



ODYSSEY CHARTER SCHOOL, INC.
(A Component Unit of the State of Delaware)
WILMINGTON, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2018

ODYSSEY CHARTER SCHOOL, INC.
(A Component Unit of the State of Delaware)

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(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

November 13, 2018

Board of Directors
Odyssey Charter School, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Odyssey Charter School, Inc. ("the School"), Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Board of Directors
Odyssey Charter School, Inc.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odyssey Charter School, Inc., Wilmington, Delaware, as of June 30, 2018, 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.

Emphasis of a Matter

As discussed in Notes 1 and 13 to the financial statements, Odyssey Charter School, Inc. has adopted the requirements of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This statement modifies the accounting for the School's other postemployment benefits. As a result, the beginning governmental activities net position has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal

Board of Directors
Odyssey Charter School, Inc.

awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 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 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, 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 November 13, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the School's financial performance provides an overview of the financial activities for the year ended June 30, 2018. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3, and the School's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The net position of the School decreased by \$304,309, or 1.29 percent. Program revenues accounted for \$2,967,667, or 13.44 percent of total revenues, and the general revenues accounted for \$19,114,989, or 86.56 percent of total revenues. Also, the general fund reported a positive fund balance of \$1,539,874.

The School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The purpose of this statement is to improve transparency, consistency, and comparability of postemployment benefits other than pensions reported by state and local governments (e.g. charter schools and school districts). The implementation of GASB Statement No. 75 has had an impact on the entity-wide statements. The School is now required to report its proportionate share of the net other post-employment benefits ("OPEB") liability. This portion of the unfunded OPEB liability was a major factor in the total deficit in net position of \$23,814,515. The net OPEB liability reported in these financial statements at June 30, 2018 totals \$26,711,281. While the net OPEB liability is significant to the School's financial statements, it is a liability that the School has limited control over. This liability is anticipated to continue to increase in future years as medical costs increase. Reporting in the governmental fund is not affected by the implementation of this statement.

USING THE ANNUAL FINANCIAL REPORT

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

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by private sector corporations. All of the year's revenues and expenses are taken into consideration

ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

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

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the School's major funds and fund financial statements begins on page 13. These statements provide detailed information about the most significant funds and not the School as a whole. Certain funds are required to be established by State statute, while many other funds may be established by the School to help manage money for particular purposes and compliance with various grant provisions.

Governmental Funds

All of the School's activities are reported in the 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 an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The statement of the governmental funds provides a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or less financial resources available to spend in the near future to finance the School's programs. The difference between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$23,814,515 at the close of the fiscal year. The School's total assets are comprised of cash and pooled cash (17.26 percent), accounts receivable (0.03 percent), and capital assets net of depreciation (82.71 percent). The School uses capital assets to provide services; consequently, capital assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt obligations.

A summarized comparative analysis for the fiscal year 2018 to 2017 follows:

ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

TABLE 1
NET POSITION
June 30, 2018 and 2017

	2018	2017
Current and Other Assets		
Current assets	\$ 7,372,343	\$ 6,526,934
Capital assets, net of depreciation	35,259,272	34,491,301
Total Assets	42,631,615	41,018,235
Deferred Outflows of Resources	8,650,414	3,924,209
Total Assets and Deferred Outflows of Resources	51,282,029	44,942,444
Liabilities		
Current liabilities	5,743,356	3,076,634
Long-term liabilities	66,096,373	65,284,806
Total Liabilities	71,839,729	68,361,440
Deferred Inflows of Resources	3,256,815	91,210
Total Liabilities and Deferred Inflows of Resources	75,096,544	68,452,650
Net Position		
Net investment in capital assets	(1,547,213)	448,492
Restricted	3,580,834	4,429,209
Unrestricted	(25,848,136)	(28,387,907)
Total Net Deficit	\$(23,814,515)	\$(23,510,206)

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

TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2018 and 2017

	2018	2017
General Revenues		
Charges to school districts	\$ 6,663,994	\$ 5,334,059
State aid not restricted to specific purposes	12,243,765	10,309,462
Other revenues	207,230	346,124
Total General Revenues	19,114,989	15,989,645
Program Revenues		
Charges for services	1,884,850	815,161
Operating grants and contributions	1,082,817	1,151,315
Total Revenues	22,082,656	17,956,121

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018**

**TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2018 and 2017**

	2018	2017
Expenses		
Instructional services	16,517,919	12,670,683
Support services:		
Operation and maintenance of facilities	2,333,842	1,136,841
Transportation	511,583	614,457
School food services	531,507	510,289
Interest on long-term debt	2,492,114	2,481,068
Total Expenses	<u>22,386,965</u>	<u>17,413,338</u>
Change in Net Position	<u>\$ (304,309)</u>	<u>\$ 542,783</u>

Government Activities

The net position of the School's governmental activities decreased by \$304,309, and unrestricted net position reflects a deficit balance of \$25,848,136. The decrease in net position is attributable to the implementation of GASB 75 and the OPEB expense recognized in the current year.

