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

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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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

October 16, 2019

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, 2019, 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

Board of Directors  
Odyssey Charter School, Inc.

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Odyssey Charter School, Inc., Wilmington, Delaware, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### 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 38 through 42 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 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.

Board of Directors  
Odyssey Charter School, Inc.

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 October 16, 2019, 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, 2019. 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 10.

**FINANCIAL HIGHLIGHTS**

The net position of the School decreased by \$1,503,029, or 6.31 percent. Program revenues accounted for \$3,306,038, or 12.97 percent of total revenues, and the general revenues accounted for \$22,189,112, or 87.03 percent of total revenues. Also, the general fund reported a positive fund balance of \$1,942,084.

**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 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.



**ODYSSEY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2019**

**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 \$25,317,544 at the close of the fiscal year. The School's total assets are comprised of cash and pooled cash (18.24 percent), accounts receivable (0.43 percent), prepaid expenses (0.22 percent) and capital assets net of depreciation (81.11 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 2019 to 2018 follows:

**TABLE 1  
NET POSITION  
June 30, 2019 and 2018**

	2019	2018
<b>Current and Other Assets</b>		
Current assets	\$ 8,413,862	\$ 7,372,343
Capital assets, net of depreciation	36,116,331	35,259,272
<b>Total Assets</b>	44,530,193	42,631,615
Deferred Outflows of Resources	14,942,167	8,650,414
<b>Total Assets and Deferred Outflows of Resources</b>	59,472,360	51,282,029
<b>Liabilities</b>		
Current liabilities	4,193,804	5,743,356
Long-term liabilities	75,666,586	66,096,373
<b>Total Liabilities</b>	79,860,390	71,839,729
Deferred Inflows of Resources	4,929,514	3,256,815
<b>Total Liabilities and Deferred Inflows of Resources</b>	84,789,904	75,096,544

**ODYSSEY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2019**

**TABLE 1  
NET POSITION  
June 30, 2019 and 2018**

(cont'd)	2019	2018
<b>Net Position (Deficit)</b>		
Net investment in capital assets	(903,324)	(1,547,213)
Restricted	3,745,008	3,580,834
Unrestricted (deficit)	(28,159,228)	(25,848,136)
<b>Total Net Deficit</b>	<b>\$(25,317,544)</b>	<b>\$(23,814,515)</b>

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, 2019 and 2018**

	2019	2018
<b>General Revenues</b>		
Charges to school districts	\$ 7,548,810	\$ 6,663,994
State aid not restricted to specific purposes	14,174,528	12,243,765
Other revenues	465,774	207,230
<b>Total General Revenues</b>	22,189,112	19,114,989
<b>Program Revenues</b>		
Charges for services	2,273,623	1,884,850
Operating grants and contributions	1,032,415	1,082,817
<b>Total Revenues</b>	25,495,150	22,082,656
<b>Expenses</b>		
Instructional services	20,490,350	16,517,919
Support services:		
Operation and maintenance of facilities	2,649,219	2,333,842
Transportation	687,399	511,583
School food services	737,217	531,507
Interest on long-term debt	2,433,995	2,492,114
<b>Total Expenses</b>	26,998,179	22,386,965
<b>Change in Net Position</b>	<b>\$ (1,503,029)</b>	<b>\$ (304,309)</b>

**Government Activities**

The net position of the School's governmental activities decreased by \$1,503,029, and unrestricted net position reflects a deficit balance of \$28,159,228. The decrease in net position is attributable to the pension and OPEB expense recognized in the current year.

**ODYSSEY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**YEAR ENDED JUNE 30, 2019**

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.

	<b>SERVICES</b>			
	2019		2018	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
<b>Governmental Activities</b>				
Instructional services	\$20,490,350	\$19,607,758	\$16,517,919	\$15,680,615
Support services:				
Operation and maintenance of facilities	2,649,219	1,699,519	2,333,842	1,142,346
Transportation	687,399	268,492	511,583	511,583
School food services	737,217	(317,622)	531,507	(407,360)
Interest on long-term debt	2,433,995	2,433,995	2,492,114	2,492,114
<b>Total Expenses</b>	<u>\$26,998,179</u>	<u>\$23,692,141</u>	<u>\$22,386,965</u>	<u>\$19,419,298</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.

**THE SCHOOL'S FUNDS**

The governmental funds (as presented on the balance sheet on page 12) reported a fund balance of \$5,687,092, which is an increase from the prior year's amount by \$566,384. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2018 to June 30, 2019.

	2019	2018	Increase
<b>Governmental Fund Balance</b>			
Nonspendable, prepaids	\$ 98,550	\$ -	\$ 98,550
Restricted - debt service	2,853,465	2,817,917	35,548
Restricted - repairs and maintenance of School facility	491,543	362,917	128,626
Restricted - renovations of School property	400,000	400,000	-
Unassigned - general fund	1,843,534	1,539,874	303,660
<b>Total Fund Balance</b>	<u>\$ 5,687,092</u>	<u>\$ 5,120,708</u>	<u>\$ 566,384</u>

**ODYSSEY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2019**

**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 aid which was 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.

	<b>Amounts</b>		<b>Percentage (%) Change</b>
	<b>2019</b>	<b>2018</b>	
<b>Revenues</b>			
Charges to school districts	\$ 7,548,810	\$ 6,663,994	13.28%
State sources	14,174,528	12,243,765	15.77%
Federal sources	796,851	798,627	-0.32%
Charges for services	2,273,622	1,884,850	20.63%
Miscellaneous revenue	613,711	491,420	24.89%
<b>Total Revenues</b>	<b><u>\$25,407,522</u></b>	<b><u>\$22,082,656</u></b>	<b><u>15.06%</u></b>

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.

