

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

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017



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 each major fund of the Odyssey Charter School (a component unit of the State of Delaware) as of and for the year ended June 30, 2017, 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, 2017, 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).

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 31 and 33, and schedules of the school's proportionate share of net pension liability on page 34, and schedules of school 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 26, 2017, 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 26, 2017

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

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, 2017, its tenth year of operation.

FINANCIAL HIGHLIGHTS

Governmental Activities

- The assets of the School at the close of the fiscal year are \$12,803 (net position), an increase of \$542,783 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 \$313,550 an increase of \$457,715 from the previous year. Of this amount, \$403 is nonspendable and \$313,147 is unassigned. The fund balance represents 2.1% of total General Fund expenditures.

Long-Term Debt

- The School's total debt decreased to \$37,072,018 at June 30, 2017, a decrease of \$95,029.

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, 2017

Fund Financial Statements: The fund financial statements begin on page 13 and provide detailed information about the General Fund, Debt Service Fund, Repair and replacement fund, Supplementary Reserve Fund and Project 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 and Debt Service Fund fall 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, and the School's required pension contributions. The required supplementary information can be found on pages 31 through 35.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

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, 2017 and 2016

	Governmental Activities	
	2017	2016
ASSETS		
Current and other assets	\$ 6,526,934	\$ 5,918,657
Capital assets	34,491,301	34,002,175
TOTAL ASSETS	41,018,235	39,920,832
DEFERRED OUTFLOWS OF RESOURCES	3,156,674	1,471,540
TOTAL ASSETS AND DEFERRED OUTFLOWS	44,174,909	41,392,372
LIABILITIES		
Long-term liabilities	40,994,262	38,968,666
Other liabilities	3,076,634	2,383,758
TOTAL LIABILITIES	44,070,896	41,352,424
DEFERRED INFLOWS OF RESOURCES	91,210	569,928
NET POSITION		
Net investment in capital assets	448,492	(4,491)
Restricted	4,429,209	4,560,381
Unrestricted	(4,864,898)	(5,085,870)
TOTAL NET POSITION	12,803	(529,980)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 44,174,909	\$ 41,392,372

The net investment in capital assets component of the School's net position, \$448,492, is reflected as investment in capital assets, \$34,491,301 (e.g., building, leasehold improvements, equipment and others), in addition to debt service cash, capital and project fund proceeds of, \$3,029,209, less any debt outstanding that was needed to acquire or construct the assets (\$37,072,018). The increase in the net investment in capital assets of \$452,983 was caused by a combination of the placement of capital assets into service, specifically Barley Mill Property, depreciation expense, current year repayment of long-term debt. The unrestricted net position of governmental activities increased due to the increase in current year change in net position.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

Odyssey Charter School's Change in Net Position
Years Ended June 30, 2017 and 2016

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

	Governmental Activities	
	2017	2016
REVENUES		
Charges to school districts	\$ 5,334,059	\$ 4,239,381
Grants and contributions not restricted to specific programs	10,309,462	7,973,572
Other local sources	346,124	709,634
Program revenues		
Charges for services	815,161	187,350
Operating grants and contributions	<u>1,151,315</u>	<u>656,187</u>
TOTAL REVENUES	<u>17,956,121</u>	<u>13,766,124</u>
EXPENSES		
Instructional services	12,670,683	9,865,431
Support services		
Operation and maintenance of facilities	1,647,130	1,571,720
Transportation	614,457	602,597
Interest on long-term debt	<u>2,481,068</u>	<u>2,486,057</u>
TOTAL EXPENSES	<u>17,413,338</u>	<u>14,525,805</u>
CHANGE IN NET POSITION	542,783	(759,681)
NET POSITION AT BEGINNING OF YEAR	<u>(529,980)</u>	<u>229,701</u>
NET POSITION AT END OF YEAR	<u>\$ 12,803</u>	<u>\$ (529,980)</u>

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its Governmental Funds reported a fund balance of \$4,742,759. The general fund reported a surplus of \$313,550, the debt service fund surplus of \$2,788,896, the repair and replacement fund surplus of \$240,313 and the supplementary reserve fund surplus of \$1,400,000.

