

**ODYSSEY CHARTER SCHOOL  
(A Component Unit of the State of Delaware)**

**ANNUAL FINANCIAL REPORT**

*Year Ended June 30, 2015*



*Certified Public Accountants and Business Consultants*

# **INTRODUCTORY SECTION**

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**(A Component Unit of the State of Delaware)**  
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(A Component Unit of the State of Delaware)**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Board of Directors  
Odyssey Charter School  
Wilmington, Delaware

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Odyssey Charter School (a component unit of the State of Delaware) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Odyssey Charter School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Odyssey Charter School's 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.

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

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

To the Board of Directors  
Odyssey Charter School  
Wilmington, Delaware

### ***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 the major fund of the Odyssey Charter School as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Emphasis of Matter***

As discussed in Note I to the financial statements, for the year ending June 30, 2015, the Odyssey Charter School adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 10, budgetary comparison information on pages 32 and 33, and schedule of school's proportionate share of pension liability on page 34, and schedule of contributions on page 35 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the Odyssey Charter 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 Odyssey Charter School's internal control over financial reporting and compliance.

*Maillie LLP*

West Chester, Pennsylvania  
September 25, 2015

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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The Board of Directors of the Odyssey Charter School (the "School") are pleased to present to readers of the financial statements of the School this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2015, its ninth year of operation.

**FINANCIAL HIGHLIGHTS**

**Governmental Activities**

- The assets of the School at the close of the fiscal year are \$(1,170,299) (net position), a decrease of \$361,302 from the previous year.

**Fund Level**

As of the close of the current fiscal year, the School's Governmental Fund (the General Fund) reported an ending fund balance of (\$487,355), an increase of \$128,675 from the previous year. Of this amount, \$94,908 is nonspendable and (\$582,263) is unassigned. The fund balance represents (1.1%) of total General Fund expenditures.

**Long-Term Debt**

- The School's total debt increased to \$37,257,070 at June 30, 2015, an increase of \$34,189,561. This increase is a result of the issuance of Series 2015 A&B Revenue Bonds, the proceeds of which was used to purchase the Barley Mill Campus.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the School's basic financial statements. The School's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 11) presents information on all of the School's assets, liabilities and deferred inflow of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the financial position of the School is improving or deteriorating.

The Statement of Activities (page 12) presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.



**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**Fund Financial Statements:** The fund financial statements begin on page 13 and provide detailed information about the General Fund. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts that the School uses to keep track of specific sources of funding and spending for a particular purpose. The General Fund falls into the governmental category.

- ***Governmental Funds*** - The School's basic services are reported in a Governmental Fund, which focuses on how cash flows into and out of the fund and the balances left at year-end that are available for future spending. The Governmental Fund financial statements provide a detailed, short-term view of the School's operations and the services it provides. Governmental Fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided (page 14) to explain the differences between the Governmental Fund Balance Sheet and the Statement of Net Position and between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (page 16). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets available to satisfy current liabilities.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 17 of this report.

**Required Supplementary Information:** In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget, as well as the School's proportionate share of the net pension liability. The required supplementary information can be found on pages 32 through 35.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net Position:** A year-to-year comparison of net position is as follows:

***Odyssey Charter School's Net Position***  
***As of June 30, 2015 and 2014***

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current and other assets	\$ 4,922,012	\$ 690,446
Capital assets	<u>34,053,450</u>	<u>3,898,524</u>
TOTAL ASSETS	<u>38,975,462</u>	<u>4,588,970</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>985,467</u>	<u>413,025</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>39,960,929</u>	<u>5,001,995</u>
<b>LIABILITIES</b>		
Long-term liabilities	37,920,593	4,350,265
Other liabilities	<u>2,312,633</u>	<u>1,460,727</u>
TOTAL LIABILITIES	<u>40,233,226</u>	<u>5,810,992</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	<u>898,002</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	850,127	831,015
Restricted	4,053,747	-
Unrestricted	<u>(6,074,173)</u>	<u>(1,640,012)</u>
TOTAL NET POSITION	<u>\$ (1,170,299)</u>	<u>\$ (808,997)</u>

The largest component of the School's net position, \$34,053,450, is reflected as investment in capital assets (e.g., building, leasehold improvements, equipment and others), in addition to debt service cash proceeds provided with bond issuance, 4,053,747, less any debt outstanding that was needed to acquire or construct the assets (\$37,257,070). The increase in the net investment in capital assets of \$19,112 was caused by a combination of acquisition of capital assets, specifically Barley Mill Property, sale and disposition of capital assets, depreciation expense, current year repayment and proceeds of long-term debt. The unrestricted net position of governmental activities increased due to the increase in current year change in net position.