	<b>Amounts</b>		<b>Percentage (%) Change</b>
	<b>2019</b>	<b>2018</b>	
<b>Expenditures by Object</b>			
Instructional services	\$17,545,780	\$14,615,125	20.05%
Support services:			
Operation and maintenance of facilities	1,913,621	1,354,779	41.25%
Transportation	573,275	511,583	12.06%
School food services	737,216	531,507	38.70%
Capital outlay	1,843,033	1,934,737	-4.74%
Debt services	3,124,643	3,027,436	3.21%
<b>Total Expenditures by Object</b>	<b><u>\$25,737,568</u></b>	<b><u>\$21,975,167</u></b>	<b><u>17.09%</u></b>

**Debt Service Fund**

The Debt Service Fund had a fund balance of \$2,853,465 at June 30, 2019. This was a \$35,548 increase from the prior year. The Debt Service Fund is funded by transfers from the General Fund and is maintained to accumulate resources for the payment of interest and principal on the long-term general obligation debt.

**ODYSSEY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)**  
**YEAR ENDED JUNE 30, 2019**

**Repair and Replacement Fund**

The Repair and Replacement Fund had a fund balance of \$491,543 at June 30, 2019. This was a \$128,628 increase from the prior year. The Repair and Replacement Fund is maintained to accumulate resources for the payment of repairs and maintenance of the school facilities.

**Supplemental Reserve Fund**

The Supplemental Reserve Fund had a fund balance of \$400,000 at June 30, 2019. There was no change from the prior year. The Supplemental Reserve Fund is maintained to pay for renovations of the school property.

**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 \$36,116,331 invested in capital assets, net of depreciation. During the current year, the School purchased seven new school buses, three vans, computer equipment, and added building improvements as well as incurring construction costs associated with renovations. The total of all additions was \$1,770,725, and the School incurred depreciation of \$913,666 during the year.

**DEBT ADMINISTRATION**

As of June 30, 2019, the School had total outstanding debt of \$37,019,655 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 loans in the amount of \$900,290 to finance the purchase of seven new school buses and to retrofit the school buildings as part of a LED light project.

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.

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

The School is primarily funded by the State of Delaware and, thus, is affected by the economic outlook for the State. The State continues 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.

**ODYSSEY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)  
YEAR ENDED JUNE 30, 2019**

**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.**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

	Governmental Activities	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 4,379,315	\$ 4,029,554
Investments	3,745,008	3,330,834
Accounts receivable	190,989	11,955
Prepaid expenses	98,550	-
Total Current Assets	8,413,862	7,372,343
NONCURRENT ASSETS:		
Land	11,704,800	11,704,800
Construction-in-progress	786,980	373,140
Depreciable capital assets, net	23,624,551	23,181,332
Total Noncurrent Assets	36,116,331	35,259,272
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	3,898,532	3,485,332
Deferred outflows - OPEB	11,043,635	5,165,082
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,942,167	8,650,414
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,472,360	\$ 51,282,029
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 118,162	\$ 98,799
Accrued salaries and related costs	2,517,120	2,152,836
Accrued interest payable	784,129	787,657
Loans payable	314,393	2,269,064
Bonds payable	460,000	435,000
Total Current Liabilities	4,193,804	5,743,356
NONCURRENT LIABILITIES:		
Compensated absences	619,536	428,378
Loans payable	2,895,262	292,421
Bonds payable	33,350,000	33,810,000
Net pension liability	5,392,007	4,854,293
Net OPEB liability	33,409,781	26,711,281
Total Noncurrent Liabilities	75,666,586	66,096,373
TOTAL LIABILITIES	79,860,390	71,839,729
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	306,384	85,585
Deferred inflows - OPEB	4,623,130	3,171,230
TOTAL DEFERRED INFLOWS OF RESOURCES	4,929,514	3,256,815
NET POSITION (DEFICIT):		
Net investment in capital assets	(903,324)	(1,547,213)
Restricted for:		
Repayment of debt	2,853,465	2,817,917
Repairs and maintenance of School facilities	491,543	362,917
Renovations of the School property	400,000	400,000
Unrestricted (Deficit)	(28,159,228)	(25,848,136)
TOTAL NET POSITION (DEFICIT)	(25,317,544)	(23,814,515)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 59,472,360	\$ 51,282,029

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



**ODYSSEY CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(With Summarized Comparative Data for the Year Ended June 30, 2018)

	Program Revenues			Net (Expense) Revenue and Changes in Net Deficit	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Totals
	Expenses	2019	2018		2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ (20,490,350)	\$ 360,709	\$ -	\$ (19,332,790)	
Support services:					
Operation and maintenance of facilities	(2,649,219)	714,135	235,565	(1,699,519)	
Transportation	(687,399)	418,907	-	(268,492)	
Food service	(737,216)	504,903	274,968	42,655	
Interest expense and other charges	(2,433,995)	-	-	(2,433,995)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (26,998,179)</b>	<b>\$ 1,998,654</b>	<b>\$ 1,307,384</b>	<b>(23,692,141)</b>	
<b>GENERAL REVENUES</b>					
Charges to school districts				6,663,994	
State aid not restricted to specific purposes				12,243,765	
Interest income				56,781	
Other local revenues				150,449	
<b>TOTAL GENERAL REVENUES</b>				<b>19,114,989</b>	
<b>CHANGE IN NET DEFICIT</b>				<b>(304,309)</b>	
<b>NET DEFICIT, BEGINNING OF YEAR</b>				<b>(23,510,206)</b>	
<b>NET DEFICIT, END OF YEAR</b>				<b>\$ (23,814,515)</b>	

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

**ODYSSEY CHARTER SCHOOL, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

(With Summarized Comparative Data for the Year Ended June 30, 2018)

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Repair and Replacement Fund</u>	<u>Supplementary Reserve Fund</u>	<u>Total Governmental Funds</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
<b>ASSETS:</b>					
Cash and pooled cash	\$ 4,379,315	-	-	-	\$ 4,029,554
Investments	-	2,853,465	491,543	400,000	3,330,834
Accounts receivable	190,989	-	-	-	11,955
Prepaid expenditures	98,550	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 4,668,854</u>	<u>\$ 2,853,465</u>	<u>\$ 491,543</u>	<u>\$ 400,000</u>	<u>\$ 7,372,343</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 118,162	-	-	-	\$ 98,799
Accrued salaries and related costs	2,517,120	-	-	-	2,152,836
<b>TOTAL LIABILITIES</b>	<u>2,635,282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,251,635</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - note receivable	91,488	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>91,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>					
Nonspendable	98,550	-	-	-	-
Restricted	-	2,853,465	491,543	400,000	3,580,834
Unassigned	1,843,534	-	-	-	1,539,874
<b>TOTAL FUND BALANCES</b>	<u>1,942,084</u>	<u>2,853,465</u>	<u>491,543</u>	<u>400,000</u>	<u>5,120,708</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,668,854</u>	<u>\$ 2,853,465</u>	<u>\$ 491,543</u>	<u>\$ 400,000</u>	<u>\$ 7,372,343</u>

