component Unit of the State of Delaware)
CLAYTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2024

FIRST STATE MILITARY ACADEMY
(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

October 23, 2024

Board of Directors
First State Military Academy
Clayton, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the First State Military Academy ("the Academy"), Clayton, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the First State Military Academy, Clayton, Delaware, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Academy's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles general accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

Board of Directors
First State Military Academy

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Academy's 2023 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 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy'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 and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records

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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, and schedule of expenditures of federal awards 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 October 23, 2024, on our consideration of the Academy'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 Academy's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

This discussion and analysis of the financial performance of the First State Military Academy ("the Academy") provides an overview of the Academy's financial activities for the year ended June 30, 2024. Please read it in conjunction with the independent auditor's report and the Academy's financial statements.

FINANCIAL HIGHLIGHTS

The Academy's net position decreased by \$1,040,840, resulting in a net deficit of \$11,660,221 as of June 30, 2024.

The most significant assets reported by the Academy are capital assets totaling \$5,147,890 and account for 76.90% of the Academy's total assets. Renovation activity in prior years has resulted in a majority of the Academy's assets being capital assets. These capital improvement activities were funded through loans made available under the Community Facilities Loans and Grants program operated by the United States Department of Agriculture, which provides funding to non-profit organizations and other entities in rural areas for the construction or improvement of community facilities. The loan balances related to this project at June 30, 2024 was \$6,378,202 and represent 31.68% of the Academy's total liabilities. The Academy's proportionate share of the net pension liability increased from the prior year to \$2,158,770, this represented a \$327,090 change from the prior year. The Academy's proportionate share of the net OPEB liability decreased from the prior year to \$10,963,569, representing a decrease of \$34,612 from the prior year. These changes are based on a decrease in the Academy's proportionate share of the net pension liability and the net OPEB liability as the Academy grows and increases its staff base, as well as a decrease in the funded status of the State of Delaware's pension plan.

USING THIS ANNUAL FINANCIAL REPORT

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

REPORTING THE ACADEMY AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the Academy's finances is, "Is the Academy better or worse off as a result of the year's activities?" The statement of net position and the statement of activities

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

report information about the Academy 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 similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Academy's net position and the changes in net position. The change in net position provides the reader with a tool to assist in determining whether the Academy's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions in arriving at a conclusion regarding the overall health of the Academy.

REPORTING THE ACADEMY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

This analysis of the Academy's major funds and fund financial statements provides detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by State statute, while other funds are established by the Academy to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

The Academy'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 Academy'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 Academy'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.

ENTITY-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 Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,660,221 at the close of the fiscal year. A summary of the Academy's statement of net position follows:

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

**Table 1
NET POSITION**

	Governmental Activities	
	2024	2023
ASSETS		
Current and other assets:		
Cash and pooled cash	\$ 1,518,393	\$ 1,636,424
Accounts receivables	28,222	56,761
Total Current Assets	1,546,615	1,693,185
Noncurrent assets:		
Land	94,290	94,290
Capital assets, net of depreciation	5,053,600	5,172,021
Right-to-use assets, net	-	3,256
Total Noncurrent Assets	5,147,890	5,269,567
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,699,246	1,407,596
Deferred outflows - OPEB	3,680,962	4,968,851
Total Deferred Outflows of Resources	5,380,208	6,376,447
LIABILITIES		
Current liabilities:		
Accounts payable	-	8,408
Accrued salaries and related costs	609,454	719,237
Accrued interest	14,618	14,897
Lease payable	-	3,347
Loans payable	125,539	122,139
Due to related party	7,055	7,055
Total Current Liabilities	756,666	875,083
Noncurrent liabilities:		
Loan payable	6,252,663	6,378,202
Net pension liability	2,158,770	1,831,680
Net OPEB liability	10,963,569	10,998,181
Total Noncurrent Liabilities	19,375,002	19,208,063
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - OPEB	3,603,266	3,875,434
Total Deferred Inflows of Resources	3,603,266	3,875,434
NET DEFICIT		
Net investment in capital assets	(1,230,312)	(1,234,121)
Unrestricted deficit	(10,429,909)	(9,385,260)
Total Net Deficit	\$(11,660,221)	\$(10,619,381)

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

The Academy uses capital assets to provide services; consequently, these assets are not available for future spending.

**Table 2
CHANGES IN NET POSITION**

	Governmental Activities	
	2024	2023
REVENUES		
General revenues:		
Charges to school districts	\$ 1,161,194	\$ 1,388,090
Payments from primary government	4,882,844	4,919,389
Interest income	77,254	122
Miscellaneous	306,716	412,775
Program revenues:		
Charges for services	76,903	6,514
Operating grants and contributions	563,890	861,273
Total Revenues	7,068,801	7,588,163
 EXPENSES		
Instructional services	5,467,525	6,189,082
Support services:		
Operation and maintenance of facilities	1,516,260	1,893,401
Transportation	685,540	748,995
Food service	263,308	252,928
Interest payments on long-term debt	177,008	180,416
Total Expenses	8,109,641	9,264,822
 CHANGE IN NET DEFICIT	\$ (1,040,840)	\$ (1,676,659)

Governmental Activities

Net position of the Academy decreased by \$1,040,840, and unrestricted net position reflects a deficit balance of \$10,429,909. The decrease in overall net position is largely the result of increases in the Academy's net pension liability and related deferred inflows outpacing capital asset and other asset additions.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The next table reflects the cost of program services and the net cost of those

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

services after taking into account the program revenues for governmental activities. General revenues that include charges to school districts, interest earnings, and state entitlements must support the net cost of the Academy's programs.