Other liabilities increased by \$851,906. This was due to an increase in accrued interest related to the Series 2015 A&B Revenue Bonds.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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***Odyssey Charter School's Change in Net Position***  
***Years Ended June 30, 2015 and 2014***

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Charges to school districts	\$ 3,268,678	\$ 2,578,910
Grants and contributions not restricted to specific programs	6,384,870	4,710,370
Other local sources	166,385	34,839
Program revenues		
Charges for services	232,143	272,211
Operating grants and contributions	<u>606,725</u>	<u>338,614</u>
TOTAL REVENUES	<u>10,658,801</u>	<u>7,934,944</u>
<b>EXPENSES</b>		
Instructional services	7,749,771	7,807,697
Support services		
Operation and maintenance of facilities	1,370,780	1,651,253
Transportation	501,714	431,589
Interest on long-term debt	114,263	187,461
Bond issuance costs	<u>1,283,575</u>	-
TOTAL EXPENSES	<u>11,020,103</u>	<u>10,078,000</u>
<b>SPECIAL ITEM</b>		
Loss on sale property	<u>-</u>	<u>(181,502)</u>
CHANGE IN NET POSITION	(361,302)	(2,324,558)
NET POSITION AT BEGINNING OF YEAR, RESTATED	<u>(808,997)</u>	<u>1,515,561</u>
NET POSITION AT END OF YEAR	<u>\$ (1,170,299)</u>	<u>\$ (808,997)</u>

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUND**

As the School completed the fiscal year, its Governmental Fund reported a fund balance of \$3,566,392. The general fund reported a deficit of \$487,355 and the debt service fund surplus of \$4,053,747.

**Governmental Fund**

***General Fund - Comparison to Prior Year and to Budget***

The General Fund is the School's operating fund. At the end of the current fiscal year, the fund deficit was \$487,355, an increase of \$128,675 compared to fiscal year 2014.

***Odyssey Charter School General Fund Budgetary Highlights***

The School adopted the fiscal year 2015 budget in 2014. The final budget contained \$10,518,941 of revenues and \$10,198,855 of expenditures. The actual results were revenues of \$1,064,252 greater than budget and expenditures of \$1,139,489 greater than budget.

- State receipts were under budget by \$60,282 due to underestimate of Salaries and Other Employment Costs.
- Return of funds exceeded budget by \$1,000,000 due to proceeds from bond closing not included in the budget.
- Salaries and benefits exceeded budget by \$407,606 due to mid-year change in administrative salary and underestimate of extra pay for extra responsibility costs. As a result benefits increased as well.
- Student transportations was under budget by \$51,241 as saving in transportation costs were not recognized in the final budget.
- Professional services exceeded budget by \$94,273 due to the use of consultant for bond closing and business support services in place of the Business Manager and Human Resources for April through June 2015.
- Cleaning Services exceeded budget by \$77,386 due to the use of cleaning service provider for the new Barley Mill property and to perform various maintenance tasks.
- Building maintenance exceeded budget by \$72,163 due to maintenance and repairs for the new property.
- Capital Additions exceeded budget by \$399,589 as costs for improvements to the new Barley Mill property addition were underestimated. A portion of capital expenditures was funded by the \$1,000,000 return of funds.
- Debt Service exceeded budget by \$109,042. The final budget included actuals from July 2014 to January 2015. Debt was partially paid from bond proceeds; remaining debt should have been included in budget for February to June 2015.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2015

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2015, the School had invested \$34,053,450, net of accumulated depreciation, in its capital assets. The following table presents 2015 asset balances compared to 2014 balances; as further detailed in Note C.

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 2,964,556	\$ 192,945
Construction in progress	26,586,495	680,704
Building and leasehold improvements	4,218,184	2,799,988
Furniture and fixtures	146,700	163,965
Books	<u>137,515</u>	<u>60,922</u>
	<u>\$ 34,053,450</u>	<u>\$ 3,898,524</u>

Additional information regarding the School's capital assets is contained in Note C to the financial statements.