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, 2019**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,687,092

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. 36,116,331

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	\$ (784,129)	
Compensated absences	(619,536)	
Loans payable	(3,209,655)	
Bonds payable	(33,810,000)	
Net pension liability	(5,392,007)	
Net OPEB liability	<u>(33,409,781)</u>	(77,225,108)

Some of the School's revenue will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are unavailable in the funds. 91,488

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	3,898,532	
Deferred inflows - pension	<u>(306,384)</u>	3,592,148

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	11,043,635	
Deferred inflows - OPEB	<u>(4,623,130)</u>	<u>6,420,505</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (25,317,544)

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, 2019**  
(With Summarized Comparative Data for the Year Ended June 30, 2018)

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
	2019	2018	2019	2018	2018
<b>REVENUES</b>					
Charges to school districts	\$ 7,548,810	\$ -	\$ -	\$ -	\$ 6,663,994
State aid	14,174,528	-	-	-	12,243,765
Federal aid	796,851	-	-	-	798,627
Interest income	40,746	66,979	8,626	7,308	56,781
Food service revenue	779,871	-	-	-	697,102
Facilities rental	714,135	-	-	-	907,306
After care	360,709	-	-	-	280,442
Donations	235,565	-	-	-	284,190
Transportation	418,907	-	-	-	-
Other local revenues	254,487	-	-	-	150,449
<b>TOTAL REVENUES</b>	<b>25,324,609</b>	<b>66,979</b>	<b>8,626</b>	<b>7,308</b>	<b>22,082,656</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	17,545,780	-	-	-	14,615,125
Operation and maintenance of facilities	1,913,621	-	-	-	1,354,779
Transportation	573,275	-	-	-	511,583
Food services	737,216	-	-	-	531,507
Capital outlay	1,843,033	-	-	-	1,934,737
Debt service:					
Principal	252,120	435,000	-	-	535,993
Interest and other charges	103,304	2,334,219	-	-	2,491,443
<b>TOTAL EXPENDITURES</b>	<b>22,968,349</b>	<b>2,769,219</b>	<b>-</b>	<b>-</b>	<b>21,975,167</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,356,260</b>	<b>(2,702,240)</b>	<b>8,626</b>	<b>7,308</b>	<b>107,489</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Loan proceeds	900,290	-	-	-	270,460
Refund of prior year revenue	(3,860)	-	-	-	-
Transfers in (out)	(2,850,480)	2,737,788	120,000	(7,308)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,954,050)</b>	<b>2,737,788</b>	<b>120,000</b>	<b>(7,308)</b>	<b>270,460</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>402,210</b>	<b>35,548</b>	<b>128,626</b>	<b>-</b>	<b>377,949</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,539,874</b>	<b>2,817,917</b>	<b>362,917</b>	<b>400,000</b>	<b>4,742,759</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,942,084</b>	<b>\$ 2,853,465</b>	<b>\$ 491,543</b>	<b>\$ 400,000</b>	<b>\$ 5,120,708</b>

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, 2019**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 566,384

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,770,725	
Depreciation expense	<u>(913,666)</u>	857,059

Because some revenue will not be collected for a time after the School's year end, the revenue is not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 91,488

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	(900,290)	
Principal repayments on loans and bonds	<u>687,120</u>	(213,170)

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	3,528	
Compensated absences	<u>(191,158)</u>	(187,630)

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. (345,313)

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. (2,271,847)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,503,029)

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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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

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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

- **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.

Investments

Investments are recorded at fair value.

In establishing the fair value of investments, the School uses the following hierarchy. The lowest level of valuation available is used for all investments.

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

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

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, 2019, 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, 2019, 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.



ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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
Vehicles	5 - 10 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.

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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

*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.

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 a note 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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2018 basic financial statements to be comparative with the current year presentation.

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS

***Deposits***

At June 30, 2019, the School had a cash and pooled cash balance of \$4,379,315. Of that amount, \$4,292,100, was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as pooled cash in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the 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, 2019, the reported amount of the School's deposits outside of the State Treasurer's Office was \$87,215. The bank balance at June 30, 2019 was \$87,215, of which \$87,215 was covered by federal depository insurance.

***Investments***

State statutes authorize the School to invest in U.S. government securities, government agency securities, certificates of deposit, time deposits and bankers acceptances, corporate debt instruments, money market funds, and other similar instruments that are insured by the Federal Deposit Insurance Corporation ("FDIC") or are backed by the full faith and credit of the United States of America or any of its agencies or instrumentalities.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS (cont'd)

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School has the following recurring fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Mutual Fund	\$ 3,745,008	\$ 3,745,008	\$ -	\$ -
TOTAL	<u>\$ 3,745,008</u>	<u>\$ 3,745,008</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 CAPITAL ASSETS

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
General capital assets not being depreciated:				
Land	\$11,704,800	\$ -	\$ -	\$11,704,800
Construction-in-progress	<u>373,140</u>	<u>413,840</u>	<u>-</u>	<u>786,980</u>
Total general capital assets not being depreciated	<u>12,077,940</u>	<u>413,840</u>	<u>-</u>	<u>12,491,780</u>
General capital assets being depreciated:				
Buildings/building improvements	24,712,289	436,408	-	25,148,697
Furniture and equipment	914,501	160,150	-	1,074,651
Books	567,632	-	-	567,632
Vehicles	<u>270,060</u>	<u>760,327</u>	<u>-</u>	<u>1,030,387</u>
Total general capital assets being Depreciated	<u>26,464,482</u>	<u>1,356,885</u>	<u>-</u>	<u>27,821,367</u>
Accumulated depreciation	<u>(3,283,150)</u>	<u>(913,666)</u>	<u>-</u>	<u>(4,196,816)</u>
Total general capital assets being depreciated, net	<u>23,181,332</u>	<u>443,219</u>	<u>-</u>	<u>23,624,551</u>
Governmental Activities, Net	<u>\$35,259,272</u>	<u>\$ 857,059</u>	<u>\$ -</u>	<u>\$36,116,331</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 136,252
Operation and maintenance of facilities	663,290
Transportation	<u>114,124</u>
	<u>\$ 913,666</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 been met. The 2015 B Bonds were paid in full in 2019.