	2024 Services		2023 Services	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities:				
Instructional services	\$ 5,467,525	\$ 5,037,705	\$ 6,189,082	\$ 5,499,065
Support services:				
Operation and maintenance of facilities	1,516,260	1,516,260	1,893,401	1,893,401
Transportation	685,540	685,540	748,995	748,995
Food service	263,308	52,335	252,928	75,158
Interest payments on long-term debt	177,008	177,008	180,416	180,416
TOTAL	\$ 8,109,641	\$ 7,468,848	\$ 9,264,822	\$ 8,397,035

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$7,468,848 of support, as well as general revenues comprising 90.93% of total revenues.

THE ACADEMY'S FUNDS

The Academy's governmental funds (as presented on the balance sheet) reported a combined fund balance of \$930,106. The schedule below indicates the fund balances and their composition at year end for the fiscal years ended June 30, 2024 and 2023.

	2024	2023
Fund Balances:		
Assigned - capital projects	\$ 74,968	\$ 61,007
Unassigned	855,138	897,478
Governmental Funds	\$ 930,106	\$ 958,485

Governmental Funds

During fiscal year 2024, the Academy's fund balances decreased by \$28,379. This decrease is due primarily to the Academy's expenditures exceeding current year revenues. The table that follows assists in illustrating the financial activities and balance of governmental funds.

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

	Total Governmental Funds	
	2024	2023
REVENUES:		
Charges to school districts	\$ 1,161,194	\$ 1,388,090
State aid	4,882,844	4,919,389
Federal aid	529,803	851,012
Interest income	77,254	122
Contributions	34,087	10,261
School programs	76,903	6,514
Other revenues	306,716	412,775
TOTAL REVENUES	7,068,801	7,588,163
EXPENDITURES:		
Current:		
Instruction	4,299,482	4,619,414
Operation and maintenance of facilities	1,496,674	1,871,855
Transportation	685,540	748,995
Food service	263,308	252,928
Capital outlays:		
Property and equipment	49,403	32,391
Debt service:		
Principal	125,486	122,084
Interest	177,287	180,689
TOTAL EXPENDITURES	7,097,180	7,828,356
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(28,379)	(240,193)
FUND BALANCES, BEGINNING OF YEAR	958,485	1,198,678
FUND BALANCES, END OF YEAR	\$ 930,106	\$ 958,485

General Fund

The Academy's General Fund reported a fund balance of \$855,138, which is a decrease from the prior year of \$42,340. The decrease was primarily the result of additional operation and maintenance expenses.

Capital Projects Fund

As of June 30, 2024, the Academy had a capital projects fund balance of \$74,968. This was an increase of \$13,961 from the prior year. The Academy pays for its loan obligations out of this fund. The Academy reported expenditures of \$300,212 in 2023 - 2024. These expenditures were primarily related to debt service payments.

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

GENERAL FUND BUDGET INFORMATION

The Academy's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the general fund. The Academy may amend its revenue and expenditure estimates periodically due to changing conditions. The original budget was amended during fiscal year 2024 due primarily to changes in the expectation of future costs encountered in its operations.

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

Revenues

Other Local Revenues

A favorable variance of \$140,924 is recognized due to more revenue coming in from reimbursements than expected.

School Programs

An unfavorable variance of \$184,765 is recognized due to less school activities being held during the current year.

Contributions and Donations

A favorable variance of \$23,387 is recognized as a result of more donations being received in the current year than expected.

Federal Revenue

An unfavorable variance of \$70,742 is recognized due to less revenue coming in from the federal government and timing of federal reimbursements.

Expenditures

Salaries and Employment Costs

An unfavorable variance of \$118,417 is recognized as a result the staff raises.

Travel

An unfavorable variance of \$94,114 is recognized as a result of the need for travel and cost increases.

Repairs and maintenance

An unfavorable variance of \$105,618 is primarily due to the Academy requiring more maintenance than expected.

FIRST STATE MILITARY ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)

Contractual Services

A favorable variance of \$413,872 is recognized as a result of operating and maintenance contracts being less than expected.

CAPITAL ASSETS

The Academy has \$5,147,890 invested in capital assets and right-to-use assets, net of depreciation/amortization. Capital additions for the current year totaled \$122,678. The additions related to the purchase of furniture and equipment, buildings and improvements, and right-to-use assets. Depreciation/amortization expense for the year ended June 30, 2024 was \$244,355. Detailed information regarding capital asset activity is included in Note 3 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2024, the Academy had total outstanding debt of \$6,378,202 in the form of two loans payable to the United States Department of Agriculture under the Community Facilities Loans and Grants program. More detailed information regarding this loan can be found in Note 4 to the financial statements.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The financial model the Academy has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will have to be made.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Academy office at (302) 223-2150.

BASIC FINANCIAL STATEMENTS

**FIRST STATE MILITARY ACADEMY
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023**

	Governmental Activities	
	2024	2023
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 1,518,393	\$ 1,636,424
Accounts receivable	28,222	56,761
Total Current Assets	1,546,615	1,693,185
NONCURRENT ASSETS:		
Land	94,290	94,290
Depreciable capital assets, net	5,053,600	5,172,021
Right-to-use assets, net	-	3,256
Total Noncurrent Assets	5,147,890	5,269,567
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	1,699,246	1,407,596
Deferred outflows - OPEB	3,680,962	4,968,851
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,380,208	6,376,447
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,074,713	\$ 13,339,199
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 8,408
Accrued salaries and related costs	609,454	719,237
Accrued interest	14,618	14,897
Due to related party	7,055	7,055
Lease payable	-	3,347
Loans payable	125,539	122,139
Total Current Liabilities	756,666	875,083
NONCURRENT LIABILITIES:		
Loans payable	6,252,663	6,378,202
Net pension liability	2,158,770	1,831,680
Net OPEB liability	10,963,569	10,998,181
Total Noncurrent Liabilities	19,375,002	19,208,063
TOTAL LIABILITIES	20,131,668	20,083,146
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - OPEB	3,603,266	3,875,434
TOTAL DEFERRED INFLOWS OF RESOURCES	3,603,266	3,875,434
NET DEFICIT:		
Net investment in capital assets	(1,230,312)	(1,234,121)
Unrestricted deficit	(10,429,909)	(9,385,260)
TOTAL NET DEFICIT	(11,660,221)	(10,619,381)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET DEFICIT	\$ 12,074,713	\$ 13,339,199

