

APPOQUINIMINK SCHOOL DISTRICT

SCHOOL CONSTRUCTION EXAMINATION
FISCAL YEAR ENDED JUNE 30, 2021



APPOQUINIMINK SCHOOL DISTRICT

REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2021

BACKGROUND

An examination engagement of the Appoquinimink School District Schedule of Construction Projects to determine whether it is in accordance with the criteria set forth in the Delaware Code, The State of Delaware Department of Education School Construction Technical Assistance Manual, and the State of Delaware Budget and Accounting Policy Manual.

In accordance with 29 Del. C. §7526, the State Auditor is mandated to conduct post-audits of any school construction improvement authorized by a school construction bond authorization act. This engagement was performed to examine financial data, recordkeeping and reports generated by the school district and related to Bond Bill construction projects.

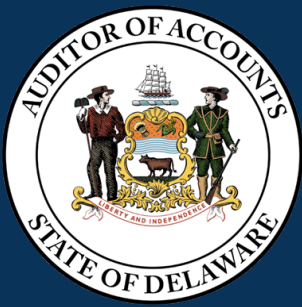
KEY INFORMATION AND FINDINGS

Since fiscal year 2018, state and local funding for Appoquinimink School District totaled \$275.2 million in construction appropriations, including \$87 million expended in FY2021.

We have examined the Appoquinimink School District's financial data, recordkeeping and reports related to its Schedule of Construction Projects for the fiscal year ended June 30, 2021, to determine whether the District's Capital Budget process was in accordance with the criteria set forth in the Delaware Code, the State of Delaware Department of Education School Construction Technical Assistance Manual, and the State of Delaware Budget and Accounting Policy Manual.

This engagement contained one finding on the Schedule of Construction Projects for Appoquinimink School District as stated below:

- The Schedule of Construction Projects was not accurately presented in that it erroneously reported an increase in funding of \$9,245,875 for appropriation 50187 as original funding.
- The Schedule of Construction Projects was not accurately presented in that it erroneously reported an original funding of \$16,113,798 for appropriation 25307 as an increase in funding.
- The Schedule of Construction Projects was not accurately presented in that it erroneously excluded \$7,303,741 in current year expenditures for appropriation 50486.



APPOQUINIMINK SCHOOL DISTRICT

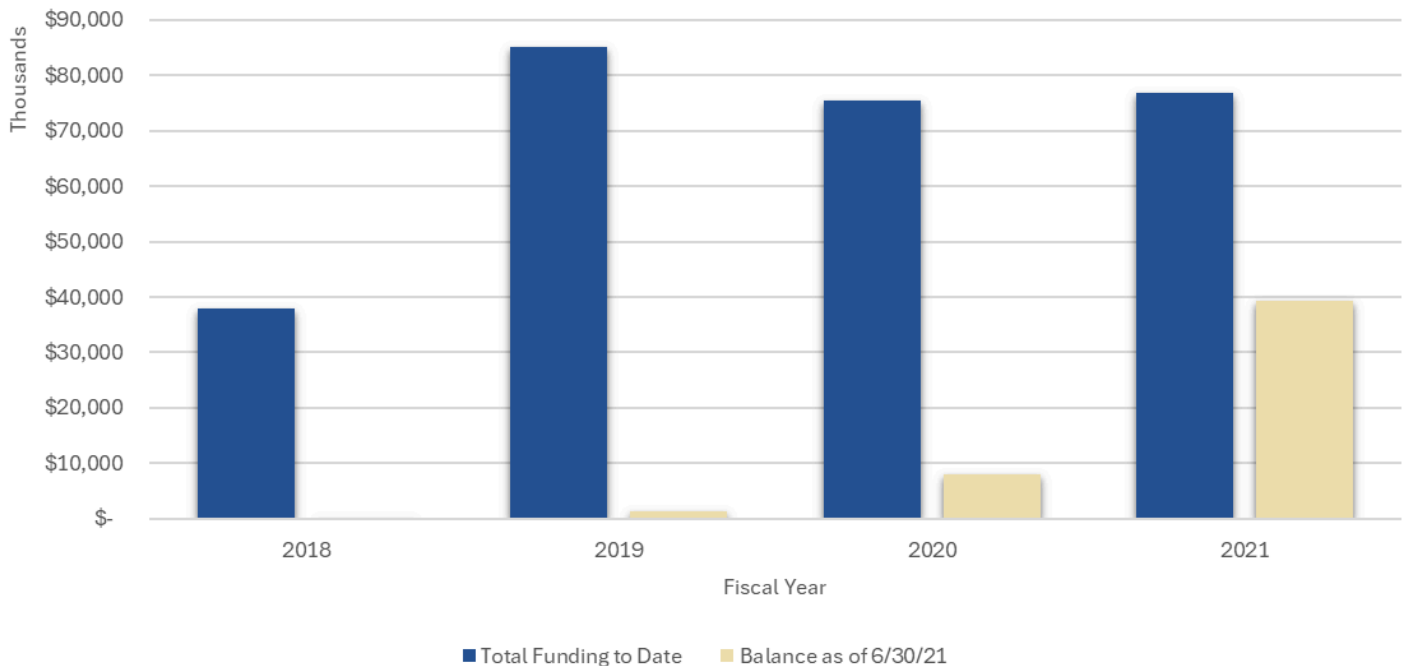
REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2021