\$33,810,000

Loans

Term loan with a bank, interest at prime plus 0.5% per annum (6.0% at June 30, 2019), paid in monthly installments of \$2,796, with the remaining balance due March 2029; the loan is unsecured.

329,464

Term loan with a bank, interest at prime plus 0.5% per annum (6.0% at June 30, 2019), paid in monthly installments of \$14,639 with the remaining balance due March 2029, secured by the building.

1,787,782

Term loan with a bank, interest at prime plus 0.25% per annum (5.75% at June 30, 2019), paid in monthly installments of \$2,363, with the remaining balance due May 2023; the loan is unsecured.

102,805

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

193,383

Term loan with a bank, interest at 5.35% per annum, paid in monthly installments of \$9,393, with the remaining balance due August 2023. The loan is secured by buses purchased.

419,755

Term loan with a bank, interest at 5.70% per annum, paid in monthly installments of \$3,556, with the remaining balance due November 2023. The loan is secured by buses purchased.

166,033

Term loan, interest at 2.5% per annum, paid in monthly installments of \$2,928, with the remaining balance due January 2026. The loan is unsecured.

210,433

TOTAL LOANS OUTSTANDING

3,209,655

TOTAL BONDS AND LOANS OUTSTANDING

\$37,019,655

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>
2020	\$ 774,393	\$ 2,479,485	\$ 3,253,878
2021	822,411	2,429,287	3,251,698
2022	876,128	2,376,179	3,252,307
2023	887,642	2,322,197	3,209,839
2024	766,847	2,271,822	3,038,669
2025 - 2029	5,302,234	10,591,447	15,893,681
2030 - 2034	5,045,000	8,756,519	13,801,519
2035 - 2039	7,155,000	6,705,656	13,860,656
2040 - 2044	10,200,000	3,701,600	13,901,600
2045 - 2046	5,190,000	369,600	5,559,600
Total	<u>\$ 37,019,655</u>	<u>\$ 42,003,792</u>	<u>\$ 79,023,447</u>

Interest expense was \$2,433,995 for the year ended June 30, 2019.

A schedule of changes in debt is as follows:

	Amounts			Amounts	Due Within
	Outstanding	Additions	Retirements	Outstanding	One Year
	7/1/2018			6/30/2019	
Governmental Activities:					
Bonds payable	\$34,245,000	\$ -	\$ (435,000)	\$33,810,000	\$ 460,000
Loans payable	2,561,485	900,290	(252,120)	3,209,655	314,393
	<u>36,806,485</u>	<u>900,290</u>	<u>(687,120)</u>	<u>37,019,655</u>	<u>774,393</u>
Compensated absences	428,378	191,158	-	619,536	-
Net OPEB liability	26,711,281	6,698,500	-	33,409,781	-
Net pension liability	4,854,293	537,714	-	5,392,007	-
Total Governmental Activities	<u>\$68,800,437</u>	<u>\$ 8,327,662</u>	<u>\$ (687,120)</u>	<u>\$76,440,979</u>	<u>\$ 774,393</u>

Payments of bonds and notes payable are expected to be funded by the General and Debt Service Funds, 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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

defined benefit public employees' retirement system ("the State PERS") defined by the Delaware Code.

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

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](http://www.delawarepensions.com).

Plan Description and Eligibility

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

There are two tiers within this plan: 1) employees hired prior to January 1, 2012, 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.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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.

*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, 2019, the rate of the employer contributions was 11.83 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2019 was \$1,229,659.

*PRI Contribution*

All reporting units participating in the State PERS make contributions to a PRI fund which accumulates resources to fund ad hoc postretirement increases granted by the General



ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

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

At June 30, 2019, the School reported a liability of \$5,392,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2017 to June 30, 2018. 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, 2018, the School's proportion was 0.4175 percent, which was an increase of 0.0864 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School recognized pension expense in the amount of \$1,574,972. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 228,564
Difference between actual and expected experience	281,795	77,820
Changes in assumptions	938,812	-
Changes in proportions	1,448,266	-
Contributions subsequent to the date of measurement	1,229,659	-
	<u>\$ 3,898,532</u>	<u>\$ 306,384</u>

An amount of \$1,229,659 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, 2020. 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:

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Year Ending June 30,

2020	\$ 952,969
2021	707,202
2022	108,357
2023	259,254
2024	<u>334,707</u>
	<u>\$2,362,489</u>

Actuarial Assumptions

The total pension liability as of the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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%

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.

	<u>1% Decrease 6.0%</u>	<u>Current Rate Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
School's proportionate share of the net pension liability	\$ 10,463,782	\$ 5,392,007	\$ 1,133,488

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](http://www.delawarepensions.com).

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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.

The following are brief descriptions of the Plan in effect as of June 30, 2019. 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](http://www.delawarepensions.com).