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

	SERVICES			
	2018		2017	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	\$16,517,919	\$15,680,615	\$12,670,683	\$11,253,075
Support services:				
Operation and maintenance of facilities	2,333,842	1,142,346	1,136,841	1,356,516
Transportation	511,583	511,583	614,457	614,457
School food services	531,507	(407,360)	510,289	(258,254)
Interest on long-term debt	2,492,114	2,492,114	2,481,068	2,481,068
Total Expenses	<u>\$22,386,965</u>	<u>\$19,419,298</u>	<u>\$17,413,338</u>	<u>\$15,446,862</u>

The reliance on general revenues to support the governmental activities is reflected by the net cost services' columns, which basically indicate the need for general support to fund School operations.

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018**

THE SCHOOL'S FUNDS

The governmental funds (as presented on the balance sheet on page 13) reported a fund balance of \$5,120,708, which is an increase from the prior year's amount by \$377,949. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2017 to June 30, 2018.

	2018	2017	Increase (Decrease)
Governmental Fund Balance			
Nonspendable - prepaid expenses	\$ -	\$ 403	\$ (403)
Restricted - debt service	2,817,917	2,788,896	29,021
Restricted - repairs and maintenance of School facility	362,917	240,313	122,604
Restricted - renovations of School property	400,000	1,400,000	(1,000,000)
Unassigned - general fund	1,539,874	313,147	1,226,727
Total Fund Balance	\$ 5,120,708	\$ 4,742,759	\$ 377,949

General Fund

The increase in the School's fund balance of the general fund is due mainly to increases in charges to school districts and increases in state and federal aid which were greater than the related increases in instructional expenditures due to the increased enrollment at the School.

The tables that follow will assist the reader in evaluating the financial activities as compared to the prior year.

	Amounts		Percentage (%) Change
	2018	2017	
Revenues			
Charges to school districts	\$ 6,663,994	\$ 5,334,059	24.93%
State sources	12,243,765	10,309,462	18.76%
Federal sources	798,627	597,976	33.56%
Charges for services	1,884,850	1,368,500	37.73%
Miscellaneous revenue	491,420	346,124	41.98%
Total Revenues	\$22,082,656	\$17,956,121	22.98%

ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018

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

	Amounts		Percentage (%) Change
	2018	2017	
Expenditures by Object			
Instructional services	\$14,615,125	\$11,788,323	23.98%
Support services:			
Operation and maintenance of facilities	1,354,779	941,254	43.93%
Transportation	511,583	614,457	-16.74%
School food services	531,507	510,289	4.16%
Capital outlay	1,934,737	1,200,098	61.21%
Debt services	3,027,436	2,575,157	17.56%
Total Expenditures by Object	\$21,975,167	\$17,629,578	24.65%

GENERAL FUND BUDGET INFORMATION

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

CAPITAL ASSETS

The School has \$35,259,272 invested in capital assets, net of depreciation. During the current year, the School purchased three new school buses and food services equipment for \$343,236, added \$195,026 in building improvements, incurred construction costs of \$1,046,816, and incurred depreciation of \$817,107.

DEBT ADMINISTRATION

As of June 30, 2018, the School had total outstanding debt of \$36,806,485 in the form of loans and a bond payable. Detailed information regarding long-term debt activity is included in Note 4 to the financial statements. The School obtained a loan in the amount of \$270,460 to finance the purchase of three new school buses.

Other obligations include the net pension liability, net OPEB liability, accrued vacation pay, and sick leave for School employees. More detailed information about long-term liabilities is included in Notes 4, 5, and 6 to the financial statements.

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2018**

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School is primarily funded by the State of Delaware and local municipalities and, thus, is affected by the economic outlook for the State and municipalities. The State and municipalities continue to support the funding of education.

The financial model the School 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 SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the funding received. If you have questions about this report or need additional financial information, contact the School's Finance Office at (302) 516-8000 or by writing to Building #22, Barley Mill Plaza, 4319 Lancaster Pike, Wilmington, DE 19805.

BASIC FINANCIAL STATEMENTS

ODYSSEY CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and pooled cash	\$ 7,360,388
Accounts receivable	11,955
Total Current Assets	<u>7,372,343</u>
NONCURRENT ASSETS:	
Land	11,704,800
Construction-in-progress	373,140
Depreciable capital assets, net	23,181,332
Total Noncurrent Assets	<u>35,259,272</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension contributions	863,761
Deferred pension	2,621,571
Deferred OPEB contributions	914,072
Deferred OPEB	4,251,010
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,650,414</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 51,282,029</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 98,799
Accrued salaries and related costs	2,152,836
Accrued interest payable	787,657
Loans payable	2,269,064
Bonds payable	435,000
Total Current Liabilities	<u>5,743,356</u>
NONCURRENT LIABILITIES:	
Compensated absences	428,378
Loans payable	292,421
Bonds payable	33,810,000
Net pension liability	4,854,293
Net OPEB liability	26,711,281
Total Noncurrent Liabilities	<u>66,096,373</u>
TOTAL LIABILITIES	<u>71,839,729</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension	85,585
Deferred OPEB	3,171,230
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,256,815</u>
NET POSITION (DEFICIT):	
Net investment in capital assets	(1,547,213)
Restricted for:	
Repayment of debt	2,817,917
Repairs and maintenance of School facilities	362,917
Renovations of the School property	400,000
Unrestricted (Deficit)	(25,848,136)
TOTAL NET POSITION (DEFICIT)	<u>(23,814,515)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u>\$ 51,282,029</u>