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 surplus was \$313,550, an increase of \$457,515 compared to fiscal year 2016.

Odyssey Charter School General Fund Budgetary Highlights

The School adopted the fiscal year 2017 budget in 2016. The final budget contained \$18,344,936 of revenues and \$18,788,708 of expenditures. The actual results were revenues of \$98,836, more than budget and expenditures of \$1,278,390 less than budget.

- Tenant billings were under budget by \$69,605 as expenses for the property are billed in July 2017.
- Capital Campaign exceeded budget by \$99,237 as no budget was established for the campaign for 2016-2017. Funds are to be spent in future years.
- Salaries and benefits were under budget by \$334,434 and \$278,531 as these funds are reserved for summer payroll for employees hired at the beginning of the school year.
- Medical services exceeded budget by \$67,197 as medical services required in the student IEP's exceeded budget due to new students enrolling as a result of the expansion of the school. Savings in other line items covered the overrun.
- Energy was under budget by \$68,155 as the school is enrolled in the statewide energy consortium which resulted in savings.
- Fleet rental was under budget by \$181,979 as there were savings under the contract where some services were not utilized.
- Building/ground repair was under budget by \$85,174 due to savings in maintenance of the property as staff was able to make repairs and some items that were budgeted were not needed during this school year.
- Food was under budget by \$97,916 as 2 new line items were added and funds were spent under Beverages and Paper Supplies.
- Capital costs were under budget by \$193,849 due to a delay in the completion of the small gym.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the School had invested \$34,491,301, net of accumulated depreciation, in its capital assets. The following table presents 2017 asset balances compared to 2016 balances; as further detailed in Note C.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 11,704,800	\$ 11,704,800
Construction in progress	2,913,269	7,921,203
Building and building improvements	19,488,651	13,962,816
Furniture and equipment	343,221	305,718
Books	41,360	107,638
	<u>\$ 34,491,301</u>	<u>\$ 34,002,175</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 \$37,072,018.

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 Dr. Nick Manolakos, Headmaster, 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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,056,704
Bond reserve	4,429,209
Receivables	40,618
Prepaid expenses	403
Capital assets	
Nondepreciable	14,618,070
Depreciable	22,339,274
Accumulated depreciation	<u>(2,466,043)</u>
TOTAL CAPITAL ASSETS	<u>34,491,301</u>
 TOTAL ASSETS	 <u>41,018,235</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension activities	<u>3,156,674</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 44,174,909</u>
 LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued expenses	\$ 1,784,175
Accrued interest	786,986
Loans payable	
Portion due or payable within one year	505,473
Portion due or payable after one year	36,566,545
Compensated absences	269,494
Net pension liability	<u>4,158,223</u>
TOTAL LIABILITIES	<u>44,070,896</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension activities	<u>91,210</u>
 NET POSITION	
Net investment in capital assets	448,492
Restricted for	
Repayment of debt	2,788,896
Repairs and maintenance of school facilities	240,313
Renovations of the school property	1,400,000
Unrestricted	<u>(4,864,898)</u>
TOTAL NET POSITION	<u>12,803</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	 <u>\$ 44,174,909</u>

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, 2017

	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	
GOVERNMENTAL ACTIVITIES						
Instructional services		\$ 12,670,683	\$ 266,293	\$ 1,151,315	\$ -	\$ (11,253,075)
Supporting services						
Transportation		614,457	-	-	-	(614,457)
Operation and maintenance of facilities		1,647,130	548,868	-	-	(1,098,262)
Interest on long-term debt		2,481,068	-	-	-	(2,481,068)
TOTAL GOVERNMENTAL ACTIVITIES		\$ 17,413,338	\$ 815,161	\$ 1,151,315	\$ -	(15,446,862)
GENERAL REVENUES						
Charges to school districts						5,334,059
Grants and contributions not restricted to specific programs						10,309,462
Miscellaneous						346,124
TOTAL GENERAL REVENUES						15,989,645
CHANGE IN NET POSITION						542,783
NET POSITION AT BEGINNING OF YEAR, restated						(529,980)
NET POSITION AT END OF YEAR						\$ 12,803