Plan Description and Eligibility

The State of Delaware Employees' Other Postemployment Benefits ("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

*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, 2019, the rate of the employer contribution was 11.79 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2019 was \$1,225,359.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

At June 30, 2019, the School reported a liability of \$33,409,781 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2017 to June 30, 2018. 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, 2018, the School's proportion was 0.4069 percent, which was an increase of 0.0833 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$3,497,206. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 83,944
Changes in proportions	9,818,276	-
Changes in assumptions	-	4,539,186
Contributions subsequent to the date of measurement	<u>1,225,359</u>	<u>-</u>
	<u>\$11,043,635</u>	<u>\$ 4,623,130</u>

An amount of \$1,225,359 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 OPEB liability in the year ended June 30, 2020. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

Year Ending June 30,

2020	\$ 873,796
2021	873,796
2022	873,796
2023	890,424
2024	<u>1,683,334</u>
	<u>\$5,195,146</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Actuarial Assumptions

The total OPEB liability as of the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total OPEB liability to June 30, 2018. 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 used 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 discount 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 3.87 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 (2.87 percent) or one percentage point higher (4.87 percent) than the current rate.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	1% Decrease 2.87%	Current Rate Discount Rate 3.87%	1% Increase 4.87%
School's proportionate share of the net OPEB liability	\$ 39,756,919	\$ 33,409,781	\$ 28,419,278

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 Healthcare Trend Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net OPEB liability	\$ 28,446,542	\$ 33,409,781	\$ 39,454,058

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](http://www.delawarepensions.com).

NOTE 7 LEASING ARRANGEMENTS

Operating Lease - Lessee

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, 2019, 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>	
2020	\$ 46,728
2021	27,258
Minimum future rental payments required	<u>\$ 73,986</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LEASING ARRANGEMENTS (cont'd)

Operating Lease – Lessor

The School leases buildings under an operating lease to Academia Antonia Alonso, Inc. with an expiration date of July 31, 2021. Total rental income for the year ended June 30, 2019 was \$692,940.

At June 30, 2019, the minimum future rental payments under the lease are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 682,630
2021	691,930
2022	<u>72,250</u>
Minimum future rental payments required	<u>\$1,446,810</u>

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.



ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 COMMITMENTS AND CONTINGENCIES (cont'd)

Capital Improvement Commitments

As of June 30, 2019, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2019</u>	<u>Commitment</u>
Large gym	\$ 2,066,362	\$ 229,129	\$ 1,837,233
Elevator	190,933	158,175	32,758
Building 23 classrooms	401,593	399,676	1,917
Building 23 12 <sup>th</sup> grade expansion	<u>743,763</u>	<u>-</u>	<u>743,763</u>
Totals	<u>\$ 3,402,651</u>	<u>\$ 786,980</u>	<u>\$ 2,615,671</u>

NOTE 10 FUND BALANCES

As of June 30, 2019, fund balances are composed of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Repair and Replacement Fund</u>	<u>Supplementary Reserve Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid expenditures	\$ 98,550	\$ -	\$ -	\$ -	\$ 98,550
Restricted:					
Debt service	-	2,853,465	-	-	2,853,465
School facilities	-	-	491,543	400,000	891,543
Unassigned	<u>1,843,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,843,534</u>
Total Fund Balances	<u>\$1,942,084</u>	<u>\$2,853,465</u>	<u>\$ 491,543</u>	<u>\$ 400,000</u>	<u>\$ 5,687,092</u>

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$ 14,930
Employment costs	\$ 243,892
Travel	\$ 73,394
Insurance	\$ 2,225
Related services	\$ 51,590
Student activities	\$ 82,114
Capital outlay	\$ 591,148
Debt service - principal	\$ 19,120
Debt service - interest	\$ 103,304

Excess expenditures were covered by the School's revenues exceeding the budget.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2019 are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net Transfer In (Out)</u>
General	\$ 58,152	\$2,908,632	\$(2,850,480)
Debt service	2,788,632	50,844	2,737,788
Repair and replacement	120,000	-	120,000
Supplementary reserve	-	7,308	(7,308)
	<u>\$2,966,784</u>	<u>\$2,966,784</u>	<u>\$ -</u>

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 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$28,159,228 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 14 SUBSEQUENT EVENTS

On July 22, 2019, the School was informed by the State Board of Education that the School has been placed on probation until June 30, 2020 after determining that the criteria for remedial action under Title 14, Delaware Code, Section 516 had been satisfied. If the terms of the probation are not met, the charter may be revoked on June 30, 2020.

The School has evaluated all subsequent events through October 16, 2019, 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, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges to school districts	\$ 7,229,444	\$ 7,577,098	\$ 7,548,810	\$ (28,288)
State aid	13,522,499	14,116,451	14,174,528	58,077
Federal aid	628,980	651,535	796,851	145,316
Interest income	-	-	40,746	40,746
Food service revenue	1,046,116	1,046,882	779,871	(267,011)
Facilities rental	618,135	618,135	714,135	96,000
After care	298,000	304,000	360,709	56,709
Donations	158,186	407,343	235,565	(171,778)
Transportation	-	-	418,907	418,907
Other local revenues	313,200	299,986	254,487	(45,499)
<b>TOTAL REVENUES</b>	<u>23,814,560</u>	<u>25,021,430</u>	<u>25,324,609</u>	<u>303,179</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	10,984,094	11,337,680	11,352,610	(14,930)
Employment costs	5,398,400	5,549,866	5,793,758	(243,892)
Travel	12,400	13,380	86,774	(73,394)
Contractual services	1,852,676	2,019,102	1,399,076	620,026
Professional development	79,650	79,650	45,344	34,306
Public utilities service	536,400	559,500	482,652	76,848
Insurance	115,000	120,456	122,681	(2,225)
Related services	379,933	376,105	427,695	(51,590)
Supplies and materials	997,629	1,097,382	857,188	240,194
Student activities	82,000	120,000	202,114	(82,114)
Capital outlay	1,239,225	1,251,885	1,843,033	(591,148)
Debt service:				
Principal	210,000	233,000	252,120	(19,120)
Interest	-	-	103,304	(103,304)
<b>TOTAL EXPENDITURES</b>	<u>21,887,407</u>	<u>22,758,006</u>	<u>22,968,349</u>	<u>(210,343)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,927,153	2,263,424	2,356,260	92,836
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	900,290	900,290
Refund of prior year revenue	-	-	(3,860)	(3,860)
Transfer out	(2,882,218)	(2,843,480)	(2,850,480)	(7,000)
<b>TOTAL OTHER FINANCING USES</b>	<u>(2,882,218)</u>	<u>(2,843,480)</u>	<u>(1,954,050)</u>	<u>889,430</u>
<b>NET CHANGE IN FUND BALANCE</b>	(955,065)	(580,056)	402,210	982,266
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,539,874</u>	<u>1,539,874</u>	<u>1,539,874</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 584,809</u>	<u>\$ 959,818</u>	<u>\$ 1,942,084</u>	<u>\$ 982,266</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, 2019**