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

ODYSSEY CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES			Net (Expense) Revenue and Changes in Net Deficit
Instructional services	\$ (16,517,919)	\$ 280,442	\$ (15,680,615)
Support services:			
Operation and maintenance of facilities	(2,333,842)	907,306	(1,142,346)
Transportation	(511,583)	-	(511,583)
Food service	(531,507)	697,102	407,360
Interest expense and other charges	(2,492,114)	-	(2,492,114)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (22,386,965)</u>	<u>\$ 1,884,850</u>	<u>(19,419,298)</u>
		<u>\$ 1,082,817</u>	<u>\$ -</u>
			6,663,994
			12,243,765
			56,781
			150,449
			<u>19,114,989</u>
			(304,309)
			<u>(23,510,206)</u>
			<u>\$ (23,814,515)</u>
			GENERAL REVENUES
			Charges to school districts
			State aid not restricted to specific purposes
			Interest income
			Other local revenues
			TOTAL GENERAL REVENUES
			CHANGE IN NET DEFICIT
			NET DEFICIT, BEGINNING OF YEAR (RESTATED)
			NET DEFICIT, END OF YEAR

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

ODYSSEY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
ASSETS:					
Cash and pooled cash	\$ 3,779,554	\$ 2,817,917	\$ 362,917	\$ 400,000	\$ 7,360,388
Accounts receivable	11,955	-	-	-	11,955
TOTAL ASSETS	\$ 3,791,509	\$ 2,817,917	\$ 362,917	\$ 400,000	\$ 7,372,343
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 98,799	\$ -	\$ -	\$ -	\$ 98,799
Accrued salaries and related costs	2,152,836	-	-	-	2,152,836
TOTAL LIABILITIES	2,251,635	-	-	-	2,251,635
FUND BALANCES:					
Restricted	-	2,817,917	362,917	400,000	3,580,834
Unassigned	1,539,874	-	-	-	1,539,874
TOTAL FUND BALANCES	1,539,874	2,817,917	362,917	400,000	5,120,708
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,791,509	\$ 2,817,917	\$ 362,917	\$ 400,000	\$ 7,372,343

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

ODYSSEY CHARTER SCHOOL, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL
FUNDS TO STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,120,708

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 as detailed in the footnotes are included in the statement of net position. 35,259,272

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 payable	\$ (787,657)	
Compensated absences	(428,378)	
Loans payable	(2,561,485)	
Bonds payable	(34,245,000)	
Net pension liability	(4,854,293)	
Net OPEB liability	<u>(26,711,281)</u>	(69,588,094)

Deferred inflows of resources and deferred outflows of resources related to the School'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 School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension contributions	863,761	
Deferred outflows - pension	2,621,571	
Deferred inflows - pension	<u>(85,585)</u>	3,399,747

Deferred inflows of resources and deferred outflows of resources related to the School'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 School's amount of the total OPEB liability, 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 contributions	914,072	
Deferred outflows - OPEB	4,251,010	
Deferred inflows - OPEB	<u>(3,171,230)</u>	<u>1,993,852</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$(23,814,515)

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

ODYSSEY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
REVENUES					
Charges to school districts	\$ 6,663,994	-	-	-	\$ 6,663,994
State aid	12,243,765	-	-	-	12,243,765
Federal aid	556,862	-	-	-	556,862
Interest income	17,207	30,744	3,014	5,816	56,781
Food service revenue	938,867	-	-	-	938,867
Facilities rental	907,306	-	-	-	907,306
After care	280,442	-	-	-	280,442
Donations	284,190	-	-	-	284,190
Other local revenues	150,449	-	-	-	150,449
TOTAL REVENUES	<u>22,043,082</u>	<u>30,744</u>	<u>3,014</u>	<u>5,816</u>	<u>22,082,656</u>
EXPENDITURES					
Current:					
Instruction	14,615,125	-	-	-	14,615,125
Operation and maintenance of facilities	1,354,779	-	-	-	1,354,779
Transportation	511,583	-	-	-	511,583
Food services	531,507	-	-	-	531,507
Capital outlay	1,934,737	-	-	-	1,934,737
Debt service:					
Principal	130,993	405,000	-	-	535,993
Interest and other charges	128,405	2,363,038	-	-	2,491,443
TOTAL EXPENDITURES	<u>19,207,129</u>	<u>2,768,038</u>	<u>-</u>	<u>-</u>	<u>21,975,167</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,835,953</u>	<u>(2,737,294)</u>	<u>3,014</u>	<u>5,816</u>	<u>107,489</u>
OTHER FINANCING SOURCES (USES):					
Loan proceeds	270,460	-	-	-	270,460
Transfers in (out)	(1,880,089)	2,766,315	119,590	(1,005,816)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,609,629)</u>	<u>2,766,315</u>	<u>119,590</u>	<u>(1,005,816)</u>	<u>270,460</u>
NET CHANGE IN FUND BALANCES	1,226,324	29,021	122,604	(1,000,000)	377,949
FUND BALANCES, BEGINNING OF YEAR	313,550	2,788,896	240,313	1,400,000	4,742,759
FUND BALANCES, END OF YEAR	<u>\$ 1,539,874</u>	<u>\$ 2,817,917</u>	<u>\$ 362,917</u>	<u>\$ 400,000</u>	<u>\$ 5,120,708</u>

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

ODYSSEY CHARTER SCHOOL, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 377,949

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Disposal of fixed assets must be recognized at a gain or loss on entity-wide statements when incurred.