KEY INFORMATION AND FINDINGS

Appoquinimink School District Summary of Active Project Capital Funding

FY	Total Funding to Date	Total Expended to Date	Balance as of 6/30/21
2018	\$37,869,061	\$37,867,877	\$1,184
2019	85,165,844	83,805,918	1,359,926
2020	75,423,078	67,471,282	7,951,796
2021	76,781,673	37,369,074	39,412,599
Total:	\$275,239,656	\$226,514,151	\$48,725,505

Appoquinimink Total Funding and Remaining Project Balance by Fiscal Year



**APPOQUINIMINK SCHOOL DISTRICT
STATEWIDE SCHOOL DISTRICT CONSTRUCTION
PROJECT EXAMINATION ENGAGEMENT
FISCAL YEAR ENDED JUNE 30, 2021**

BACKGROUND

School District Construction Projects

In accordance with 29 Del. C. §7509, the Department of Education (DOE) shall determine the present necessity for any school construction program. Once a School District (the District) identifies the need for a construction project and receives approval from its local Board of Education (the Board), it submits a request for Certificate of Necessity to the DOE by August 31 each year. The DOE then meets with the District to review appropriate documentation and discuss the necessity of the project. If it is deemed necessary, the DOE will include the project in its budget request for the following fiscal year. All projects that are included in the budget request are then issued a Certificate of Necessity (CN) by late October of each fiscal year, which authorizes the construction project and details the scope and cost limits for the project.¹

The DOE calculates the amount of the State of Delaware (the State) funding the District will receive using a standard school construction formula. The formula is uniform throughout the State and is based on pupil capacity for the type of school requested (i.e., elementary, middle, or high school). The remainder of the cost is paid with local tax receipts, thus referred to as the local share. Before a District can issue bonds to fund the local share of the construction costs, taxpayers must approve the bond sale through a referendum.² A referendum may occur any time after a CN is issued, and the District has one year and two opportunities to pass a successful referendum before needing to request a new CN from the DOE. The timing of each referendum is at the discretion of the Board. Vocational-Technical Districts are not subject to the referendum process. Instead, the Legislature approves these Districts' tax rates.³

The District must provide adequate public notice of the referendum that includes the purpose and amount of the proposed bond issuance, as well as the estimated annual amount of tax increase upon approval.⁴ The estimated increase, however, is based on certain assumptions that are subject to change, such as the anticipated interest rate on new bonds.⁵ Therefore, taxpayers are voting on the approval of the construction project and cannot rely on the advertised referendum rate as the effective tax rate. The District may ask its taxpayers to approve a local share in excess of the school construction formula to finance additional options. For example, if a construction project included expanding a particular school building and the District wished to continue the same flooring throughout the entire building, taxpayers may be asked to fund the costs in excess of the State formula. This particular request must be clearly labeled on the referendum voting ballot using the language set forth in 14 Del C. §2004.