	MEASUREMENT DATE				
	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>	<u>JUNE 30, 2014</u>
<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>					
School's proportion of the net pension liability	0.4175%	0.3311%	0.2759%	0.2610%	0.2047%
School's proportion of the net pension liability - dollar value	\$ 5,392,007	\$ 4,854,293	\$ 4,158,223	\$ 1,736,595	\$ 753,849
School's covered employee payroll	\$ 8,289,453	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305	\$ 3,774,749
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	65.05%	75.25%	78.85%	35.67%	19.97%
Plan fiduciary net position as a percentage of the total pension liability	87.49%	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, 2019**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 1,229,659	\$ 863,761	\$ 617,960	\$ 504,157	\$ 465,410
Contributions in relation to the contractually required contribution	<u>1,229,659</u>	<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>	<u>\$ -</u>
School's covered employee payroll	\$ 10,394,413	\$ 8,289,453	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305
Contributions as a percentage of covered-employee payroll	11.83%	10.42%	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, 2019**

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>	
	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.4069%	0.3236%
School's proportion of the net OPEB liability - dollar value	\$ 33,409,781	\$ 26,711,281
School's covered employee payroll	\$ 8,289,453	\$ 6,450,522
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	4.44%	4.13%

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

**ODYSSEY CHARTER SCHOOL, INC.  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 1,225,359	\$ 914,072
Contributions in relation to the contractually required contribution	<u>1,225,359</u>	<u>914,072</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 10,394,413	\$ 8,289,453
Contributions as a percentage of covered-employee payroll	11.79%	11.03%

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



**SUPPLEMENTARY INFORMATION**

**ODYSSEY CHARTER SCHOOL, INC.**  
**COMBINING BALANCE SHEET - GENERAL FUND**  
**JUNE 30, 2019**

	State Allocation	Local Funding	Federal Funding	Total
<b>ASSETS</b>				
Cash and pooled cash	\$ 370,340	\$ 4,008,975	\$ -	\$ 4,379,315
Accounts receivable	-	190,989	-	190,989
Prepaid expenditures	-	98,550	-	98,550
<b>TOTAL ASSETS</b>	<b>\$ 370,340</b>	<b>\$ 4,298,514</b>	<b>\$ -</b>	<b>\$ 4,668,854</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,580	\$ 116,582	\$ -	\$ 118,162
Accrued salaries and related costs	-	2,517,120	-	2,517,120
<b>TOTAL LIABILITIES</b>	<b>1,580</b>	<b>2,633,702</b>	<b>-</b>	<b>2,635,282</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - note receivable	-	91,488	-	91,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>91,488</b>	<b>-</b>	<b>91,488</b>
<b>FUND BALANCES</b>				
Nonspendable	-	98,550	-	98,550
Unassigned	368,760	1,474,774	-	1,843,534
<b>TOTAL FUND BALANCES</b>	<b>368,760</b>	<b>1,573,324</b>	<b>-</b>	<b>1,942,084</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 370,340</b>	<b>\$ 4,298,514</b>	<b>\$ -</b>	<b>\$ 4,668,854</b>

**ODYSSEY CHARTER SCHOOL, INC.**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	State Allocation	Local Funding	Federal Funding	Total
<b>REVENUES</b>				
Charges to school districts	-	\$ 7,548,810	-	\$ 7,548,810
State aid	14,174,528	-	-	14,174,528
Federal aid	-	-	521,883	521,883
Interest income	-	40,746	-	40,746
Food service revenue	-	779,871	274,968	1,054,839
Facilities rental	-	714,135	-	714,135
After care	-	360,709	-	360,709
Donations	-	235,565	-	235,565
Transportation	-	418,907	-	418,907
Other local revenues	-	254,487	-	254,487
<b>TOTAL REVENUES</b>	<u>14,174,528</u>	<u>10,353,230</u>	<u>796,851</u>	<u>25,324,609</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	10,191,194	6,832,703	521,883	17,545,780
Operation and maintenance of facilities	578,206	1,335,415	-	1,913,621
Transportation	120,088	453,187	-	573,275
Food services	64	462,184	274,968	737,216
Capital outlay	387,712	1,455,321	-	1,843,033
Debt service:				
Principal	-	252,120	-	252,120
Interest and other charges	-	103,304	-	103,304
<b>TOTAL EXPENDITURES</b>	<u>11,277,264</u>	<u>10,894,234</u>	<u>796,851</u>	<u>22,968,349</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,897,264	(541,004)	-	2,356,260
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan proceeds	-	900,290	-	900,290
Refund of prior year revenue	(3,860)	-	-	(3,860)
Transfer out	(2,723,480)	(127,000)	-	(2,850,480)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,727,340)</u>	<u>773,290</u>	<u>-</u>	<u>(1,954,050)</u>
<b>NET CHANGE IN FUND BALANCES</b>	169,924	232,286	-	402,210
<b>FUND BALANCES, BEGINNING OF YEAR</b>	198,836	1,341,038	-	1,539,874
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 368,760</u>	<u>\$ 1,573,324</u>	<u>\$ -</u>	<u>\$ 1,942,084</u>

**ODYSSEY CHARTER SCHOOL, INC.  
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

EXPENDITURES

Current:

Salaries	\$ 11,352,610
Employment costs	5,793,758
Travel	86,774
Contractual services	1,399,076
Professional development	45,344
Public utilities service	482,652
Insurance	122,681
Repairs and maintenance	427,695
Supplies and materials	857,188
Student activities	202,114
Capital outlay	1,843,033
Debt service:	
Principal	687,120
Interest	2,437,523
	<hr/>
TOTAL EXPENDITURES	<u>\$ 25,737,568</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

October 16, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 16, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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.

Board of Directors  
Odyssey Charter School, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and recommendations as items 2019-001 and 2019-002 that we consider to be material weaknesses.