Capital outlays	\$ 1,585,078	
Depreciation expense	<u>(817,107)</u>	767,971

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. In addition, bond premiums are reported as other financing sources; however, these amounts are reported on the statement of net position as deferred charges and amortized over the life of the debt.

Debt proceeds	(270,460)	
Principal repayments on loans and bonds	<u>535,993</u>	265,533

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued interest	(671)	
Compensated absences	<u>(158,884)</u>	(159,555)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (361,787)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,194,420)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (304,309)

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Odyssey Charter School, Inc. is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. Odyssey Charter School, Inc.'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 Odyssey Charter School, Inc. have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Odyssey Charter School, Inc. ("the School") are described below.

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

- **General Fund.** The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- **Debt Service Fund.** These funds are maintained to accumulate resources for the payment of interest and principal on long-term general obligation debt.
- **Repair and Replacement Fund.** These funds are maintained to accumulate resources for the payment of repairs and maintenance of school facilities.
- **Supplementary Reserve Fund.** These funds are maintained to pay for renovations of the school property.

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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion) or "advances from/to other funds" (i.e., the noncurrent portion). At June 30, 2018, the School had no such activity.

Advances between funds, when present in the financial statements, are offset by fund balance reserves in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2018, the School had no such activity.

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

Capital Assets

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

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

Buildings and building improvements, and furniture and equipment of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

Buildings and building improvements	40 years
Furniture and equipment	5 years
Books	3 years

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. The liability for these amounts is reported in the governmental funds only when the liability matures, for example, as a result of employee resignations and retirements.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

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

Unassigned – all other spendable amounts.

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

Net Position

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Deferred Inflows and Outflows of Resources

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

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with generally accepted accounting principles 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.

Implementation of GASB Statement

During the year ended June 30, 2018, the School implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." GASB Statement No. 75 replaces the requirements of GASB Statement No. 45, with the objective of improving the accounting and financial reporting of state and local governments for other postemployment benefits. It requires that state and local governments recognize and record the actuarially determined net other postemployment benefits liability, or, for multi-employer cost sharing plans, the entity's share of the net other postemployment benefits liability, in the entity's financial statements.

NOTE 2 CASH AND POOLED CASH

At June 30, 2018, the School had a cash and pooled cash balance of \$7,360,388. Of that amount, \$3,698,701, 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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND POOLED CASH (cont'd)

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

At June 30, 2018, the reported amount of the School's deposits outside of the State Treasurer's Office was \$3,661,687. The bank balance at June 30, 2018 was \$3,661,687, of which \$330,853 was covered by federal depository insurance and \$3,330,834 was not insured or collateralized and, therefore, was subject to custodial credit risk.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Governmental Activities:</i>				
General capital assets not being depreciated:				
Land	\$ 11,704,800	\$ -	\$ -	\$ 11,704,800
Construction-in-progress	<u>2,913,269</u>	<u>1,046,816</u>	<u>(3,586,945)</u>	<u>373,140</u>
Total general capital assets not being depreciated	<u>14,618,069</u>	<u>1,046,816</u>	<u>(3,586,945)</u>	<u>12,077,940</u>
General capital assets being depreciated:				
Buildings/building improvements	20,930,318	3,781,971	-	24,712,289
Furniture and equipment	841,326	343,236	-	1,184,562
Books	<u>567,631</u>	<u>-</u>	<u>-</u>	<u>567,631</u>
Total general capital assets being depreciated	<u>22,339,275</u>	<u>4,125,207</u>	<u>-</u>	<u>26,464,482</u>
Accumulated depreciation	<u>(2,466,043)</u>	<u>(817,107)</u>	<u>-</u>	<u>(3,283,150)</u>
Total general capital assets being depreciated, net	<u>19,873,232</u>	<u>3,308,100</u>	<u>-</u>	<u>23,181,332</u>
Governmental Activities, Net	<u>\$ 34,491,301</u>	<u>\$ 4,354,916</u>	<u>\$ (3,586,945)</u>	<u>\$ 35,259,272</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 187,703
Operation and maintenance of facilities	<u>629,404</u>
	<u>\$ 817,107</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT

Revenue Bonds

General Obligation Bonds Series 2015 A and B - On February 18, 2015, the School issued \$34,650,000 in revenue bonds. The bonds were issued to finance the purchase and redevelopment of approximately 36 acres of land, improved with eight buildings at Barley Mill, and pay the costs and expenses of issuing and insuring the bond. Interest is payable on a semi-annual basis. The bonds bear interest at rates ranging from 6.25% to 7.00% and mature annually beginning in March 2017 through September 2045. The bonds are subject to certain financial covenants, which have not been met; as a result, the School could be under an event of default at the option of a majority of the bond holders, which could declare the bonds currently due in full; however, this has not been imposed at this time.