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

**FIRST STATE MILITARY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Comparative Data for the Year Ended June 30, 2023)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2024	2023
GOVERNMENTAL ACTIVITIES						
Instructional services	\$ (5,467,525)	\$ 76,903	\$ 352,917	\$ -	\$ (5,037,705)	\$ (5,499,065)
Support services:						
Operation and maintenance of facilities	(1,516,260)	-	-	-	(1,516,260)	(1,893,401)
Transportation	(685,540)	-	-	-	(685,540)	(748,995)
Food service	(263,308)	-	210,973	-	(52,335)	(75,158)
Interest on long-term debt	(177,008)	-	-	-	(177,008)	(180,416)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (8,109,641)</u>	<u>\$ 76,903</u>	<u>\$ 563,890</u>	<u>\$ -</u>	<u>(7,468,848)</u>	<u>(8,397,035)</u>
			GENERAL REVENUES			
			Charges to school districts	1,161,194	1,388,090	
			Payments from primary government	4,882,844	4,919,389	
			Interest income	77,254	122	
			Other local revenue	306,716	412,775	
			TOTAL GENERAL REVENUES	<u>6,428,008</u>	<u>6,720,376</u>	
			CHANGE IN NET DEFICIT	(1,040,840)	(1,676,659)	
			NET DEFICIT, BEGINNING OF YEAR	<u>(10,619,381)</u>	<u>(8,942,722)</u>	
			NET DEFICIT, END OF YEAR	<u>\$ (11,660,221)</u>	<u>\$ (10,619,381)</u>	

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

**FIRST STATE MILITARY ACADEMY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2024
(With Summarized Comparative Data for June 30, 2023)**

	General Fund	Capital Projects Fund	Totals	
			2024	2023
ASSETS				
Cash and pooled cash	\$ 1,438,425	\$ 79,968	\$ 1,518,393	\$ 1,636,424
Accounts receivable	28,222	-	28,222	56,761
TOTAL ASSETS	<u>\$ 1,466,647</u>	<u>\$ 79,968</u>	<u>\$ 1,546,615</u>	<u>\$ 1,693,185</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,408
Accrued salaries and related costs	609,454	-	609,454	719,237
Due to related party	2,055	5,000	7,055	7,055
TOTAL LIABILITIES	<u>611,509</u>	<u>5,000</u>	<u>616,509</u>	<u>734,700</u>
FUND BALANCES:				
Assigned	-	74,968	74,968	61,007
Unassigned	855,138	-	855,138	897,478
TOTAL FUND BALANCES	<u>855,138</u>	<u>74,968</u>	<u>930,106</u>	<u>958,485</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,466,647</u>	<u>\$ 79,968</u>	<u>\$ 1,546,615</u>	<u>\$ 1,693,185</u>

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

**FIRST STATE MILITARY ACADEMY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2024**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 930,106

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 funds. Capital assets net of accumulated depreciation/amortization as detailed in the footnotes are included in the statement of net position. 5,147,890

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

Accrued interest	\$	(14,618)	
Loans payable		(6,378,202)	
Net pension liability		(2,158,770)	
Net OPEB liability		<u>(10,963,569)</u>	(19,515,159)

Deferred inflows and outflows related to the Academy's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the Academy's amount of the net pension liability, changes in assumptions, differences between actual and expected experience, 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 1,699,246

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

Deferred outflows - OPEB		3,680,962	
Deferred inflows - OPEB		<u>(3,603,266)</u>	<u>77,696</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (11,660,221)

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

**FIRST STATE MILITARY ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024
(With Summarized Comparative Data for the Year Ended June 30, 2023)**

	General Fund	Capital Projects Fund	Totals	
			2024	2023
REVENUES				
Charges to school districts	\$ 1,161,194	\$ -	\$ 1,161,194	\$ 1,388,090
State aid	4,882,844	-	4,882,844	4,919,389
Federal aid	529,803	-	529,803	851,012
Interest income	75,576	1,678	77,254	122
Contributions and donations	34,087	-	34,087	10,261
School programs	76,903	-	76,903	6,514
Other local revenue	298,597	8,119	306,716	412,775
TOTAL REVENUES	<u>7,059,004</u>	<u>9,797</u>	<u>7,068,801</u>	<u>7,588,163</u>
EXPENDITURES				
Current:				
Instruction	4,299,482	-	4,299,482	4,619,414
Operation and maintenance of facilities	1,495,838	836	1,496,674	1,871,855
Transportation	685,540	-	685,540	748,995
Food service	263,308	-	263,308	252,928
Capital outlays:				
Property	128	-	128	7,835
Equipment	49,275	-	49,275	24,556
Debt service:				
Principal	3,347	122,139	125,486	122,084
Interest	50	177,237	177,287	180,689
TOTAL EXPENDITURES	<u>6,796,968</u>	<u>300,212</u>	<u>7,097,180</u>	<u>7,828,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>262,036</u>	<u>(290,415)</u>	<u>(28,379)</u>	<u>(240,193)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(304,376)	304,376	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(304,376)</u>	<u>304,376</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(42,340)	13,961	(28,379)	(240,193)
FUND BALANCE, BEGINNING OF YEAR	<u>897,478</u>	<u>61,007</u>	<u>958,485</u>	<u>1,198,678</u>
FUND BALANCE, END OF YEAR	<u>\$ 855,138</u>	<u>\$ 74,968</u>	<u>\$ 930,106</u>	<u>\$ 958,485</u>

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

**FIRST STATE MILITARY ACADEMY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (28,379)

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 \$1,000 are capitalized and lease agreements more than \$5,000 are recorded as right-to-use assets, and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization in the current period.