**Long-Term Debt**

At the end of the current fiscal year, the School had total debt outstanding of \$37,257,070.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances to its various stakeholders and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to George N. Righos, Board Vice President, Building 20, Barley Mill Plaza, 4319 Lancaster Pike, Wilmington, Delaware, 19805.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**

STATEMENT OF NET POSITION  
 JUNE 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 659,483
Bond reserve	4,053,747
Receivables	113,874
Prepaid expenses	94,908
Capital assets	
Nondepreciable	29,551,051
Depreciable	5,781,977
Accumulated depreciation	<u>(1,279,578)</u>
<b>TOTAL CAPITAL ASSETS</b>	<b><u>34,053,450</u></b>
<b>TOTAL ASSETS</b>	<b><u>38,975,462</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred contributions and changes in proportion related to pension activities	<u>985,467</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 39,960,929</u></b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 1,260,334
Net pension liability	753,849
Loans payable	
Portion due or payable within one year	90,326
Portion due or payable after one year	37,166,744
Accrued interest	866,687
Unearned revenue	<u>95,286</u>
<b>TOTAL LIABILITIES</b>	<b><u>40,233,226</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred investment earnings related to pensions activities	<u>898,002</u>
<b>NET POSITION</b>	
Net investment in capital assets	850,127
Restricted for	
Debt service	4,053,747
Unrestricted	<u>(6,074,173)</u>
<b>TOTAL NET POSITION</b>	<b><u>(1,170,299)</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 39,960,929</u></b>

*See accompanying notes to the basic financial statements.*

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional services	\$ 7,749,771	\$ 232,143	\$ 606,725	\$ -	\$ (6,910,903)
Supporting services					
Transportation	501,714	-	-	-	(501,714)
Operation and maintenance of facilities	1,370,780	-	-	-	(1,370,780)
Interest on long-term debt	114,263	-	-	-	(114,263)
Bond issuance costs	1,283,575	-	-	-	(1,283,575)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 11,020,103</b>	<b>\$ 232,143</b>	<b>\$ 606,725</b>	<b>\$ -</b>	<b>(10,181,235)</b>
<b>GENERAL REVENUES</b>					
					3,268,678
					6,384,870
					166,385
					<u>9,819,933</u>
					CHANGE IN NET POSITION (361,302)
					NET POSITION AT BEGINNING OF YEAR, RESTATED (808,997)
					NET POSITION AT END OF YEAR \$ (1,170,299)

See accompanying notes to the basic financial statements.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 659,483	\$ 4,053,747	\$ 4,713,230
Receivables	113,874	-	113,874
Prepaid expenses	<u>94,908</u>	<u>-</u>	<u>94,908</u>
TOTAL ASSETS	<u>\$ 868,265</u>	<u>\$ 4,053,747</u>	<u>\$ 4,922,012</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 207,497	\$ -	\$ 207,497
Accrued salaries and related costs	1,052,837	-	1,052,837
Unearned revenue	<u>95,286</u>	<u>-</u>	<u>95,286</u>
TOTAL LIABILITIES	<u>1,355,620</u>	<u>-</u>	<u>1,355,620</u>
<b>FUND BALANCE</b>			
Nonspendable	94,908	-	94,908
Restricted	-	4,053,747	4,053,747
Unassigned	<u>(582,263)</u>	<u>-</u>	<u>(582,263)</u>
TOTAL FUND BALANCE	<u>(487,355)</u>	<u>4,053,747</u>	<u>3,566,392</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 868,265</u>	<u>\$ 4,053,747</u>	<u>\$ 4,922,012</u>

*See accompanying notes to the basic financial statements.*



**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015

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TOTAL GOVERNMENTAL FUND BALANCE	\$ 3,566,392
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund. These assets consist of:</p>	
Nondepreciable	29,551,051
Depreciable	5,781,977
Accumulated depreciation	(1,279,578)
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund.</p>	
Deferred contributions and changes in proportion related to pensions activities	985,467
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the fund. Those liabilities consist of:</p>	
Long term debt	
Due within one year	(90,326)
Due after one year	(37,166,744)
Net pension liability	(753,849)
Accrued interest	(866,687)
Deferred investment earnings related to pension activities	<u>(898,002)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,170,299)</u>

*See accompanying notes to the basic financial statements.*

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**YEAR ENDED JUNE 30, 2015**