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, 2017

	General Fund	Debt Service Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 2,056,704	\$ 2,788,896
Receivables	40,618	-
Prepaid expenses	<u>403</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,097,725</u>	<u>\$ 2,788,896</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 143,158	\$ -
Accrued salaries and related costs	<u>1,641,017</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,784,175</u>	<u>-</u>
FUND BALANCE		
Nonspendable, prepaid expenses	403	-
Restricted for		
Repayment of debt	-	2,788,896
Repairs and maintenance of school facilities	-	-
Renovations of the school property	-	-
Unassigned	<u>313,147</u>	<u>-</u>
TOTAL FUND BALANCE	<u>313,550</u>	<u>2,788,896</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,097,725</u>	<u>\$ 2,788,896</u>

See accompanying notes to the basic financial statements.

<u>Capital Projects Fund</u>		
<u>Repair and Replacement Fund</u>	<u>Supplementary Reserve Fund</u>	<u>Total Governmental Fund</u>
\$ 240,313	\$ 1,400,000	\$ 6,485,913
-	-	40,618
-	-	403
<u>\$ 240,313</u>	<u>\$ 1,400,000</u>	<u>\$ 6,526,934</u>
\$ -	\$ -	\$ 143,158
-	-	1,641,017
-	-	1,784,175
-	-	403
-	-	2,788,896
240,313	-	240,313
-	1,400,000	1,400,000
-	-	313,147
<u>240,313</u>	<u>1,400,000</u>	<u>4,742,759</u>
<u>\$ 240,313</u>	<u>\$ 1,400,000</u>	<u>\$ 6,526,934</u>

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, 2017

TOTAL GOVERNMENTAL FUND BALANCE	\$ 4,742,759
<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	14,618,070
Depreciable	22,339,274
Accumulated depreciation	(2,466,043)
<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	3,156,674
<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>	
Compensated absences	(269,494)
Long-term debt	
Due within one year	(505,473)
Due after one year	(36,566,545)
Net pension liability	(4,158,223)
Accrued interest	(786,986)
Deferred investment earnings related to pension activities	<u>(91,210)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 12,803</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, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
State support	\$ 10,309,462	\$ -
Federal support	597,976	-
Charges to school districts	5,334,059	-
Charges for services and contributions	1,368,500	-
Miscellaneous	<u>339,934</u>	<u>4,077</u>
TOTAL REVENUES	<u>17,949,931</u>	<u>4,077</u>
EXPENDITURES		
Current		
Instructional services	11,788,323	-
Supporting services		
Operation and maintenance of facilities	1,451,543	-
Transportation	614,457	-
Debt service		
Interest and other charges	102,915	2,377,213
Principal	95,029	-
Capital outlays	<u>1,200,098</u>	<u>-</u>
TOTAL EXPENDITURES	<u>15,252,365</u>	<u>2,377,213</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,697,566</u>	<u>(2,373,136)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	2,364,655
Transfers out	<u>(2,239,851)</u>	<u>-</u>
TOTAL FINANCING SOURCES (USES)	<u>(2,239,851)</u>	<u>2,364,655</u>
NET CHANGE IN FUND BALANCE	457,715	(8,481)
FUND BALANCE AT BEGINNING OF YEAR, restated	<u>(144,165)</u>	<u>2,797,377</u>
FUND BALANCE AT END OF YEAR	<u>\$ 313,550</u>	<u>\$ 2,788,896</u>

See accompanying notes to the basic financial statements.