Capital outlays	\$ 122,678	
Depreciation/amortization expense	<u>(244,355)</u>	(121,677)

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. 125,486

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 279

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized in the statement of activities based on the measurement date, whereas pension expenditures are recognized in the governmental funds when made to the plan. (35,440)

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 Academy's proportionate share of the expenses of the cost-sharing plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (981,109)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,040,840)

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

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

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

Reporting Entity

The Academy is the primary government and is considered a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The Academy 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 activities of the Academy. For the most part, the effect of interfund activity has been removed from these financial statements.

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

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 Academy are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy 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 Academy receives cash.

The Academy reports the following major governmental funds:

- **General Fund** – The general fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.
- **Capital Projects Fund** – The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the Academy.

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

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

Receivables and Payables

The Academy 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 land, buildings, building improvements, furniture and equipment, and right-to-use assets, are reported in the entity-wide financial statements. The Academy defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Right-to-use assets are defined as assets with term cost of more than \$5,000.

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.

Buildings and building improvements are depreciated using the straight-line method over the estimated useful lives of the related assets. Furniture and equipment of the Academy are depreciated using the straight-line method over the estimated useful lives of the related assets. Right-to-use assets are amortized over the term of the lease. The Academy generally uses the following estimated useful lives:

Buildings and improvements	40 years
Furniture and equipment	5 - 7 years

Long-term Obligations

In the entity-wide financial statements, long-term debt is reported as liabilities. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Academy reports as deferred outflows pension and OPEB contributions subsequent to the measurement date of the net pension

FIRST STATE MILITARY ACADEMY

NOTES TO FINANCIAL STATEMENTS

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

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 Academy reports as deferred inflows certain items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods.

Fund Equity

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

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

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

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Academy. 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 Board Treasurer 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 Academy considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Academy considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, unless the Board or Treasurer has provided otherwise in its commitment or assignment actions.

Net position represents the difference between assets and liabilities. The net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, 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

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

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

imposed on their use either through the enabling legislation adopted by the Academy 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 Academy's policy to use restricted resources first and then unrestricted resources as they are needed.

Income Tax Status

The Academy 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 Academy 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 Academy did not engage in any unrelated business activities during the fiscal year. Management believes it is more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the Academy's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America and, therefore, should be read in conjunction with the Academy's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE 2 CASH AND POOLED CASH

At June 30, 2024, the Academy had a cash and pooled cash balance of \$1,518,393. Of that amount, \$1,438,425 was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as pooled cash in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the Academy, but the credit risk cannot be categorized for these funds.

FIRST STATE MILITARY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED CASH (cont'd)

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, 2024, the reported amount of the Academy's deposits outside of the State Treasurer's Office was \$79,968. The bank balance at June 30, 2024 was \$79,968, all of which was covered by federal depository insurance.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
General capital assets not being depreciated/amortized:				
Land	\$ 94,290	\$ -	\$ -	\$ 94,290
Total general capital assets not being depreciated/amortized	<u>94,290</u>	<u>-</u>	<u>-</u>	<u>94,290</u>
General capital assets being depreciated/amortized:				
Buildings and improvements	6,057,135	-	-	6,057,135
Furniture and equipment	1,516,772	122,678	-	1,639,450
Right-to-use assets	9,770	-	-	9,770
Total general capital assets being depreciated/amortized	<u>7,583,677</u>	<u>122,678</u>	<u>-</u>	<u>7,706,355</u>
Accumulated depreciation	2,401,886	241,099	-	2,642,985
Accumulated amortization	6,514	3,256	-	9,770
Total depreciation and amortization	<u>2,408,400</u>	<u>244,355</u>	<u>-</u>	<u>2,652,755</u>
Total general capital assets being depreciated/amortized, net	<u>5,175,277</u>	<u>(121,677)</u>	<u>-</u>	<u>5,053,600</u>
Governmental Activities, Net	<u>\$ 5,269,567</u>	<u>\$ (121,677)</u>	<u>\$ -</u>	<u>\$ 5,147,890</u>

Depreciation/amortization expense was charged to the following governmental activities:

Instructional services	\$ 224,769
Operation and maintenance of facilities	<u>19,586</u>
	<u>\$ 244,355</u>

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES

Construction Loans

The Academy obtained financing from the United States Department of Agriculture ("USDA") in the amount of \$6,300,000 to finance the renovations to several of the Academy's buildings and to acquire equipment necessary for school operations. The loan is collateralized by all assets of the Academy. The loan is dated September 1, 2016, and bears interest at 2.75% for a term of 40 years. Interest only is payable annually on September 1 beginning September 1, 2017 through September 1, 2019. Thereafter, payments of principal and interest are due monthly on the first of each month in the amount of \$22,680 until the principal of the loan is repaid.

\$ 5,798,366

The Academy has also obtained financing from the USDA in the amount of \$630,000 to finance the renovations of another building. The loan is collateralized by all assets of the Academy. The loan is dated September 1, 2016, and bears interest at 2.75% for a term of 40 years. Interest only is payable annually on September 1 beginning September 1, 2017 through September 1, 2019. Thereafter, payments of principal and interest are due monthly on the first of each month in the amount of \$2,268 until the principal of the loan is repaid.