\$34,245,000

Loans

Term loan with a bank, interest at prime plus 0.5% per annum (5.0% at June 30, 2018), paid in monthly installments of \$2,545, with the remaining balance due March 2019; the loan is unsecured and is subject to certain financial covenants, which have not been met; as a result, the bank may impose a default interest rate by adding an additional 2.0% margin; however, this has not been imposed at this time.

342,987

Term loan with a bank, interest only through March 2010, after that, 108 monthly payments of principal and interest based on a 25-year amortization schedule with the remaining balance due March 2019, secured by the building, interest at prime plus .50% (5.0% at June 30, 2018); the loan is subject to certain financial covenants, which have not been met; as a result, the bank may impose a default interest rate by adding an additional 4.0% margin; however, this has not been imposed at this time.

1,853,961

Term loan with a bank, interest at prime plus 0.5% per annum (5.0% at June 30, 2018), paid in monthly installments of \$2,363, with the remaining balance due May 2023; the loan is unsecured and is subject to certain financial covenants, which have not been met; as a result, the bank may impose a default interest rate by adding an additional 2.0% margin; however, this has not been imposed at this time.

125,644

Term loan with a bank, interest at 5.99% per annum, paid in monthly installments of \$5,228, with the remaining balance due October 2022. The loan is secured by buses purchased.

238,893

TOTAL LOANS OUTSTANDING

2,561,485

TOTAL BONDS AND LOANS OUTSTANDING

\$36,806,485

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,704,064	\$ 2,437,711	\$ 5,141,775
2020	535,180	2,313,775	2,848,955
2021	568,424	2,279,606	2,848,030
2022	606,877	2,243,205	2,850,082
2023	611,940	2,205,132	2,817,072
2024 - 2028	3,370,000	10,421,852	13,791,852
2029 - 2033	4,715,000	9,085,919	13,800,919
2034 - 2038	6,660,000	7,181,381	13,841,381
2039 - 2043	9,510,000	4,391,450	13,901,450
2044 - 2045	7,525,000	814,625	8,339,625
Total	<u>\$ 36,806,485</u>	<u>\$ 43,374,656</u>	<u>\$ 80,181,141</u>

Interest expense was \$2,492,114 for the year ended June 30, 2018.

A schedule of changes in debt is as follows:

	<u>Amounts Outstanding 7/1/2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amounts Outstanding 6/30/2018</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$34,650,000	\$ -	\$ (405,000)	\$34,245,000	\$ 435,000
Loan payable	2,422,018	270,460	(130,993)	2,561,485	2,269,064
	<u>37,072,018</u>	<u>270,460</u>	<u>(535,993)</u>	<u>36,806,485</u>	<u>2,704,064</u>
Compensated absences	269,494	158,884	-	428,378	-
Net OPEB liability	24,290,544	2,420,737	-	26,711,281	-
Net pension liability	4,158,223	696,070	-	4,854,293	-
Total Governmental Activities	<u>\$65,790,279</u>	<u>\$ 3,546,151</u>	<u>\$ (535,993)</u>	<u>\$68,800,437</u>	<u>\$ 2,704,064</u>

Payments of bonds and notes payable are expected to be funded by the Debt Service Fund, and all other liabilities are expected to be funded by the General Fund.

NOTE 5 PENSION PLAN

Plan Description

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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, 2018. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, 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 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, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

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

Vesting

Employees hired before January 1, 2012 vest in the plan after five years of credited service. Employees hired on or after January 1, 2012 vest in the plan after ten years of credited service.

Retirement

Employees hired before January 1, 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 on or after January 1, 2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Disability Benefits

Disability benefits for those employees hired before January 1, 2012 are offered using the same calculations as the Service Benefits described above. Employees in this program must have five years of credited service. In lieu of disability pension benefits, over 90 percent of the members of this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Employees hired on or after January 1, 2012 are also included in the Disability Insurance Program.

Survivor and Burial Benefits

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

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

Contributions

Member Contributions

Employees hired before January 1, 2012 contribute three percent of earnings in excess of \$6,000. Employees hired on or after January 1, 2012 contribute five percent of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2018, the rate of the employer contributions was 11.52 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2018 was \$863,761.

PRI Contribution

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

At June 30, 2018, the School reported a liability of \$4,854,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2017, the School's proportion was 0.3311 percent, which was an increase of 0.0552 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense in the amount of \$1,225,548. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 567,485	\$ -
Difference between actual and expected experience	56,037	85,585
Changes in assumptions	953,805	-
Changes in proportions	1,044,244	-
Contributions subsequent to the date of measurement	<u>863,761</u>	<u>-</u>
	<u>\$ 3,485,332</u>	<u>\$ 85,585</u>

An amount of \$863,761 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 402,669
2020	887,065
2021	692,153
2022	217,213
2023	<u>336,886</u>
	<u>\$ 2,535,986</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.0 percent, including inflation of 2.5 percent
- Salary increases – 2.5 percent + Merit, including inflation of 2.5 percent
- Cost-of-living adjustments – ad hoc

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

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

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	33.5%
International equity	5.7%	13.7%
Fixed income	2.0%	26.6%
Alternative investments	7.8%	22.7%
Cash and equivalents	0.0%	3.5%

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Discount Rate

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

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 8,738,922	\$ 4,854,293	\$ 1,561,103

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2018. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

Benefits Provided

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

Contributions

Member Contributions

By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members are established and may not be amended by the State Legislature.