Capital Projects Fund			
Repair and Replacement Fund	Supplementary Reserve Fund	Project Fund	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 10,309,462
-	-	-	597,976
-	-	-	5,334,059
-	-	-	1,368,500
<u>313</u>	<u>1,781</u>	<u>19</u>	<u>346,124</u>
<u>313</u>	<u>1,781</u>	<u>19</u>	<u>17,956,121</u>
-	-	-	11,788,323
-	-	-	1,451,543
-	-	-	614,457
-	-	-	2,480,128
-	-	-	95,029
-	-	-	1,200,098
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,629,578</u>
<u>313</u>	<u>1,781</u>	<u>19</u>	<u>326,543</u>
120,000	-	-	2,484,655
<u>-</u>	<u>(1,781)</u>	<u>(243,023)</u>	<u>(2,484,655)</u>
<u>120,000</u>	<u>(1,781)</u>	<u>(243,023)</u>	<u>-</u>
120,313	-	(243,004)	326,543
<u>120,000</u>	<u>1,400,000</u>	<u>243,004</u>	<u>4,416,216</u>
<u>\$ 240,313</u>	<u>\$ 1,400,000</u>	<u>\$ -</u>	<u>\$ 4,742,759</u>

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 9.

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
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, debt service fund, repair and replacement fund and project fund.

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.
- The *Repair and Replacement* fund is maintained to accumulate resources for the payment of repairs and maintenance of school facilities.
- The *Project Fund* is maintained to accumulate resources for the payment of costs related to the construction of school facilities.
- The *Supplementary Reserve Fund* is maintained to pay for renovations of the school property.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 deferred outflow related to pension activity is the result of the differences between projected and actual investment earnings, changes in the School's proportionate share of the total plan from year to year, change of assumptions, and actual contributions subsequent to the measurement date.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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. Deferred inflow related to pension activity are reported in the government-wide statement of net position. The deferred inflow related to pension activity is the result of differences between expected and actual experience.

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, 2017.
- ***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, 2017.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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).

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, 2017, the School has a cash and cash equivalents balance of \$6,485,913. Of that amount, \$2,011,542 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.

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 of \$45,162 is insured by the Federal Deposit Insurance Corporation (FDIC), and, therefore, there is no custodial credit risk for these cash deposits.

The remaining cash and cash equivalents of \$4,429,209 represents funds from the 2015 bond issuance that are held in reserve. These amounts are uninsured and uncollateralized at June 30, 2017.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 11,704,800	\$	\$ -	\$ 11,704,800
Construction in progress	7,921,203	870,381	5,878,315	2,913,269
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>19,626,003</u>	<u>870,381</u>	<u>5,878,315</u>	<u>14,618,069</u>
Capital assets being depreciated				
Building and building improvements	14,867,830	6,062,488		20,930,318
Furniture and equipment	695,782	145,544	-	841,326
Books	567,631		-	567,631
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>16,131,243</u>	<u>6,208,032</u>	<u>-</u>	<u>22,339,275</u>
Accumulated depreciation				
Building and building improvements	(905,014)	(536,653)	-	(1,441,667)
Furniture and equipment	(390,064)	(108,041)	-	(498,105)
Books	(459,993)	(66,278)	-	(526,271)
TOTAL ACCUMULATED DEPRECIATION	<u>(1,755,071)</u>	<u>(710,972)</u>	<u>-</u>	<u>(2,466,043)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>14,376,172</u>	<u>5,497,060</u>	<u>-</u>	<u>19,873,232</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 34,002,175</u>	<u>\$ 6,367,441</u>	<u>\$ 5,878,315</u>	<u>\$ 34,491,301</u>

Depreciation expense is \$710,972 for the year ended June 30, 2017, of which \$515,385 is included in instructional and \$195,587 is included in supporting services on the statement of activities.