	General Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
State support	\$ 6,384,870	\$ -	\$ 6,384,870
Federal support	425,033	-	425,033
Charges to school districts	3,268,678	-	3,268,678
Charges for services and contributions	413,835	-	413,835
Miscellaneous	166,385	-	166,385
<b>TOTAL REVENUES</b>	<b>10,658,801</b>	<b>-</b>	<b>10,658,801</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
Instructional services	7,932,531	-	7,932,531
Supporting services			
Operation and maintenance of facilities	1,307,804	-	1,307,804
Transportation	501,714	-	501,714
<b>Debt service</b>			
Interest and other charges	107,740	-	107,740
Principal	460,439	-	460,439
Capital outlays	29,532,576	-	29,532,576
Bond issuance costs	1,283,575	-	1,283,575
<b>TOTAL EXPENDITURES</b>	<b>41,126,379</b>	<b>-</b>	<b>41,126,379</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(30,467,578)</b>	<b>-</b>	<b>(30,467,578)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	34,650,000	-	34,650,000
Transfers in	-	4,053,747	4,053,747
Transfers out	(4,053,747)	-	(4,053,747)
<b>TOTAL FINANCING SOURCES</b>	<b>30,596,253</b>	<b>4,053,747</b>	<b>34,650,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>128,675</b>	<b>4,053,747</b>	<b>4,182,422</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>(616,030)</b>	<b>-</b>	<b>(616,030)</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ (487,355)</b>	<b>\$ 4,053,747</b>	<b>3,566,392</b>

*See accompanying notes to the basic financial statements.*

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

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NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND \$ 4,182,422

Capital outlays are reported in the Governmental Fund as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlays 29,532,576  
Depreciation and amortization (237,814)

The Government Fund reports pension contributions as expenditures. However, in the statement of activities, these contributions reduce the net pension liability

357,598

Proceeds from notes payable is a revenue item in the Governmental Fund, but this amount increases long-term liabilities in the statement of net position.

(34,650,000)

Repayment of debt is an expenditure in the Governmental Fund, but the repayment reduces long-term liabilities in the statement of net position.

460,439

The Governmental fund does not report accrued interest on long term debt, until amounts are due to be paid.

(6,523)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (361,302)

*See accompanying notes to the basic financial statements.*

**ODYSSEY CHARTER SCHOOL**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Charter School**

Odyssey Charter School's (the "School") mission is to prepare students for a lifelong enthusiasm for learning, a keen awareness of world citizenship and an ability to think independently and creatively through participation in a focused foreign language immersion program. The curriculum integrates the learning of a second language, along with the English language, to teach a rigorous curriculum of reading, writing, math, science and social studies. The School currently serves grades K to 6.

The School 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.

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

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

**Reporting Entity**

The School, which opened in September 2006, was established to provide a unique learning environment to students. The School is considered to be 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 (the "State") operations. The School has no component units for which it is considered to be financially accountable.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 (1) charges to students who purchase, use, or directly benefit from goods and services provided and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and other revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the Governmental Fund, including the general fund and debt service fund. The debt service fund was added in the current year as a requirement of Series A&B Revenue Bond issuance.

**Measurement Focus, Basis of Accounting and Financial Statement Preparation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts 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.

The 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 are recorded only when payment is due.

The School reports the following major Governmental Funds:

- 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.
- The *Debt Service Fund* is maintained to accumulate resources for the repayment of debt

**Cash and Cash Equivalents**

Except for the fund-raising cash account, cash and cash equivalents of the School are controlled by the State Treasurer's Office in Dover, Delaware. The fund-raising cash account is controlled by the School.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

It is the School's policy to capitalize items of equipment and furnishings that have a per unit acquisition cost of \$1,000 or more, computer hardware having a per unit price of \$25 or more and textbook or library books. The cost of normal repairs and maintenance that does not add to the value of the asset or materially extend the life of the asset is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

For building and building improvements, the useful life is 39 years.

For office and school furniture, the useful life is five years.

For books and educational materials, the useful life is three years.

All assets are depreciated using the straight-line method and a half-year convention.

**Compensated Absences**

Vacation and sick pay plus related payroll taxes are accrued when earned in the government-wide financial statements.

**Vacation** - Vacation must be taken and cannot be accumulated from year to year. Employees are paid for unused vacation upon termination, retirement, etc., at the current rate of pay.