579,836

Total Governmental Activities

\$ 6,378,202

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 125,539	\$ 173,387	\$ 298,926
2026	129,035	170,341	299,376
2027	132,628	166,748	299,376
2028	136,322	163,054	299,376
2029	140,119	159,257	299,376
2030 - 2034	761,347	735,533	1,496,880
2035 - 2039	873,429	623,451	1,496,880
2040 - 2044	1,002,019	494,861	1,496,880
2045 - 2049	1,149,535	347,345	1,496,880
2050 - 2054	1,318,772	178,108	1,496,880
2055 - 2057	609,457	18,466	627,923
Total	<u>\$ 6,378,202</u>	<u>\$ 3,230,551</u>	<u>\$ 9,608,753</u>

Interest expense was \$176,958 for the year ended June 30, 2024.

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM LIABILITIES (cont'd)

Lease Payable

The Academy has entered a leasing arrangement for copiers as of July 1, 2021. The monthly cost of the lease is \$283 for 36 months and has been paid off as of June 2024.

Interest expense was \$50 for the year ended June 30, 2024.

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

	Amounts Outstanding 07/01/2023	Additions	Retirements	Amounts Outstanding 06/30/2024	Due Within One Year
Governmental Activities:					
Loans payable	\$ 6,500,341	\$ -	\$ 122,139	\$ 6,378,202	\$ 125,539
Lease payable	3,347	-	3,347	-	-
Net pension liability	1,831,680	327,090	-	2,158,770	-
OPEB liability	<u>10,998,181</u>	-	<u>34,612</u>	<u>10,963,569</u>	-
Total Governmental Activities	<u>\$ 19,333,549</u>	<u>\$ 327,090</u>	<u>\$ 160,098</u>	<u>\$ 19,500,541</u>	<u>\$ 125,539</u>

Payments of loans 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 5 RELATED PARTY TRANSACTIONS

The Academy has been advanced funds, interest free, by one of its founding Board members for the initial deposit on the purchase of the school land and buildings, as well as for various initial start-up costs. The funds are to be repaid on demand. As of June 30, 2024, the Academy owed the Board member \$7,055.

NOTE 6 FUND BALANCES

As of June 30, 2024, the Academy's fund balances are composed of the following:

	General Fund	Capital Projects Fund	Total Governmental Funds
Assigned – capital projects	\$ -	\$ 74,968	\$ 74,968
Unassigned	<u>855,138</u>	<u>-</u>	<u>855,138</u>
Total Fund Balances	<u>\$ 855,138</u>	<u>\$ 74,968</u>	<u>\$ 930,106</u>

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN

Plan Description

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

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

The following are brief descriptions of the Plan in effect as of June 30, 2023. For a more complete description, please refer to the Delaware Employees' Pension Plan Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

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

Benefits Provided

Service Benefits

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

Vesting

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

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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-2011 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

Disability Benefits

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

Survivor and Burial Benefits

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

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2024, the rate of the employer contribution was 11.71% of covered payroll. The Academy's contribution to PERS for the year ended June 30, 2024 was \$371,957.

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

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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

Pension Liability and Expense and Deferred Outflows Resources

At June 30, 2024, the Academy reported an asset of \$2,158,770 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. The Academy's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2023, the Academy's proportionate share of the net pension liability was 0.1378%, which was an increase of 0.0039% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Academy recognized pension expense of \$407,397. At June 30, 2023, the Academy reported deferred outflows and 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	\$ 689,098	\$ -
Changes of assumptions	152,825	-
Differences between actual and expected experience	283,917	-
Changes in proportions	201,449	-
Contributions subsequent to the date of measurement	<u>371,957</u>	<u>-</u>
	<u>\$ 1,699,246</u>	<u>\$ -</u>

An amount of \$371,957 is reported as deferred outflows of resources resulting from the Academy's contributions subsequent to the measurement date of June 30, 2023 and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2025. 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:

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

Years Ending June 30,

2025	\$ 84,184
2026	128,846
2027	907,972
2028	133,074
2029	<u>73,213</u>
	<u>\$ 1,327,289</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, and update procedures were used to roll forward the total pension liability to June 30, 2023. These actuarial valuations used the following actuarial assumptions, applied to all periods:

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

The total pension liabilities are measured based on 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 Pub-2010 Mortality Tables with Gender Adjustments for Employees, Healthy Annuitants, and Disabled Retirees as well as an adjusted version on MP-2020 Mortality Improvement Scale on a fully generational basis.

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

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

FIRST STATE MILITARY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 PENSION PLAN (cont'd)

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	33.8%
International equity	5.7%	15.9%
Fixed income	2.0%	25.2%
Alternative investments	7.8%	19.3%
Cash and equivalents	0.0%	5.8%

Discount Rate

The discount used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at 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 Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease 6.0%</u>	<u>Current Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
Academy's proportionate share of the net pension liability	\$ 4,209,216	\$ 2,158,770	\$ 438,895

FIRST STATE MILITARY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment Benefits ("OPEB") Fund Trust ("the Plan"), which is a cost-sharing, multiple-employer defined benefit plan established 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, 2023. For a more complete description, please refer to the Delaware Public Employees' Retirement System Annual Comprehensive Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at <https://open.omb.delaware.gov/financials.shtml>.

Plan Description and Eligibility

The State of Delaware Employees' Other Postemployment Benefits ("OPEB") Fund Trust ("the Plan") is a cost-sharing multiple-employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

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

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, 2024, the rate of the employer contribution was 16.01% of covered payroll. The Academy's contribution to the Plan for the year ended June 30, 2024 was \$508,603.