ODYSSEY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - LONG-TERM DEBT

Long-term debt obligations as of June 30, 2017, are as follows:

Term loan with a bank, interest of 4.75% 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, 2017; 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	\$ 357,003
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% (4.75% at June 30, 2017); loan is subject to certain financial covenants, one of which was not met as of June 30, 2017; as a result, the bank may impose a default interest rate by adding an additional 4.0% margin, however, this has not been imposed at this time	1,917,195
Term loan with a bank, interest at prime plus 0.5% per annum (4.50% at June 30, 2017), 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, 2017; 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	147,820
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
	<u>37,072,018</u>
Current portion	<u>(505,473)</u>
	<u>\$ 36,566,545</u>

ODYSSEY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - LONG-TERM DEBT (Continued)

Debt service activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
REVENUE BONDS					
Series of 2015 A	\$ 33,965,000	\$ -	\$ -	\$ 33,965,000	\$ 405,000
Series of 2015 B	685,000	-	-	685,000	-
TOTAL REVENUE BONDS	<u>34,650,000</u>	<u>-</u>	<u>-</u>	<u>34,650,000</u>	<u>405,000</u>
LOANS PAYABLE					
WSFS Loan # 9001	1,976,823	-	(59,628)	1,917,195	63,234
WSFS Loan # 9004	169,301	-	(21,481)	147,820	22,426
WSFS Loan # 9005	370,923	-	(13,920)	357,003	14,813
TOTAL LOANS PAYABLE	<u>2,517,047</u>	<u>-</u>	<u>(95,029)</u>	<u>2,422,018</u>	<u>100,473</u>
Long-term debt	<u>37,167,047</u>	<u>-</u>	<u>(95,029)</u>	<u>37,072,018</u>	<u>505,473</u>
COMPENSATED ABSENCES	160,295	109,199	-	269,494	-
NET PENSION LIABILITY	<u>1,736,595</u>	<u>2,421,628</u>	<u>-</u>	<u>4,158,223</u>	<u>-</u>
Long-term liabilities	<u>\$ 39,063,937</u>	<u>\$ 2,530,827</u>	<u>\$ (95,029)</u>	<u>\$ 41,499,735</u>	<u>\$ 505,473</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Totals
2018	\$ 505,473	\$ 2,894,120	\$ 3,399,593
2019	2,654,563	2,859,577	5,514,140
2020	484,430	2,762,127	3,246,557
2021	515,514	2,761,081	3,276,595
2022	551,636	2,763,545	3,315,181
Thereafter	<u>32,360,402</u>	<u>32,968,925</u>	<u>65,329,327</u>
	<u>\$ 37,072,018</u>	<u>\$ 47,009,375</u>	<u>\$ 84,081,393</u>

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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.

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 67.7% with 2% reduction, 75% with 3% reduction, or 100% with a 6% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE E - PENSION PLAN (Continued)

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 9.58% of earnings for the Fiscal Year 2017. Contributions to the plan from the School were \$617,960 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$4,158,223 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the School's proportion was 0.2759%.

For the year ended June 30, 2017, the School recognized pension expense of \$875,736. At June 30, 2017, 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	\$ -	\$ 91,210
Net difference between projected and actual investment earnings	1,296,028	-
Changes in assumptions	385,059	-
Changes in proportions	857,627	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>617,960</u>	<u>-</u>
	<u>\$ 3,156,674</u>	<u>\$ 91,210</u>

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE E - PENSION PLAN (Continued)

\$617,960 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, 2017. 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 June 30,	
2018	\$ 390,105
2019	390,105
2020	692,103
2021	468,406
2022	<u>506,785</u>
	<u>\$ 2,447,504</u>

Actuarial Assumptions - The total pension liability as of June 30, 2016, was determined by rolling forward the System’s total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.2%, includes inflation at 2.5%
- **Salary Increases** - 2.5% + Merit, includes inflation at 2.5%

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, 2016 valuation 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 experience deviates, the larger the impact on future financial statements.