**Sick Leave** - Sick leave allowances cannot be accumulated from year to year.

There were no compensated absences as of June 30, 2015.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports deferred outflow related to pension activity, reported in the government-wide statement of net position. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reported deferred inflows related to pension activity, which are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Balance**

In the fund financial statements, the Governmental Fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the Governmental Fund can be spent. The classifications used in the Governmental Fund financial statements are as follows:

- ***Nonspendable*** - This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- ***Restricted*** - This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- ***Committed*** - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2015.
- ***Assigned*** - This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the School Board delegating this responsibility to the School management through the budgetary process. The School did not have any assigned fund balance as of June 30, 2015.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Unassigned** - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

**Unearned Revenue**

Unearned revenue includes federal grant funds received that have not been spent as of the financial statement date.

**Income Tax**

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The School believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The School's federal Return of Organization Exempt From Income Tax (Form 990) for tax years 2011, 2012 and 2013 is subject to examination by the IRS, generally for three years after the tax returns were filed; however, there are currently no audits in progress for any tax periods.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - CASH AND CASH EQUIVALENTS**

At June 30, 2015, the School has a cash and cash equivalents balance of \$659,483. Of that amount, \$545,233 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware. All investment decisions are made by the State Treasurer's Office. Because the State of Delaware investment pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is deemed to be a cash equivalent.



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**NOTE B - CASH AND CASH EQUIVALENTS (Continued)**

The funds held by the state 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. 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.

The bank balance of cash deposits is insured by the Federal Deposit Insurance Corporation (FDIC), and, therefore, there is no custodial credit risk for these cash deposits.

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 192,945	\$ 2,771,611	\$ -	\$ 2,964,556
Construction in progress	680,704	26,586,495	680,704	26,586,495
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>873,649</b>	<b>29,358,106</b>	<b>680,704</b>	<b>29,551,051</b>
Capital assets being depreciated				
Building and building improvements	3,263,791	1,538,686	-	4,802,477
Furniture and equipment	420,097	37,176	-	457,273
Books	382,751	139,476	-	522,227
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>4,066,639</b>	<b>1,715,338</b>	<b>-</b>	<b>5,781,977</b>
Accumulated depreciation				
Building and building improvements	(463,803)	(120,490)	-	(584,293)
Furniture and equipment	(256,132)	(54,441)	-	(310,573)
Books	(321,829)	(62,883)	-	(384,712)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(1,041,764)</b>	<b>(237,814)</b>	<b>-</b>	<b>(1,279,578)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>3,024,875</b>	<b>1,477,524</b>	<b>-</b>	<b>4,502,399</b>
 <b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	 <b>\$ 3,898,524</b>	 <b>\$ 30,835,630</b>	 <b>\$ 680,704</b>	 <b>\$ 34,053,450</b>

Depreciation expense is \$237,814 for the year ended June 30, 2015, of which \$174,838 is included in instructional and \$62,976 is included in supporting services on the statement of activities.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE D - LONG TERM DEBT**

Long term debt obligations as of June 30, 2015, are as follows:

Term loan with a bank, interest of 4.5% per annum, paid in monthly installments of \$2,544.94, with the remaining balance due March 2019; loan is subject to certain financial covenants, one of which was not met as of June 30, 2015; as a result, the bank may impose a default interest rate by adding an additional 2.0% margin, however, this has not been imposed at this time

\$ 384,160

Term loan with a bank, interest only through March 2010, after that 108 monthly payments of principal and interest based on a 25-year amortization schedule with the remaining balance due March 2019, secured by the building, interest at prime plus .50% (3.75% at June 30, 2015); loan is subject to certain financial covenants, one of which was not met as of June 30, 2015; as a result, the bank may impose a default interest rate by adding an additional 4.0% margin, however, this has not been imposed at this time

2,033,052

Term loan with a bank, interest at prime plus 0.5% per annum (4.25% at June 30, 2015), paid in monthly installments of \$2,363.08, with the remaining balance due May 2023; loan is subject to certain financial covenants, one of which was not met as of June 30, 2015; as a result, the bank may impose a default interest rate by adding an additional 2.0% margin, however, this has not been imposed at this time

189,858

Series 2015 A&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 semiannual basis. The bonds bear interest at rates ranging from 6.25% to 7.00% and mature annually beginning in March 2017 through March 2045

34,650,000

37,257,070

(90,326)