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, 2018, the rate of the employer contribution was 11.59 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2018 was \$914,072.

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

At June 30, 2018, the School reported a liability of \$26,711,281 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total pension

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2016 to June 30, 2017. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2017, the School's proportion was 0.3236 percent, which was an increase of 0.0562 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$2,108,492. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 52,889
Changes in proportions	4,251,010	-
Changes in assumptions	-	3,118,341
Contributions subsequent to the date of measurement	<u>914,072</u>	<u>-</u>
	<u>\$ 5,165,082</u>	<u>\$ 3,171,230</u>

An amount of \$914,072 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 213,313
2020	213,313
2021	213,313
2022	213,313
2023	<u>226,528</u>
	<u>\$ 1,079,780</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to roll forward the total pension liability to June 30, 2017. These actuarial valuations used the following actuarial assumptions, applied to all periods:

- Investment return – 7.0 percent
- Salary increases – 2.5 percent + Merit
- Cost-of-living adjustments – ad hoc

Mortality rates were based on the Sex Distinct RP-2014 Total Dataset Healthy Annuitant Mortality Table, including adjustment for healthy annuitant and disabled annuitant. Future mortality improvements are projected to 2020.

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

Discount Rate

The discount rate to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The 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 discounts rates used at the June 30, 2017 and 2016 measurement date are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.58 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58 percent) or one percentage point higher (4.58 percent) than the current rate.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 2.58%	Current Rate Discount Rate 3.58%	1% Increase 4.58%
School's proportionate share of the net pension liability	\$ 32,028,005	\$ 26,711,281	\$ 22,568,215

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 22,616,337	\$ 26,711,281	\$ 31,727,263

Plan Fiduciary Net Position

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

NOTE 7 LEASING ARRANGEMENTS

Operating Lease

The School leases three buses under an operating lease arrangement with an expiration date in January 2021. Total rental expense for the year ended June 30, 2018 was \$19,470.

At June 30, 2018, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 46,728
2020	46,728
2021	27,258
Minimum future rental payments required	<u>\$ 120,714</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 RISK MANAGEMENT

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

NOTE 9 COMMITMENTS AND CONTINGENCIES

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

Grants

The School receives 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 School's administration believes such disallowance, if any, would be immaterial.

Capital Improvement Commitments

As of June 30, 2018, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2018</u>	<u>Commitment</u>
Large gym	\$ 2,066,362	\$ 237,285	\$ 1,829,077
Elevator	179,507	74,640	104,867
Building 23 classrooms	<u>391,555</u>	<u>61,215</u>	<u>330,340</u>
Totals	<u>\$ 2,637,424</u>	<u>\$ 373,140</u>	<u>\$ 2,264,284</u>

NOTE 10 FUND BALANCES

As of June 30, 2018, fund balances are composed of the following:

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 FUND BALANCES (cont'd)

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
Restricted:					
Debt service	\$ -	\$2,817,917	\$ -	\$ -	\$ 2,817,917
School facilities	-	-	362,917	400,000	762,917
Unassigned	1,539,874	-	-	-	1,539,874
Total Fund Balances	<u>\$1,539,874</u>	<u>\$2,817,917</u>	<u>\$ 362,917</u>	<u>\$ 400,000</u>	<u>\$ 5,120,708</u>

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$ 1,785,039
Employment costs	\$ 830,471
Travel	\$ 43,664
Public utilities service	\$ 26,286
Insurance	\$ 7,244
Related services	\$ 316,120
Student activities	\$ 68,972
Capital outlay	\$ 322,977

Excess expenditures were covered by the School's revenues exceeding the budget and expenditures that were less than the budgeted appropriations in other areas.

NOTE 12 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2018 are as follows:

Fund	Transfer In	Transfer Out	Net Transfer In (Out)
General	\$ 1,005,816	\$ 2,885,905	\$ (1,880,089)
Debt service	2,766,315	-	2,766,315
Repair and replacement	119,590	-	119,590
Supplementary reserve	-	1,005,816	(1,005,816)
	<u>\$ 3,891,721</u>	<u>\$ 3,891,721</u>	<u>\$ -</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 INTERNAL TRANSFERS (cont'd)

Transfers from the general fund to the debt service fund were to cover the current year debt service payments. Transfers from the general fund to the repair and replacement reserve were to accumulate funds for future repairs. Transfers from the supplemental reserve fund to the general fund were approved by the bond trustees and were for the release of reserve funds for operations of the School.