Key assumption changes include a reduction in the inflation assumption from 3.0% to 2.5% and a change to use updated mortality tables. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2105 Mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effect 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 pattern granting the changes and the consistency in the amount of the changes.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	34.0%	5.7%
International equity	14.7%	5.7%
Fixed income	25.0%	2.0%
Alternative investments	20.9%	7.8%
Cash and equivalents	<u>5.4%</u>	0.0%
	<u><u>100.0%</u></u>	

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.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE E - PENSION PLAN (Continued)

Sensitivity of the 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%
Charter School's proportionate share of the net pension liability	\$ 7,226,519	\$ 4,158,223	\$ 1,577,560

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 Boulevard, 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.

Construction Projects

The school has entered into various contracts for services related to various construction projects at Barley Mill Campus. The remaining balance of these outstanding contracts is \$59,109 as of June 30, 2017.

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 - PRIOR PERIOD ADJUSTMENT

The prior year government fund financial statements incorrectly excluded the Supplementary fund amount held by the bond trustee. The following balances were restated as of June 30, 2016:

	Financial Statements	As Originally Reported	Adjustment	Restated
Supplementary Fund cash and cash equivalents	Balance Sheet	\$ -	\$ 1,400,000	\$ 1,400,000
Supplementary Fund balance	Statement of Revenues, Expenditures and Changes in Fund Balance	-	1,400,000	1,400,000
Net position - Restricted cash balance	Statement of Net position	-	1,400,000	1,400,000
Net position at Beginning of Year	Statement of Activities	(1,170,299)	1,400,000	229,701

REQUIRED SUPPLEMENTARY INFORMATION

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
CASH INFLOWS				
State receipts	\$ 9,724,900	\$ 10,297,516	\$ 10,309,462	\$ 11,946
Federal grants	416,972	416,972	432,359	15,387
Local revenue	5,530,012	5,660,389	5,667,403	7,014
Before and after care	175,000	220,000	266,293	46,293
Food service	830,592	797,000	759,159	(37,841)
Rent proceeds	453,917	475,730	480,430	4,700
Tenant billings	191,004	126,806	57,201	(69,605)
Student body activities	50,000	50,000	57,161	7,161
Zions proceeds	197,111	243,023	243,023	-
Capital campaign	-	7,500	106,737	99,237
Donations/others	100,000	50,000	64,544	14,544
TOTAL CASH INFLOWS FORWARD	17,669,508	18,344,936	18,443,772	98,836
CASH OUTFLOWS				
Payroll and related costs	7,461,700	7,316,751	6,982,317	334,434
Payroll taxes/benefits	3,564,889	3,634,708	3,356,177	278,531
Travel/conferences	10,000	10,903	1,967	8,936
Other professional services	72,000	108,800	109,684	(884)
Medical services	175,000	180,000	247,197	(67,197)
Legal services	50,000	120,000	118,066	1,934
Consultants	72,000	170,000	166,121	3,879
Temporary employment services	85,000	80,000	66,876	13,124
Computer services	2,000	12,985	16,489	(3,504)
Postage	15,300	15,800	5,800	10,000
Telecommunication	20,800	22,400	18,311	4,089
Public utilities	40,600	44,600	19,684	24,916
Energy	439,676	388,905	320,750	68,155
Exchange teachers	10,000	15,000	12,074	2,926
After Care	15,000	20,000	18,045	1,955
Tuition reimbursements	40,000	45,000	63,109	(18,109)
Equipment rental/copiers	34,622	40,700	53,688	(12,988)
Fleet rental	761,780	760,131	578,152	181,979
Insurance	85,000	92,038	95,614	(3,576)
Building/grounds repair	203,815	189,300	104,126	85,174
Custodial services/cleaning	175,000	130,000	105,755	24,245
Equipment repair	15,700	17,700	13,000	4,700
Printing and binding	2,000	7,500	5,643	1,857
Advertising	10,000	10,000	839	9,161
Association dues and conference fees	1,000	6,688	6,876	(188)
Trash removal	32,940	32,940	25,739	7,201
Snow removal	40,750	30,000	5,570	24,430
TOTAL CASH OUTFLOWS FORWARD	\$ 13,436,572	\$ 13,502,849	\$ 12,517,669	\$ 985,180