Current portion

\$ 37,166,744

**ODYSSEY CHARTER SCHOOL**  
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**NOTE D - LONG TERM DEBT (Continued)**

Debt service activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>REVENUE BONDS</b>					
Series of 2015 A	\$ -	\$ 33,965,000	\$ -	\$ 33,965,000	\$ -
Series of 2015 B	-	685,000	-	685,000	-
<b>TOTAL REVENUE BONDS</b>	<b>-</b>	<b>34,650,000</b>	<b>-</b>	<b>34,650,000</b>	<b>-</b>
<b>LOANS PAYABLE</b>					
WSFS Loan # 9001	2,086,086	-	(53,034)	2,033,052	56,229
WSFS Loan # 9004	209,570	-	(19,712)	189,858	20,557
WSFS Loan # 9005	396,853	-	(12,693)	384,160	13,540
WSFS Loan # 9006	375,000	-	(375,000)	-	-
<b>TOTAL LOANS PAYABLE</b>	<b>3,067,509</b>	<b>-</b>	<b>(460,439)</b>	<b>2,607,070</b>	<b>90,326</b>
Long-term debt	\$ 3,067,509	\$ 34,650,000	\$ (460,439)	\$ 37,257,070	\$ 90,326

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2016	\$ 90,326	\$ 2,599,051	\$ 2,689,377
2017	95,271	2,508,505	2,603,776
2018	505,473	2,894,120	3,399,593
2019	2,654,018	2,859,577	5,513,595
2020	484,430	2,762,127	3,246,557
Thereafter	33,427,552	37,308,690	70,736,242
	<b>\$ 37,257,070</b>	<b>\$ 50,932,070</b>	<b>\$ 88,189,140</b>

**NOTE E - PENSION PLAN**

**Summary of Significant Accounting Policies**

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System ("DPERS") and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE E - PENSION PLAN (Continued)**

**General Information About the Pension Plan**

**Plan Description** - DPERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to virtually all full-time or regular part-time employees of the State of Delaware, including employees of other affiliated entities. There are two tiers within the plan: 1) Employees hired prior to January 1, 2012 (Pre-2012), and 2) Employees hired on or after January 1, 2012 (Post-2011). DPERS issues a publicly available financial report that can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE, 19904.

**Benefits Provided** - DPERS provides retirement, disability and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credited service; (b) age 60 with 15 years of credited service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least ten years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 75% with 3% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

**Contributions**

**Members Contributions**

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

**Employer Contributions**

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 9.5% of earnings for the Fiscal Year 2014. Contributions to the plan from the School were \$465,410 for the year ended June 30, 2015.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE E - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the School reported a liability of \$753,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2014, the School's proportion was 0.2047%, which was an increase of 0.0720% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$107,812. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	898,002
Changes in proportions	520,057	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>465,410</u>	<u>-</u>
	<u>\$ 985,467</u>	<u>\$ 898,002</u>

**ODYSSEY CHARTER SCHOOL**  
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**NOTE E - PENSION PLAN (Continued)**

\$465,410 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2016	\$ (170,000)
2017	(170,000)
2018	(170,000)
2019	131,998
2020	<u>57</u>
	<u>\$ (377,945)</u>

**Actuarial Assumptions** - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.2%, includes inflation at 3.00%
- **Salary Increases** - 3.5% to 11.5%, includes inflation at 3.00%
- Mortality rates were based on the Sex distinct RP-2000 Combined Mortality Table projected to 2015 using scale AA for males or females, as appropriate, for mortality improvement

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**ODYSSEY CHARTER SCHOOL**  
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**NOTE E - PENSION PLAN (Continued)**

The long-term expected rate of return on 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 plan 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 weighing 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 System's current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.7%
International equity	5.7%
Fixed income	2.0%
Alternative investments	7.8%

The Board delegates to operation of the System's investments to the investment Committee. The Committee establishes asset allocations to various investment markets. The following were the System's adopted asset allocation ranges as of June 30, 2014:

ASSET CLASS	<u>Percent of Total Fund Allocation</u>	
	<u>Minimum</u>	<u>Maximum</u>
Marketable investments		
Equity (including convertibles)	20%	80%
Fixed income (including cash)	20%	80%
Total marketable investments	30%	100%
Non-traditional investments		
Liquid investments	0%	30%
Other diversification strategies	0%	20%
Total non-traditional investments	0%	30%
TOTAL FUND		100%

**ODYSSEY CHARTER SCHOOL**  
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**NOTE E - PENSION PLAN (Continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, 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 7.20%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
School's proportionate share of the net pension liability	\$ <u>2,825,191</u>	\$ <u>753,849</u>	\$ <u>(996,852)</u>

**Pension Plan Fiduciary Net Position** - Detailed information about DPERS's fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE, 19904.