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

At June 30, 2024, the Academy reported a liability of \$10,963,569 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2022 to June 30, 2023. The Academy'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, 2023, the Academy's proportion was 0.1333%, which was an increase of 0.0036% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Academy recognized OPEB expense of \$1,489,712. At June 30, 2024, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 42,334	\$ -
Changes in proportions	1,772,608	-
Changes in assumptions	1,159,594	2,539,637
Net difference between expected and actual experience	197,823	1,063,629
Contributions subsequent to the date of measurement	508,603	-
	\$ 3,680,962	\$ 3,603,266

An amount of \$508,603 is reported as deferred outflows of resources resulting from the Academy's contributions subsequent to the measurement date of June 30, 2023 and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. 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,	
2025	\$ 43,166
2026	181,105
2027	(248,868)
2028	(151,705)
2029	(155,109)
2030	(99,496)
	\$ (430,907)

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total OPEB liability as of the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, and update procedures were used to roll forward the total OPEB liability to June 30, 2023. These actuarial valuations used the following actuarial assumptions:

- Discount rate – 3.82%
- Salary increases – 3.25% plus merit
- Healthcare cost trend rates – 7.00%

Mortality rates are based on the Sex-distinct Employee, Healthy Annuitant, and Disabled Annuitant Mortality Tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment facts. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study performed in 2021 and covering the period July 1, 2015 through June 30, 2020. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54% at the beginning of the current measurement period and 3.82% at the end based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2023 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 Academy's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 3.82%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.82%) or one percentage point higher (4.82%) than the current rate.

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 2.82%	Current Discount Rate 3.82%	1% Increase 4.82%
Academy's proportionate share of the net OPEB liability	\$ 13,022,849	\$ 10,963,569	\$ 9,328,363

Sensitivity of the Academy'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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00 %	Current Healthcare Trend Rate 7.00%	1% Increase 8.00%
Academy's proportionate share of the net OPEB liability	\$ 9,340,892	\$ 10,963,569	\$ 12,907,386

NOTE 9 RISK MANAGEMENT

The Academy 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 Academy. Insurance settlements have not exceeded insurance coverage in any of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE 10 UNCERTAINTIES

Grants

The Academy receives significant 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 is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the general fund. The Academy's administration believes such disallowance, if any, would be immaterial.

FIRST STATE MILITARY ACADEMY
NOTES TO FINANCIAL STATEMENTS

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The Academy overspent budgetary appropriations in the following categories:

Salaries	\$	83,220
Employment Costs	\$	35,197
Travel	\$	94,114
Transportation - buses	\$	28,238
Repairs and maintenance	\$	105,618
Supplies and materials	\$	26,337
Student activities	\$	45,367
Capital outlays – property	\$	128
Capital outlays – equipment	\$	92,145
Debt service – principal	\$	3,347
Debt service – interest	\$	50

The excess of expenditures over appropriations was financed by other expenditure category appropriations which did not exceed their budgeted amounts, revenues exceeding budgeted expectations, and existing fund balance.

NOTE 12 DEFICIT NET POSITION

For governmental activities, the unrestricted deficit amount of \$10,429,909 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the Academy’s actuarially determined net pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 13 INTERFUND TRANSFER

During the fiscal year ended June 30, 2024, the Academy made an interfund transfer totaling \$304,376 from the general fund to the capital projects fund for the purpose of funding debt service.

NOTE 14 SUBSEQUENT EVENTS

The Academy has evaluated all subsequent events through October 23, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST STATE MILITARY ACADEMY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 1,161,194	\$ 1,161,194	\$ 1,161,194	\$ -
State aid	4,865,758	4,865,758	4,882,844	17,086
Federal aid	600,545	600,545	529,803	(70,742)
Contributions and donations	10,700	10,700	34,087	23,387
School programs	261,668	261,668	76,903	(184,765)
Other local revenue	157,673	157,673	298,597	140,924
TOTAL REVENUES	<u>7,057,538</u>	<u>7,057,538</u>	<u>7,059,004</u>	<u>1,466</u>
EXPENDITURES				
Current:				
Salaries	3,098,799	3,098,799	3,182,019	(83,220)
Employment costs	1,579,681	1,579,681	1,614,878	(35,197)
Travel	1,500	1,500	95,614	(94,114)
Contractual services	689,392	689,392	275,520	413,872
Communications	59,000	59,000	29,146	29,854
Public utilities service	71,800	71,800	67,745	4,055
Insurance	61,959	61,959	61,959	-
Transportation - buses	720,757	720,757	748,995	(28,238)
Repairs and maintenance	73,000	73,000	178,618	(105,618)
Supplies and materials	363,100	363,100	389,437	(26,337)
Student activities	12,000	12,000	57,367	(45,367)
Capital outlays:		-		
Property	-	-	128	(128)
Equipment	-	-	92,145	(92,145)
Debt service:		-		
Principal	-	-	3,347	(3,347)
Interest	-	-	50	(50)
TOTAL EXPENDITURES	<u>6,730,988</u>	<u>6,730,988</u>	<u>6,796,968</u>	<u>(65,980)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>326,550</u>	<u>326,550</u>	<u>262,036</u>	<u>(64,514)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(304,376)	(304,376)	(304,376)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(304,376)</u>	<u>(304,376)</u>	<u>(304,376)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	22,174	22,174	(42,340)	(64,514)
FUND BALANCE, BEGINNING OF YEAR	<u>897,478</u>	<u>897,478</u>	<u>897,478</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 919,652</u>	<u>\$ 919,652</u>	<u>\$ 855,138</u>	<u>\$ (64,514)</u>

NOTE: The Academy's budget is presented on the modified accrual basis of accounting.