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts Budgetary Basis	Final Budget Positive (Negative)
TOTAL CASH INFLOWS FORWARDED	\$ 17,669,508	\$ 18,344,936	\$ 18,443,772	\$ 98,836
TOTAL CASH OUTFLOWS SUBTOTAL FORWARDED	13,436,572	13,502,849	12,517,669	985,180
CASH OUTFLOWS				
Exterminating	10,600	6,825	5,575	1,250
Landscaping	44,720	47,000	30,720	16,280
Alarm monitoring	15,900	-	-	-
Student body activity	50,000	50,000	90,410	(40,410)
Training	28,150	33,150	26,762	6,388
Rent - fields	10,000	5,000	-	5,000
Moving costs	-	-	-	-
Miscellaneous costs	21,695	28,695	19,100	9,595
Office supplies	21,300	20,500	8,261	12,239
Food	459,055	454,555	356,639	97,916
Beverage	-	-	46,677	(46,677)
Paper products	-	-	12,838	(12,838)
Clothing and linens	-	-	433	(433)
Medical supplies	3,000	3,500	2,993	507
Custodial supplies	34,700	49,500	67,925	(18,425)
Computer supplies	16,651	20,000	18,237	1,763
Instructional supplies	170,000	170,000	151,833	18,167
Books and publications	60,000	60,000	30,290	29,710
Institutional equipment/ small equipment	142	12,500	21,587	(9,087)
Athletic equipment	35,000	35,000	3,640	31,360
Capital costs	1,611,431	1,611,760	1,417,911	193,849
Debt service	2,670,874	2,677,874	2,680,818	(2,944)
TOTAL CASH OUTFLOWS	18,699,790	18,788,708	17,510,318	1,278,390
EXCESS (DEFICIENCY) OF INFLOWS OVER OUTFLOWS	\$ (1,030,282)	\$ (443,772)	\$ 933,454	\$ 1,377,226

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2017

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	\$ 933,454
Net decrease in bond reserve	(8,481)
Net increase in capital projects fund	120,313
Net decrease in projects fund	(243,004)
Net decrease in prepaids	(348)
Decrease in receivables	(124,074)
Net increase in accounts payable	152,006
Net increase in accrued liabilities	(433,740)
Net increase in unspent federal awards	(69,583)
CHANGE IN FUND BALANCE, MODIFIED	
ACCRUAL BASIS	<u>\$ 326,543</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)
SCHEDULES OF THE SCHOOL'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's proportion of the net pension liability	<u>0.2759%</u>	<u>0.2610%</u>	<u>0.2047%</u>
School's proportionate share of the net pension liability	\$ <u>4,158,223</u>	\$ <u>1,736,595</u>	\$ <u>753,849</u>
School's covered-employee payroll	\$ <u>5,273,609</u>	\$ <u>4,868,305</u>	\$ <u>3,774,749</u>
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>78.85%</u>	<u>35.67%</u>	<u>20.13%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

ODYSSEY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULES OF SCHOOL CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 617,960	\$ 504,157	\$ 465,410
Contributions in relation to the contractually required contribution	<u>617,960</u>	<u>504,157</u>	<u>465,410</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
School's covered-employee payroll	\$ <u>6,450,522</u>	\$ <u>5,273,609</u>	\$ <u>4,868,305</u>
Contributions as a percentage of covered-employee payroll	<u>9.58%</u>	<u>9.56%</u>	<u>9.56%</u>

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, 2017, 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 26, 2017.

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.

Maille LLP

West Chester, Pennsylvania
September 26, 2017