#### 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*.

#### Odyssey Charter School, Inc.'s response to Findings

The School's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

October 16, 2019

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, 2019. 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.

Board of Directors  
Odyssey Charter School, Inc.

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.

#### 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, 2019.

#### 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, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

Source Code	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 06/30/18	REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/19	PASSED THROUGH TO SUB-RECIPIENTS
<u>U.S. Department of Agriculture</u>									
	10.555	07/01/17-06/30/18	N/A	\$ 11,955	\$ 11,955	\$ -	\$ -	\$ -	\$ -
	10.555	07/01/18-06/30/19	N/A	274,968	-	274,968	274,968	-	-
				286,923	11,955	274,968	274,968	-	-
				286,923	11,955	274,968	274,968	-	-
<u>Total U.S. Department of Agriculture</u>									
<u>U.S. Department of Education</u>									
	84.010	07/01/17-11/30/19	\$ 248,542	101,776	-	101,776	101,776	-	-
	84.010	07/01/18-11/30/20	248,542	123,863	-	123,863	123,863	-	-
				225,639	-	225,639	225,639	-	-
				254,477	-	254,477	254,477	-	-
	84.027	07/01/17-11/30/19	240,368	72,648	-	72,648	72,648	-	-
	84.027	07/01/18-11/30/20	280,524	181,829	-	181,829	181,829	-	-
				403	-	403	403	-	-
				403	-	403	403	-	-
				254,880	-	254,880	254,880	-	-
				9,620	-	9,620	9,620	-	-
				1,362	-	1,362	1,362	-	-
				10,982	-	10,982	10,982	-	-
				15,233	-	15,233	15,233	-	-
				15,149	-	15,149	15,149	-	-
				30,382	-	30,382	30,382	-	-
				521,883	-	521,883	521,883	-	-
				\$ 808,806	\$ 11,955	\$ 796,851	\$ 796,851	\$ -	\$ -
<u>TOTAL FEDERAL AWARDS</u>									
<u>Source Code:</u>									
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, 2019, 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?   X   Yes        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

10.555  
84.027 and 84.173

National School Lunch Program  
Special Education Cluster (IDEA)

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 (CONT'D)

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

**2019-001 – CAPITAL ASSET RECORDS**

Condition

We noted that the School did not maintain an accurate and up-to-date listing of capital assets. The capital asset records did not contain several additions and the related depreciation expense for assets acquired during the year. Specifically noted, the School did not record the purchase of seven buses, three vans, and various construction and renovation projects that were in progress. In addition, the School capitalized payments that were for the related debt service on a loan used to finance a renovation project as opposed to the actual cost of the renovation project.

Criteria

Entities should track all capital asset information to ensure that the net capital asset balances and depreciation expense reported in its financial statements are presented fairly. In addition, analysis of an entity's capital expense is important from both a budgetary perspective and for ongoing monitoring of the condition and estimated life of the entity's equipment and other capital assets.

Cause

The School's finance and accounting department does not have an individual whose assigned duties include the tracking and maintaining of a capital asset listing.

Effect

The School's capital assets were materially misstated.

Questioned Costs

This finding does not result in questioned costs.

ODYSSEY CHARTER SCHOOL, INC.  
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Recommendation

We recommend that the School assign an individual to begin tracking its capital assets to ensure that the asset listing includes all capital additions and deletions, depreciation expense, and accumulated depreciation. This will then allow the School to make sure its capital asset balances are fairly stated in the annual financial statements.

**2019-002 CONSTRUCTION PROJECT MANAGEMENT**

Condition

We noted that the School does not follow best practices for managing construction projects and protecting their interest in the project. Regarding projects early in the school year, we noted deficiencies in the School's ability to accumulate expenditures for project-based capital assets, a lack of Board approval of changes made to the original schematics and/or materials used, and not retaining funds for project completion.

In regard to projects started late in the school year, we noted some improvement with managing the construction projects, but some areas that still needed improvement, including the formalization of a bidding process for the project with the Board of Directors approval being documented within the Board meeting minutes.

As for the School not tracking the costs associated with construction projects, this led to the School capitalizing several items that were part of the renovation projects that were in progress. These costs should be tracked and capitalized once the project is completed as opposed to capitalizing individual invoices throughout the year.

Criteria

In order to make sure the directives of the School are carried out, the Board of Directors should be involved in all decision making for the School, including change orders related to construction projects.

Cause

Turnover in Board members and School leadership.

ODYSSEY CHARTER SCHOOL, INC.  
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Effect

As a result, the School had a project that was run by a general contractor with little board oversight. This resulted in a change of contractors, and additional costs were incurred related to the project.

Questioned Costs

This finding does not result in questioned costs.

Recommendation

The School should develop policies and procedures to manage its construction projects. Items to consider as part of the policies and procedures include, but are not limited to:

- Formalizing a bidding procedure
- Creating a committee to review and make recommendations of awarding the bid
- Documenting the bidding process, including awarding the bid in the board minutes
- Identifying a project manager responsible for the management of the project including approving invoices for payment (this is currently being done)
- Having the board approve all change orders and documenting the approval in the board minutes
- Developing a system for the costs accumulated by project to be tracked and added to the capital asset records and depreciated in accordance with the Scholl's accounting policies
- Requiring retainage to ensure the projects are completed to the School's specifications

Once developed, documented, and implemented, these policies and procedures will help ensure that construction projects are approved and accounted for properly.

Regarding the recommendations related to Board approval, these steps would ensure that the Board fulfills its fiduciary duties by documenting its approval and oversight of the projects.

Requiring retainage is a useful tool as it allows the School to retain five to ten percent of the value of the completed construction until the end of the project. The retained money is held until the project has gone through its final inspection and all punch-list items have been satisfactorily addressed. Once completed, the funds are then released.

ODYSSEY CHARTER SCHOOL, INC.  
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.





ODYSSEY CHARTER SCHOOL  
FISCAL YEAR 2018 - 2019 CORRECTIVE ACTION PLAN

October 16, 2019

To Whom It May Concern:

Odyssey Charter School respectfully submits the following management response for the year ended June 30, 2019, based on the schedule of findings and recommendation included in the following audit report.