¹ DOE's School Construction Technical Assistance Manual, Section 1.10, *Summary of Steps in the Major Capital Improvement Process*

² 14 Del. C. §2122

³ 14 Del. C., c. 26

⁴ 14 Del. C. §1074 (b)

⁵ Other rates that are not subject to voter approval (e.g., tuition, minor capital improvements) may be increased by the District to meet annual demands, thus resulting in the effective tax rate for the District.

The DOE presents its budget of all the State's Districts' construction projects to the Office of Management and Budget for approval and inclusion in the Governor's Recommended Budget. ⁶ The Governor's Recommended Budget is then subject to final approval by the Bond Bill Committee and the Legislature via the Bond and Capital Improvements Act (also referred to as the Bond Bill). If a District fails to obtain a successful referendum before June 30, its project is removed from the Governor's Recommended Budget and not included in that year's Bond Bill.

The District's Board then has the "power to employ engineers, architects and such other employees as it deems essential..." for its construction project per 29 Del. C. §7521. All final plans and specifications, including costs of construction under any school construction bond authorization act, are approved by the DOE. ⁷

Depending on various factors (e.g., the total cost of the project, other projects within the State), the District will receive funding for its construction project over the course of several fiscal years. For each State bond sale, the District receives an aggregate allocation of funds and must pay back a portion of those funds with local tax receipts. The local share for each District in the State can vary,⁸ depending on an assessment of the District's ability to meet its obligations. ⁹

The District coordinates with the Office of the State Treasurer to pay the local share of its outstanding principal and interest payments in accordance with 14 Del. C. §2108. Annually, the Office of Auditor of Accounts audits the Districts' local tax collections and debt service management in a separate engagement. Further, this engagement examines Bond Bill construction project expenditures.

In the event the construction project comes in under budget, the District may request permission from the State legislature to redirect the State-funded portion of the excess budget amount to fund another project. The subsequent epilogue language in the Bond Bill dictates if the District must put forth local tax receipts and what sources of funding the District may use, such as Minor Capital Improvement funds. Since this is a result of Delaware law, the change does not require a referendum.

There are no legal or statutory provisions that would prohibit a District from utilizing excess funds for early repayment of its debt.

Maintenance of Records

The District should maintain all appropriate documentation related to its construction projects and related debt, including documents related to the referendum process, for audit purposes.

⁶ Same as footnote 1

⁷ 29 Del. C. §7518

⁸ 29 Del. C. §7503 (b)

⁹ An Equalization Committee, as defined by 14 Del. C. §1707 (j), is comprised of 10 to 15 members appointed by the Secretary of the DOE. The equalization formula (detailed in 14 Del. C. §1707) incorporates an annual survey conducted by the University of Delaware and is annually reviewed and approved by the Equalization Committee.

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INDEPENDENT ACCOUNTANT'S REPORT

Dr. Matthew Burrows
Superintendent
Appoquinimink School District
118 South Sixth Street
Odessa, Delaware 19730

The Honorable Mark A. Holodick, Ed.D.
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, Delaware 19901

We have examined the accompanying State of Delaware Appoquinimink School District (the District) Schedule of Construction Projects for the fiscal year ended June 30, 2021 to determine whether it is in accordance with the criteria set forth in the Delaware Code, the State of Delaware Department of Education School Construction Technical Assistance Manual (SCM), and the State of Delaware Budget and Accounting Policy Manual (BAM). The District's management is responsible for the presentation of the Schedule of Construction Projects in accordance with the criteria set forth in the Delaware Code, the SCM, and the BAM. Our responsibility is to obtain reasonable assurance by evaluating the Schedule of Construction Projects against the criteria set forth in the Delaware Code, the SCM, and the BAM and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we obtain reasonable assurance by evaluating the District's presentation of the Schedule of Construction Projects for the fiscal year ended June 30, 2021 against the criteria set forth in the Delaware Code, the SCM, and the BAM and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the District's presentation of the Schedule of Construction Projects for the fiscal year ended June 30, 2021. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the District's Schedule of Construction Projects was not in accordance with the criteria set forth in the Delaware Code, the SCM, and the BAM in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the District's Schedule of Construction Projects for the fiscal year ended June 30, 2021 presents fairly, in all material respects, based on the criteria set forth in the Delaware Code, the SCM, and the BAM.