**FIRST STATE MILITARY ACADEMY
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE									
	JUNE 30, 2023	JUNE 30, 2022	JUNE 30, 2021	JUNE 30, 2020	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
Academy's proportion of the net pension liability (asset)	0.1378%	0.1339%	0.1261%	0.1152%	0.1080%	0.0927%	0.0666%	0.0406%	0.0019%	0.0000%
Academy's proportion of the net pension liability (asset) - dollar value	\$ 2,158,770	\$ 1,831,680	\$ (1,536,468)	\$ 1,619,820	\$ 1,681,625	\$ 1,197,220	\$ 977,015	\$ 611,392	\$ 12,322	\$ -
Academy's covered employee payroll	\$ 3,332,009	\$ 3,088,080	\$ 2,755,531	\$ 2,484,139	\$ 2,241,293	\$ 1,840,557	\$ 1,298,288	\$ 773,768	\$ 34,540	\$ -
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	64.79%	59.31%	-55.76%	65.21%	75.03%	65.05%	75.25%	79.01%	35.67%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	87.60%	88.76%	110.48%	87.27%	85.41%	87.49%	85.31%	84.11%	92.67%	95.80%

Note: The above information is presented as of the Plan's measurement date.

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 MILITARY ACADEMY
SCHEDULE OF ACADEMY PENSION CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 371,957	\$ 371,519	\$ 384,466	\$ 339,757	\$ 297,103	\$ 265,145	\$ 191,786	\$ 124,376	\$ 74,127	\$ -
Contributions in relation to the contractually required contribution	<u>371,957</u>	<u>371,519</u>	<u>384,466</u>	<u>339,757</u>	<u>297,103</u>	<u>265,145</u>	<u>191,786</u>	<u>124,376</u>	<u>74,127</u>	<u>-</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered employee payroll	\$ 3,176,405	\$ 3,332,009	\$ 3,088,080	\$ 2,755,531	\$ 2,484,139	\$ 2,241,293	\$ 1,840,557	\$ 1,298,288	\$ 773,768	\$ -
Contributions as a percentage of covered employee payroll	11.71%	11.15%	12.45%	12.33%	11.96%	11.83%	10.42%	9.58%	9.58%	0.00%

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 MILITARY ACADEMY
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>						
	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
Academy's proportion of the net OPEB liability	0.1333%	0.1297%	0.1218%	0.1125%	0.1051%	0.0904%	0.0651%
Academy's proportion of the net OPEB liability - dollar value	\$ 10,963,569	\$ 10,998,181	\$ 12,282,661	\$ 11,711,185	\$ 8,378,340	\$ 7,418,173	\$5,376,130
Academy's covered employee payroll	\$ 3,332,009	\$ 3,088,080	\$ 2,755,531	\$ 2,484,139	\$ 2,241,293	\$ 1,840,557	\$1,298,288
Academy's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	329.04%	356.15%	445.75%	471.44%	373.82%	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	7.71%	-6.04%	-6.06%	4.27%	4.89%	4.44%	4.13%

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

**FIRST STATE MILITARY ACADEMY
SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2024</u>	<u>JUNE 30, 2023</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 508,603	\$ 499,100	\$ 354,533	\$ 325,222	\$ 310,816	\$ 264,218	\$ 202,957
Contributions in relation to the contractually required contribution	<u>508,603</u>	<u>499,100</u>	<u>354,533</u>	<u>325,222</u>	<u>310,816</u>	<u>264,218</u>	<u>202,957</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered employee payroll	\$ 3,176,405	\$ 3,332,009	\$ 3,088,080	\$ 2,755,531	\$ 2,484,139	\$ 2,241,293	\$ 1,840,557
Contributions as a percentage of covered employee payroll	16.01%	14.98%	11.48%	11.80%	12.51%	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

**FIRST STATE MILITARY ACADEMY
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2024**

	<u>State Allocation</u>	<u>Local Funding</u>	<u>Federal Funding</u>	<u>Total</u>
ASSETS				
Cash and pooled cash	\$ 35,490	\$ 1,402,935	\$ -	\$ 1,438,425
Accounts receivable	<u>-</u>	<u>-</u>	<u>28,222</u>	<u>28,222</u>
TOTAL ASSETS	<u><u>\$ 35,490</u></u>	<u><u>\$ 1,402,935</u></u>	<u><u>\$ 28,222</u></u>	<u><u>\$ 1,466,647</u></u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accrued salaries and related costs	\$ -	\$ 581,232	\$ 28,222	\$ 609,454
Due to related party	<u>-</u>	<u>2,055</u>	<u>-</u>	<u>2,055</u>
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>583,287</u></u>	<u><u>28,222</u></u>	<u><u>611,509</u></u>
 FUND BALANCES:				
Unassigned	<u>35,490</u>	<u>819,648</u>	<u>-</u>	<u>855,138</u>
TOTAL FUND BALANCES	<u><u>35,490</u></u>	<u><u>819,648</u></u>	<u><u>-</u></u>	<u><u>855,138</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 35,490</u></u>	 <u><u>\$ 1,402,935</u></u>	 <u><u>\$ 28,222</u></u>	 <u><u>\$ 1,466,647</u></u>