**NOTE F - 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 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. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.



**ODYSSEY CHARTER SCHOOL**  
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**NOTE G - RISK MANAGEMENT**

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

**NOTE H - LEASING ARRANGEMENTS**

The School leased its school building at Barley Mill Plaza under an operating lease with Barley Mill, LLC. The lease began March 1, 2014, and has a term of one year with an option to renew annually. Rent expense for the year ended June 30, 2015, was \$119,778. The lease terminated in February, 2015 as the School purchased Barley Mill Plaza.

The School also leases a modular building under a term of three years. The lease provides for monthly payments of \$3,498, beginning in August 2013 and expiring in August 2016.

Rental expense for the year ended June 30, 2015, was \$178,499.

The following is a schedule by years of future minimum rentals under the leases at June 30, 2015:

Year Ending June 30,		
2016	\$	41,976
2017		<u>5,247</u>
	\$	<u><u>47,223</u></u>

**NOTE I - CHANGE IN ACCOUNTING PRINCIPLE**

In 2015, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which states that individual employers must report a proportionate share of the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. Previously, employers only reported the annual contributions they made to the retirement system. The School has determined that changes made to comply with the Statement should be reported as an adjustment of prior periods. Therefore, the School has restated its June 30, 2014 financial statements as follows:

	<u>Originally Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Deferred outflows of resources related to pensions	\$ -	\$ 413,025	\$ 413,025
Unrestricted net position	\$ (616,030)	\$ (1,023,982)	\$ (1,640,012)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
<b>CASH INFLOWS</b>				
State receipts	\$ 6,324,588	\$ 6,324,588	\$ 6,384,870	\$ 60,282
Grants (local and federal)	180,069	295,000	280,703	(14,297)
Interest income FSF	6,220	5,000	5,083	83
School district receipts	3,728,000	3,300,000	3,268,678	(31,322)
Return of funds	-	-	1,000,000	1,000,000
Before and after care	295,624	225,000	232,143	7,143
Food Service	359,353	359,353	350,414	(8,939)
Fund-raising/donations			51,390	51,390
Rebates/commissions	23,017	10,000	9,912	(88)
<b>TOTAL CASH INFLOWS</b>	<b>10,916,871</b>	<b>10,518,941</b>	<b>11,583,193</b>	<b>1,064,252</b>
<b>CASH OUTFLOWS</b>				
Payroll and related costs	5,157,268	5,188,768	5,302,895	(114,127)
Payroll taxes/benefits	1,907,205	1,907,205	2,200,684	(293,479)
Therapists/psychologist	177,268	140,000	141,180	(1,180)
Before/ after care	-	-	14,920	(14,920)
Student testing	18,700	18,700	8,975	9,725
Sports & music programs	19,900	15,000	1,135	13,865
Student transportation	564,065	520,000	468,759	51,241
Field trips	3,700	3,700	35,666	(31,966)
Food service	103,270	150,000	228,975	(78,975)
Advertising	5,015	5,015	9,154	(4,139)
Professional services	80,000	90,000	184,273	(94,273)
Telephone/T1 line	11,244	11,244	6,976	4,268
Alarm/monitor/fire	2,546	2,546	1,143	1,403
Office supplies	58,800	58,800	51,475	7,325
Instructional/school supplies	131,600	131,600	100,634	30,966
Medical supplies	2,500	1,200	2,727	(1,527)
Postage	11,600	11,600	8,485	3,115
Copiers	25,200	25,200	17,893	7,307
Replacement/miscellaneous books	2,700	6,700	4,905	1,795
Small equipment/furniture	14,000	5,000	2,871	2,129
Utilities	100,161	100,161	61,845	38,316
Water and sewer	12,961	10,691	7,203	3,488
Cleaning services	128,409	128,409	205,795	(77,386)
Janitorial supplies	20,037	20,037	14,312	5,725
Trash removal	21,000	21,000	18,138	2,862
Exterminating services	2,825	2,825	3,631	(806)
Landscaping/walkway/fence	12,656	6,300	500	5,800
Insurance	22,000	22,000	24,376	(2,376)
Travel/conferences	6,177	11,088	16,857	(5,769)
Building maintenance and repairs	104,773	111,500	183,663	(72,163)
Capital additions	938,157	1,308,318	1,707,907	(399,589)
Modular units	27,102	27,102	54,204	(27,102)
Debt service	137,146	137,146	246,188	(109,042)
<b>TOTAL CASH OUTFLOWS</b>	<b>9,829,985</b>	<b>10,198,855</b>	<b>11,338,344</b>	<b>(1,139,489)</b>
<b>EXCESS/(DEFICIENCY)</b>				
<b>OF INFLOWS OVER</b>				
<b>OUTFLOWS</b>	<b>\$ 1,086,886</b>	<b>\$ 320,086</b>	<b>\$ 244,849</b>	<b>\$ (75,237)</b>