Audit Report: July 1, 2018 - June 30, 2019

Auditor: Barbacane Thornton & Company LLP  
Certified Public Accountants  
3411 Silverside Road, 200 Springer Building  
Wilmington, DE 19810

**Finding 2019-001: CAPITAL ASSET RECORDS** – We noted that the School did not maintain an accurate and up-to-date listing of capital assets. The capital asset records did not contain several additions and the related depreciation expense for assets acquired during the year. Specifically noted, the School did not record the purchase of seven buses, three vans, and various construction and renovation projects that were in progress. In addition, the School capitalized payments that were for the related debt service on a loan used to finance a renovation project as opposed to the actual cost of the renovation project.

**Recommendation** – We recommend that the School assign an individual to begin tracking its capital assets to ensure that the asset listing includes all capital additions and deletions, depreciation expense, and accumulated depreciation. This will then allow the School to make sure its capital asset balances are fairly stated in the annual financial statements.

**Action Taken** – The Odyssey Charter School Business Office has been engaged in a restructuring process over the past six months to ensure it has the necessary bandwidth to support the H.R. and Finance operations of a \$25 million business, with some 250 employees. Although the purchase of the above-mentioned assets was recorded on a control spreadsheet, which was provided to the auditors, it was not recorded on a master capital asset spreadsheet capturing all the purchases and respective depreciation calculations.



The School is implementing the following corrective actions to address the finding:

1. Use of a capital asset control template, and
2. Assign one of the Office's staff the responsibility of tracking capital expenditures and asset acquisitions on the spreadsheet so all asset purchases during the School's fiscal year are (a) accounted for, (b) reported, and (c) depreciated.

**Finding 2019- 002: CONSTRUCTION PROJECT MANAGEMENT** – We noted that the School does not follow best practices for managing construction projects and protecting their interest in the project. Regarding projects early in the school year, we noted deficiencies in the School's ability to accumulate expenditures for project-based capital assets, a lack of Board approval of changes made to the original schematics and/or materials used, and not retaining funds for project completion.

In regard to projects started late in the school year, we noted some improvement with managing the construction projects, but some areas that still needed improvement, including the formalization of a bidding process for the project with the Board of Directors approval being documented within the Board meeting minutes.

As for the School not tracking the costs associated with construction projects, this led to the School capitalizing several items that were part of the renovation projects that were in progress. These costs should be tracked and capitalized once the project is completed as opposed to capitalizing individual invoices throughout the year.

**Recommendation** – The School should develop policies and procedures to manage its construction projects. Items to consider as part of the policies and procedures include, but are not limited to:

- Formalizing a bidding procedure
- Creating a committee to review and make recommendations of awarding the bid
- Documenting the bidding process, including awarding the bid in the Board minutes
- Identifying a project manager responsible for the management of the project including approving invoices for payment (this is currently being done)
- Having the Board approve all change orders and documenting the approval in the Board minutes
- Developing a system for the costs accumulated by project to be tracked and added to the capital asset records and depreciated in accordance with the School's accounting policies
- Requiring retainage to ensure the projects are completed to the School's specifications

Once developed, documented, and implemented, these policies and procedures will help ensure that construction projects are approved and accounted for properly.

Regarding the recommendations related to Board approval, these steps would ensure that the Board fulfills its fiduciary duties by documenting its approval and oversight of the projects.



Requiring retainage is a useful tool as it allows the School to retain five to ten percent of the value of the completed construction until the end of the project. The retained money is held until the project has gone through its final inspection and all punch-list items have been satisfactorily addressed. Once completed, the funds are then released.

**Action Taken** – The above finding has been at the forefront of Odyssey Charter School's new Administration this past year, as reported in the auditor's management letter for the SY 2018 audit. We agree with the expressed concerns.

With that as a backdrop,

- Over the past year, Administration has always had a project manager, in the person of the School's Campus Facilities Manager, who reviewed and approved all construction expenditures submitted by the general contractor(s). The Business Office further reconciled the documentation prior to issuance of payment.
- Administration implemented a multi-year retrofit planning process to ensure a holistic space design process that would allow for the implementation of a full bidding process in upcoming years. The School's senior leadership team completed this process in early March, after which it sought to establish a timely project management process that would ensure the completion of the summer retrofit of Building #23 by Labor Day 2019. This process was, knowingly, sub-optimal, and Administration obtained informal quotes after an internal base project budget was developed. The process is characterized as sub-optimal because the project timeline would not have permitted for the creation of detailed architectural drawings needed to conduct a full RFP process in a timely manner. Although the approved General Contract agreement was on a Cost Plus basis, the sub-contractor agreements were on a not-to-exceed cost basis, subject to change orders originating from different potential sources (county and state compliance requirements, project findings, design oversights, etc.)

Continuous improvement milestones achieved during this period are:

- Hands-on project oversight by School staff,
- Obtaining of Partial and Full Releases of Liens from the General Contractor and its sub-contractors,
- Resolution of past, pending obligations with the School by a formerly employed contractor.

Looking ahead towards the SY 2020 retrofit of some 8,000 square feet in Building #23, Administration has proactively initiated the design process so that it can engage Architect/Contractors to develop the required design documents and specifications necessary to implement a full RFP process for the project. This will allow the School to obtain multiple General Contractor bids, fully supported by detailed subcontractor bids, and is expected to be completed in the December - January timeframe so that a bid recommendation can occur no later than the School's February Board meeting. This process should minimize potential overruns. In addition, we plan to have:



# Odyssey Charter School

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- The Board validate the School's construction policies and procedures, under the guidelines established by the state of Delaware, and by those used by other charter schools across the state.
- The Board or designee(s) (e.g. a committee, or specific, duly approved Board members) approve any change order in excess of a stipulated amount and any projected overruns against the originally approved budget.
- The individual assigned to document capital purchases (as described in our response to Finding 1 above), will also be responsible to accumulate all construction project-related costs in a defined cost-control template.
- Retainages required as part of the final contract with the chosen General Contractor.