Dr. Matthew Burrows
Appoquinimink School District

The Honorable Mark A. Holodick, Ed.D.
Department of Education

The amounts reported in the Expended in Prior Years column of the Schedule of Construction Projects contain expenditures incurred prior to July 1, 2019 that were examined by other accountants. The fiscal year ended June 30, 2019 report dated December 11, 2020, expressed an unmodified opinion on the Schedule of Construction Projects. As a result, we did not examine expenditures incurred prior to July 1, 2019 reported in the Expended in Prior Years column of the Schedule of Construction Projects for the fiscal year ended June 30, 2021 and, therefore, express no opinion on it.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the District's Schedule of Construction Projects; and any other instances that warrant the attention of those charged with governance, noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether District's Schedule of Construction Projects is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control applicable to preparing the District's Schedule of Construction Projects or on compliance and other matters; accordingly, we express no such opinion. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and this finding, along with the views of responsible officials, are described in the attached Schedule of Current Year Findings.

This report is intended solely for the information and use of District management and board members, the Office of Auditor of Accounts, and the Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del. C. §10002, this report is public record, and its distribution is not limited. This report, as required by statute, was provided to the Office of the Governor, Office of the Controller General, General Assembly, Office of the Attorney General, and Office of Management and Budget.


BARBACANE, THORNTON & COMPANY LLP

Wilmington, Delaware
July 17, 2024

**SCHEDULE OF CONSTRUCTION PROJECTS
FISCAL YEAR ENDED JUNE 30, 2021**

Project Name	FY	APPR	Source of Funding (State/ Local)	Original Funding	Increases (Decreases) in Funding	Total Funding to Date	Expended in Prior Years	Expended in Current Year	Total Expended to Date	Balance as of 6/30/21
Appoquinimink, Construction	18	59947	100/0	\$ 6,972,197	\$ (103,136)	\$ 6,869,061	\$ 6,856,190	\$ 12,871	\$ 6,869,061	\$ -
Cantwell Bridge MS, Odessa HS	18	59946	75/25	3,416,266	-	3,416,266	2,891,051	524,031	3,415,082	1,184
Constr MS/HS	20	91440	75/25	-	2,181,987	2,181,987	146,510	1,808,143	1,954,653	227,334
Constr MS/HS	21	91440	75/25	-	1,001,884	1,001,884	-	615,176	615,176	386,708
Constr MS/HS 1	18	25391	75/25	-	2,215,791	2,215,791	2,191,016	24,775	2,215,791	-
Constr MS/HS 1	19	25391	75/25	-	1,919,030	1,919,030	1,503,032	352,186	1,855,218	63,812
Constr MS/HS 2	18	50480	75/25	25,367,943	-	25,367,943	25,357,511	10,432	25,367,943	-
Constr MS/HS 2	19	50480	75/25	52,153,932	-	52,153,932	48,795,701	3,354,119	52,149,820	4,112
Constr MS/HS 2	20	* 50480	75/25	63,179,000	(9,147,820)	54,031,180	22,739,353	27,840,823	50,580,176	3,451,004
Appoquinimink, Construc	19	50478	78/22	14,978,200	(1,131,193)	13,847,007	13,756,745	89,971	13,846,716	291
Odessa HS	19	50187	75/25	-	9,245,875	9,245,875	9,059,335	186,540	9,245,875	-
Everett Meredith MS	19	50484	50/50	5,000,000	-	5,000,000	2,956,767	1,079,519	4,036,286	963,714
Everett Meredith MS	20	** 50484	0/100	-	8,400,000	8,400,000	111,799	4,577,053	4,688,852	3,711,148
Everett Meredith MS	21	50484	81/19	10,057,002	(3,700,000)	6,357,002	-	3,093,205	3,093,205	3,263,797
Everett Meredith MS	21	25307	100/0	16,113,798	-	16,113,798	-	3,328,222	3,328,222	12,785,576
Silver Lake ES	19	50486	75/25	3,000,000	-	3,000,000	1,859,214	812,789	2,672,003	327,997
Silver Lake ES	20	*** 50486	50/50	4,524,000	4,500,000	9,024,000	656,843	7,867,102	8,523,945	500,055
Silver Lake ES	21	50486	93/7	17,829,200	1,200,000	19,029,200	-	10,396,946	10,396,946	8,632,254
BMECC	20	**** 91445	0/100	-	1,785,911	1,785,911	606,150	1,117,506	1,723,656	62,255
BMECC	21	**** 91445	0/100	-	1,714,089	1,714,089	-	1,564,454	1,564,454	149,635
BMECC	21	50500	76/24	15,465,700	-	15,465,700	-	10,341,314	10,341,314	5,124,386
CRES	21	50501	76/24	3,579,000	-	3,579,000	-	1,473,639	1,473,639	2,105,361
Summit Land	21	50502	76/24	5,425,800	-	5,425,800	-	5,425,800	5,425,800	-
AHS Turf Fields	21	50509	0/100	2,237,500	-	2,237,500	-	18,154	18,154	2,219,346
MHS Turf Field	21	50510	0/100	1,118,700	-	1,118,700	-	18,154	18,154	1,100,546
Meredith MS Turf Field	21	50511	0/100	1,118,700	-	1,118,700	-	18,154	18,154	1,100,546
MHS Roof Renovation	21	50512	0/100	3,620,300	-	3,620,300	-	1,075,856	1,075,856	2,544,444
Construction Projects Total				\$ 255,157,238	\$ 20,082,418	\$ 275,239,656	\$ 139,487,217	\$ 87,026,934	\$ 226,514,151	\$ 48,725,505