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
 NOTES TO BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2015

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**NOTE A - BASIS OF ACCOUNTING**

The School's budget is prepared on the cash basis of accounting. The amount reported as "excess (deficiency) of inflows over outflows" on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. This amount differs from the "net change in fund balance" reported on the statement of revenues, expenditures and changes in fund balance, Governmental Fund on page 15.

That statement is prepared on 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.

The following reconciles the net change in fund balance per the budgetary basis to the net change in fund balance per the modified accrual basis.

EXCESS (DEFICIENCY) OF INFLOWS OVER OUTFLOWS	\$ 244,849
Increase in bond reserve	4,053,747
Net decrease in prepaids	(167,030)
Increase in receivables	100,000
Net increase in accounts payable	(30,526)
Net increase in accrued liabilities	5,774
Net increase in deferred revenue	<u>(24,392)</u>
 CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS	 \$ <u><u>4,182,422</u></u>

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures were funded by various revenues that were over budget in the General Fund and fund balance carried over from the prior year.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE  
SHARE OF NET PENSION LIABILITY  
YEAR ENDED JUNE 30 2015

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School's proportion of the net pension liability (asset)		0.2047%
School's proportionate share of the net pension liability (asset)	\$	753,849
School's covered-employee payroll	\$	3,744,749
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		20.13%
The plan's fiduciary net position as a percentage of the total pension liability		95.80%

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF SCHOOL CONTRIBUTIONS  
YEAR ENDED JUNE 30 2015

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Contractually required contribution	\$	465,410
Contributions in relation to the contractually required contribution		<u>465,410</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$	<u><u>-</u></u>
School's covered-employee payroll	\$	<u><u>4,868,305</u></u>
Contributions as a percentage of covered-employee payroll		9.56%

***Independent Auditors' 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***

To the Board of Directors  
Odyssey Charter School  
Wilmington, Delaware

We have audited, 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, the financial statements of the governmental activities and the major fund of the Odyssey Charter School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Odyssey Charter School's basic financial statements, and have issued our report thereon dated September 25, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Odyssey Charter 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 Odyssey Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Odyssey Charter School's internal control.

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

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Odyssey Charter School  
Wilmington, Delaware

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Maillie LLP*

West Chester, Pennsylvania  
September 25, 2015



**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015

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No audit finding noted for the year ended June 30, 2015.

**ODYSSEY CHARTER SCHOOL**  
**(A Component Unit of the State of Delaware)**  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**Financial Closing Process**

**Finding:** We noted several instances of incorrectly recorded transactions during the review of the fiscal year 2014 activity.

- Journal entries proposed from the prior year audit were not posted correctly to the general ledger.
- The FSF cash accounts were not fully reconciled, requiring an adjustment of approximately \$133,000 for grant funds received.
- The School uses a transfer in and a transfer out account in order to record transfer of funds between FSF cash and a checking account held by the School at an outside banking institution. The transfers in/out accounts did not net to zero due to improper recording of loan proceeds received and activity in an endowment fund that was not recorded correctly.

**Recommendation:** Management should review its policies and procedures regarding monthly reconciliations and the financial closing process to ensure all financial activity is being properly recorded.

**Current Year Status:** The finding has been corrected. Odyssey Charter School's business office has undergone significant changes in personnel. The School currently utilizes FSF and QuickBooks on a separate basis and performs a monthly reconciliation of total activity, which is completed by the Business Manager.