NOTE 13 PRIOR PERIOD RESTATEMENT

The School has decreased its June 30, 2017 net position by \$23,523,009 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School recorded a beginning deferred outflow for OPEB contributions of \$767,535 and a beginning net OPEB liability of \$24,290,544.

NOTE 14 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$25,848,136 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 School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 15 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through November 13, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ODYSSEY CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 5,659,989	\$ 5,659,989	\$ 6,663,994	\$ 1,004,005
State aid	10,297,516	10,297,516	12,243,765	1,946,249
Federal aid	426,972	426,972	556,862	129,890
Interest income	-	-	17,207	17,207
Food service revenue	797,000	797,000	938,867	141,867
Facilities rental	602,536	602,536	907,306	304,770
After care	220,000	220,000	280,442	60,442
Donations	57,500	57,500	284,190	226,690
Other local revenues	293,023	293,023	150,449	(142,574)
TOTAL REVENUES	<u>18,354,536</u>	<u>18,354,536</u>	<u>22,043,082</u>	<u>3,688,546</u>
EXPENDITURES				
Current:				
Salaries	7,316,751	7,316,751	9,101,790	(1,785,039)
Employment costs	3,634,708	3,634,708	4,465,179	(830,471)
Travel	10,903	10,903	54,567	(43,664)
Contractual services	1,669,799	1,669,799	1,487,922	181,877
Professional development	36,400	36,400	24,397	12,003
Public utilities service	433,505	433,505	459,791	(26,286)
Insurance	92,038	92,038	99,282	(7,244)
Related services	436,065	436,065	752,185	(316,120)
Supplies and materials	825,555	825,555	448,909	376,646
Student activities	50,000	50,000	118,972	(68,972)
Capital outlay	1,611,760	1,611,760	1,934,737	(322,977)
Debt service:				
Principal	195,000	195,000	130,993	64,007
Interest	2,482,874	2,482,874	128,405	2,354,469
TOTAL EXPENDITURES	<u>18,795,358</u>	<u>18,795,358</u>	<u>19,207,129</u>	<u>(411,771)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(440,822)	(440,822)	2,835,953	3,276,775
OTHER FINANCING USES				
Loan proceeds	-	-	270,460	270,460
Transfer out	-	-	(1,880,089)	(1,880,089)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(1,609,629)</u>	<u>(1,609,629)</u>
NET CHANGE IN FUND BALANCE	(440,822)	(440,822)	1,226,324	1,667,146
FUND BALANCE, BEGINNING OF YEAR	<u>313,550</u>	<u>313,550</u>	<u>313,550</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ (127,272)</u>	<u>\$ (127,272)</u>	<u>\$ 1,539,874</u>	<u>\$ 1,667,146</u>

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

ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE OF DELAWARE EMPLOYEES' PENSION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	MEASUREMENT DATE		
	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>			
School's proportion of the net pension liability	0.3311%	0.2759%	0.2610%
School's proportion of the net pension liability - dollar value	\$ 4,854,293	\$ 4,158,223	\$ 1,736,595
School's covered employee payroll	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.25%	78.85%	35.67%
Plan fiduciary net position as a percentage of the total pension liability	85.31%	84.11%	92.67%
			95.80%

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.

**ODYSSEY CHARTER SCHOOL, INC.
 SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
 STATE OF DELAWARE EMPLOYEES' PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2018**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 863,761	\$ 617,960	\$ 504,157	\$ 465,410
Contributions in relation to the contractually required contribution	<u>863,761</u>	<u>617,960</u>	<u>504,157</u>	<u>465,410</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 8,426,937	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305
Contributions as a percentage of covered-employee payroll	10.25%	9.58%	9.56%	9.56%

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.

ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u> <u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.3236%
School's proportion of the net OPEB liability - dollar value	\$ 26,711,281
School's covered employee payroll	\$ 6,622,390
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	403.35%
Plan fiduciary net position as a percentage of the total OPEB liability	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.

**ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 914,072
Contributions in relation to the contractually required contribution	914,072
Contribution excess	\$ -
School's covered employee payroll	\$ 8,917,776
Contributions as a percentage of covered-employee payroll	10.25%

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

ODYSSEY CHARTER SCHOOL, INC.
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2018

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	\$ 198,836	\$ 3,580,718	\$ -	\$ 3,779,554
Accounts receivable	-	11,955	-	11,955
TOTAL ASSETS	\$ 198,836	\$ 3,592,673	\$ -	\$ 3,791,509
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 98,799	\$ -	\$ 98,799
Accrued salaries and related costs	-	2,152,836	-	2,152,836
TOTAL LIABILITIES	-	2,251,635	-	2,251,635
FUND BALANCES				
Unassigned	198,836	1,341,038	-	1,539,874
TOTAL FUND BALANCES	198,836	1,341,038	-	1,539,874
TOTAL LIABILITIES AND FUND BALANCES	\$ 198,836	\$ 3,592,673	\$ -	\$ 3,791,509