Notes

* FY20 Bond Bill for Fairview Campus was different from what was actually funded. The District had contributed the total local share of the project in prior years. FY20 was the remaining amount of project and was State only. This was worked out between the District and OMB after the Bond Bill was completed.

** FY20 Bond Bill didn't include Meredith funding, but per the above note, OMB had reworked the funding and the local money for Fairview was to be moved to Meredith and Silver Lake instead. The OMB agreed amount (all local) to start Meredith renovation was \$10,000,000.

*** FY20 Bond Bill only included \$1,508,000 in local funding for Silver Lake renovation. The OMB reworked funding agreement allowed the District to add \$2,992,000 to this project in local funding.

**** BMECC appropriation 91445 for FY20 and FY21 is equal to the District's request to use \$3.5 million in VSA funds to start that project a few months early due to timing of construction.

**SCHEDULE OF CURRENT YEAR FINDINGS
JUNE 30, 2021**

Finding 2021-1

Criteria

Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission, defines control activities as “policies and procedures that help ensure management directives are carried out.” Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents. Management review controls are defined as activities of a person different than the preparer analyzing and performing oversight of activities performed and is an integral part of any internal control structure.

Management review of the Schedule of Construction Projects is required by Appoquinimink School District internal controls.

Condition

We noted that the Schedule of Construction Projects prepared by the District did not properly present information as detailed below:

- The approved Schedule of Construction Projects erroneously reported an increase in funding of \$9,245,875 for Appropriation 50187 as original funding.
- The approved Schedule of Construction Projects erroneously reported original funding of \$16,113,798 for Appropriation 25307 as an increase in funding.
- The approved Schedule of Construction Projects erroneously excluded \$7,303,741 in current year expenditures for Appropriation 50486.

Note: The Schedule of Construction Projects included on page 3 on this report reflects the corrected information.

Cause

Management of the District did not provide proper oversight regarding the review of information included in the Schedule of Construction Projects.

Effect

The Schedule of Construction Projects was not accurately presented.

Recommendation

We recommend that the District develop and implement a management review process to ensure accurate representation of the financial data within the Schedule of Construction Projects.