FIRST STATE MILITARY ACADEMY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund			Total
	State Allocation	Local Funding	Federal Funding	
REVENUES				
Charges to school districts	\$ -	\$ 1,161,194	\$ -	\$ 1,161,194
State aid	4,882,844	-	-	4,882,844
Federal aid	-	-	318,830	318,830
Interest income	-	75,576	-	75,576
Food service revenue	-	-	210,973	210,973
Contributions and donations	-	34,087	-	34,087
School programs	-	76,903	-	76,903
Other local revenues	-	298,597	-	298,597
TOTAL REVENUES	<u>4,882,844</u>	<u>1,646,357</u>	<u>529,803</u>	<u>7,059,004</u>
EXPENDITURES				
Current:				
Instruction	2,995,684	1,141,695	162,103	4,299,482
Operation and maintenance of facilities	1,036,874	406,415	52,549	1,495,838
Transportation	531,007	87,778	66,755	685,540
Food services	11,553	40,782	210,973	263,308
Capital outlays:				
Property	-	89	39	128
Equipment	2,737	9,154	37,384	49,275
Debt service:				
Principal	-	3,347	-	3,347
Interest	-	50	-	50
TOTAL EXPENDITURES	<u>4,577,855</u>	<u>1,689,310</u>	<u>529,803</u>	<u>6,796,968</u>
OTHER FINANCING SOURCES (USES)				
Transfer in/(out)	(315,550)	11,174	-	(304,376)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(315,550)</u>	<u>11,174</u>	<u>-</u>	<u>(304,376)</u>
NET CHANGE IN FUND BALANCES	(10,561)	(31,779)	-	(42,340)
FUND BALANCES, BEGINNING OF YEAR	<u>46,051</u>	<u>851,427</u>	<u>-</u>	<u>897,478</u>
FUND BALANCES, END OF YEAR	<u>\$ 35,490</u>	<u>\$ 819,648</u>	<u>\$ -</u>	<u>\$ 855,138</u>

**FIRST STATE MILITARY ACADEMY
 SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2024**

EXPENDITURES

Current:

Salaries	\$ 3,182,019
Employment costs	1,614,878
Travel	95,614
Contractual services	276,356
Communications	29,146
Public utilities service	67,745
Insurance	61,959
Transportation - buses	748,995
Repairs and maintenance	178,618
Supplies and materials	389,437
Student activities	57,367

Capital outlays:

Property	128
Equipment	92,145

Debt service:

Principal	125,486
Interest	177,287

TOTAL EXPENDITURES

\$ 7,097,180



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

October 23, 2024

Board of Directors
First State Military Academy
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 the First State Military Academy ("the Academy"), Clayton, Delaware, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated October 23, 2024.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and recommendations as item 2024-001.

The Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Recommendations. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

FIRST STATE MILITARY ACADEMY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

2018-001

DEBT COVENANT NONCOMPLIANCE

Condition

During our audit for the year ended June 30, 2018, we noted that the Academy has not been compliant with debt covenant requirements related to the refinancing of outstanding construction loans originally held by NCALL, Inc. with the USDA under the Community Facilities Loans and Grants program. The two covenants state that the Academy must deposit funds on a monthly basis into two reserve accounts to meet the future debt service payments.

Criteria

Management should identify and be compliant with all debt covenant requirements.

Effect

Failure to comply with debt covenant requirements could result in the note being callable by the USDA, which could negatively impact the operations of the Academy.

Questioned Costs

This finding does not result in questioned costs.

Cause

Oversight by the Academy's staff and Board of Directors.

Recommendation

We recommended that the Academy implement policies or procedures that will enable them to comply with the debt covenant requirements listed above and review all agreements to verify that they are in compliance with all other covenants.

Status

During our current year audit, we noted that the transfers were not made to fund the reserve accounts. Therefore, this finding is still applicable for the current year. See current year finding 2024-001.

FIRST STATE MILITARY ACADEMY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2024-001

DEBT COVENANT NONCOMPLIANCE

Condition

During our audit for the year ended June 30, 2024, we noted that the Academy has not been compliant with debt covenant requirements related to the refinancing of outstanding construction loans originally held by NCALL, Inc. with the USDA under the Community Facilities Loans and Grants program. The two covenants state that the Academy must deposit funds on a monthly basis into two reserve accounts to meet the future debt service payments. This is a repeat finding from the prior year.

Criteria

Management should identify and be compliant with all debt covenant requirements.

Effect

Failure to comply with debt covenant requirements could result in the note being callable by the USDA, which could negatively impact the operations of the Academy.

Questioned Costs

This finding does not result in questioned costs.

Cause

Oversight by the Academy's staff and Board of Directors.

Recommendation

We recommend that the Academy implement policies or procedures that will enable them to comply with the debt covenant requirements listed above and review all agreements to verify that they are in compliance with all other covenants.



First State Military Academy

C. Scott Kidner, Chairman of the Board

J. Blair Newman, Principal

Colonel Robert E. Wallace, Commandant, MCJROTC



First State Military Academy - Fiscal Year 2023 - 2024 Corrective Action Plan

Date: October 23, 2024

To Whom It May Concern:

First State Military Academy (the "Academy") respectfully submits the following management response for the year ended June 30, 2024, based on the schedule of findings and recommendations included in the following audit report:

Audit Period: July 1, 2023 - June 30, 2024

Auditor: Barbacane, Thornton & Company LLP
Certified Public Accountants
503 Carr Road, Suite 100
Wilmington, DE 19809

Finding 2024-001 – Debt Covenant Noncompliance – During the year ended June 30, 2024, we noted that the Academy has not been compliant with debt covenant requirements related to the refinancing of outstanding construction loans originally held by NCALL, Inc. with the USDA under the Community Facilities Loans and Grants program. The two covenants state that the Academy must deposit funds on a monthly basis into two reserve accounts to meet the future debt service payments. This is a repeat finding from the prior year.

Recommendation – We recommend that the Academy implement policies or procedures that will enable them to comply with the debt covenant requirements listed above and review all agreements to verify that they are in compliance with all other covenants.

Action Taken – The Academy agrees with the finding. Currently, based on cash flow at the Academy the board has chosen not to deposit funds on a monthly basis into two reserve accounts to meet the future debt service payments as required under the USDA under the Community Facilities Loans and Grants program. The Academy would like to note that they have not defaulted on the loans. When cash flow permits, the Academy will begin to fund the reserve accounts to meet the future debt service payments.

Due Date to Complete the Implementation of the Corrective Action Plan – June 30, 2025.