ODYSSEY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	-	\$ 6,663,994	-	\$ 6,663,994
State aid	12,243,765	-	-	12,243,765
Federal aid	-	-	556,862	556,862
Interest income	-	17,207	-	17,207
Food service revenue	-	697,102	241,765	938,867
Facilities rental	-	907,306	-	907,306
After care	-	280,442	-	280,442
Donations	-	284,190	-	284,190
Other local revenues	-	150,449	-	150,449
TOTAL REVENUES	<u>12,243,765</u>	<u>9,000,690</u>	<u>798,627</u>	<u>22,043,082</u>
EXPENDITURES				
Current:				
Instruction	8,424,081	5,652,802	538,242	14,615,125
Operation and maintenance of facilities	399,663	952,746	2,370	1,354,779
Transportation	255,587	255,996	-	511,583
Food services	31	289,711	241,765	531,507
Capital outlay	310,219	1,608,268	16,250	1,934,737
Debt service:				
Principal	-	130,993	-	130,993
Interest	-	128,405	-	128,405
TOTAL EXPENDITURES	<u>9,389,581</u>	<u>9,018,921</u>	<u>798,627</u>	<u>19,207,129</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,854,184	(18,231)	-	2,835,953
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	270,460	-	270,460
Transfer out	(2,822,014)	941,925	-	(1,880,089)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,822,014)</u>	<u>1,212,385</u>	<u>-</u>	<u>(1,609,629)</u>
NET CHANGE IN FUND BALANCES	32,170	1,194,154	-	1,226,324
FUND BALANCES, BEGINNING OF YEAR	166,666	146,884	-	313,550
FUND BALANCES, END OF YEAR	<u>\$ 198,836</u>	<u>\$ 1,341,038</u>	<u>\$ -</u>	<u>\$ 1,539,874</u>

**ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

EXPENDITURES

Current:

Salaries	\$ 9,101,790
Employment costs	4,465,179
Travel	54,567
Contractual services	1,487,922
Professional development	24,397
Public utilities service	459,791
Insurance	99,282
Related services	752,185
Supplies and materials	448,909
Student activities	118,972
Capital outlay	1,934,737
Debt service:	
Principal	535,993
Interest	2,491,443
	<hr/>
TOTAL EXPENDITURES	<u>\$ 21,975,167</u>

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

November 13, 2018

Board of Directors
Odyssey Charter School, Inc.
Wilmington, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Odyssey Charter School, Inc. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 13, 2018.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Odyssey Charter School, Inc.

Compliance and Other Matters

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

Purpose of This Report

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

November 13, 2018

Board of Directors
Odyssey Charter School, Inc.
Wilmington, Delaware

Report on Compliance for Each Major Federal Program

We have audited Odyssey Charter School Inc.'s ("the School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June, 30, 2018. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the School's major federal programs. However, our audit does not provide a legal determination of the School's compliance.

Board of Directors
Odyssey Charter School, Inc.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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


BARBACANE, THORNTON & COMPANY LLP

**ODYSSEY CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Source Code	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 06/30/17	REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/18	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Agriculture									
I	10.555	07/01/16-06/30/17	N/A	\$ 14,080	\$ 14,080	\$ -	\$ -	\$ -	\$ -
I	10.555	07/01/17-06/30/18	N/A	229,810	-	241,765	241,765	11,955	-
				243,890	14,080	241,765	241,765	11,955	-
				243,890	14,080	241,765	241,765	11,955	-
Total U.S. Department of Agriculture									
U.S. Department of Education									
Passed through DE Department of Education									
I	84.010	07/01/15-11/30/17	\$ 134,453	3,342	-	3,342	3,342	-	-
I	84.010	07/01/16-11/30/18	189,923	86,830	-	86,830	86,830	-	-
I	84.010	07/01/17-11/30/19	248,542	146,766	-	146,766	146,766	-	-
				236,938	-	236,938	236,938	-	-
				8,825	-	8,825	8,825	-	-
I	84.027	07/01/15-11/30/17	147,462	8,825	-	8,825	8,825	-	-
I	84.027	07/01/16-11/30/18	192,490	58,652	-	58,652	58,652	-	-
I	84.027	07/01/17-11/30/19	214,971	167,317	-	167,317	167,317	-	-
				234,794	-	234,794	234,794	-	-
				2,795	-	2,795	2,795	-	-
I	84.048	07/01/15-11/30/17	17,644	2,795	-	2,795	2,795	-	-
I	84.048	07/01/16-11/30/18	19,197	18,997	-	18,997	18,997	-	-
I	84.048	07/01/17-11/30/19	23,398	12,681	-	12,681	12,681	-	-
				34,473	-	34,473	34,473	-	-
				11,705	-	11,705	11,705	-	-
I	84.367	07/01/15-11/30/17	30,125	11,705	-	11,705	11,705	-	-
I	84.367	07/01/16-11/30/18	31,638	13,203	-	13,203	13,203	-	-
I	84.367	07/01/17-11/30/19	61,283	25,749	-	25,749	25,749	-	-
				50,657	-	50,657	50,657	-	-
				556,862	-	556,862	556,862	-	-
				\$ 800,752	\$ 14,080	\$ 798,627	\$ 798,627	\$ 11,955	\$ -
TOTAL FEDERAL AWARDS									
Source Code:									
I = Indirect funding									

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2018, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

84.010
84.027

Title I Grants to Local Educational Agencies
I.D.E.A. Part B

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.