District's Response

Please see the attached response letter provided in connection with the findings from the State of Delaware construction audit for the year ended June 30, 2021.



Appoquinimink School District

THE WORLD IS OUR CAMPUS

Tony J. Marchio Administration Building | apposchooldistrict.com
313 South Fifth Street, PO Box 4010, Odessa, DE 19730-4010 | 302.376.4128

September 4, 2024

Barbacane Thornton & Company

This response letter is provided in connection with the findings from the State of Delaware Construction Audit for the year ended June 30, 2021.

Finding for the June 30, 2021: Schedule of Construction Projects was not accurately presented:

The audit noted three appropriations that contained errors.

Response regarding 50187:

The first noted error was regarding the fact that appropriation 50187 was erroneously listed as original funding. The District wants to make sure that it's noted that the funding was included in the Schedule. We acknowledge it was incorrectly put in the original funding line instead of Increased Funding, but it still adds up correctly to the Total Funding amount and overall the Summary was accurate for Total Funding.

Response regarding 25307:

The District disagrees with the auditors finding. The District had an agreement with OMB regarding the funding of construction projects after FY18 due to stress with the State budget where the district agreed to frontload projects and the State would fund more of the projects on the back years of construction. Everett Meredith was one project, where the State agreed that in FY21 the State would fund \$24,297,000 and the district would fund \$1,873,800. In the Bond bill, the State listed the State as funding \$8,183,202 and the local district funding \$1,873,202. I reminded OMB after the bond bill had been released that there was a deal that preceded me joining Appo. They agreed that they were short \$16,113,798 and they funded new funds that year in appropriation 25307. This appropriation was new for FY2021 and that's why it was placed in the original funding column.

Matt Burrows, Ed.D.
Superintendent

BOARD

Norman Abrams
Nichelle DeWitt
Richard Forsten, Esq.
Tashiba Graham
Michelle Wall

ADMINISTRATION

Tony J. Marchio Building
Marion E. Proffitt Training Center

PRESCHOOL

Age 3-4

Appoquinimink Preschool Center
Brick Mill ECC

ELEMENTARY

Early Childhood Centers /
Kindergarten

Brick Mill ECC
Cedar Lane ECC
Spring Meadow ECC
Townsend ECC

Grade 1-5 Schools

Brick Mill Elementary
Bunker Hill Elementary
Cedar Lane Elementary
Crystal Run Elementary
Lorewood Grove Elementary
Old State Elementary
Olive B. Loss Elementary
Silver Lake Elementary
Townsend Elementary

SECONDARY

Grade 6-8 Schools

Alfred G. Waters Middle
Cantwell's Bridge Middle
Everett Meredith Middle
Louis L. Redding Middle

Grade 9-12 Schools

Appoquinimink High
Middletown High
Odessa High

ADULT CONTINUING EDUCATION

James H. Groves High



Appoquinimink School District

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Response regarding 50486:

Regarding appropriation 50486, the audit is correct in that the amount was entered into the incorrectly. We believe that the expenditures for appropriation 50484 were accidentally entered instead.

Conclusion:

The District is reviewing the process of creating the Schedule of Construction Projects report and looking at ways to have one person enter information and cite appropriate sources and have a second person review the report for accuracy prior to submission. The current process is that one person prepares the report and there is no formal review before submission.

Signature

DIRECTOR OF FINANCE

Title

9/12/24

Date

Matt Burrows, Ed.D.
Superintendent

BOARD

Norman Abrams
Nichelle DeWitt
Richard Forsten, Esq.
Tashiba Graham
Michelle Wall

ADMINISTRATION

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Marion E. Proffitt Training Center

PRESCHOOL

Age 3-4
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Brick Mill ECC

ELEMENTARY

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Lorewood Grove Elementary
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Silver Lake Elementary
Townsend Elementary

SECONDARY

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Cantwell's Bridge Middle
Everett Meredith Middle
Louis L. Redding Middle

Grade 9-12 Schools

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Middletown High
Odessa High

ADULT CONTINUING EDUCATION

James H. Groves High