



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

FINANCIAL STATEMENTS

JUNE 30, 2020

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

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(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 29, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Odyssey Charter School, Inc. ("the School"), Wilmington, Delaware, a component unit of the State of Delaware, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Board of Directors
Odyssey Charter School, Inc.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Odyssey Charter School, Inc., Wilmington, Delaware, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Odyssey Charter School, Inc.'s 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, and the budgetary comparison schedule - general fund, schedule of the School's proportionate share of the net pension liability, schedule of School pension contributions, schedule of the School's proportionate share of the net OPEB liability, and schedule of School OPEB contributions on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Odyssey Charter School, Inc.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report September 29, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2020**

Our discussion and analysis of Odyssey Charter School, Inc.'s ("the School") financial performance provides an overview of the financial activities for the year ended June 30, 2020. Please read it in conjunction with the independent auditor's report on pages 1 - 3 and the School's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The net position of the School decreased by \$4,774,994, or 18.86 percent. Program revenues accounted for \$3,184,690, or 11.78 percent of total revenues, and the general revenues accounted for \$24,841,698, or 88.22 percent of total revenues. Also, the general fund reported a positive fund balance of \$700,026.

USING THE ANNUAL FINANCIAL REPORT

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

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting which is similar to the accounting used by private sector corporations. All of the year's revenues and expenses are taken into consideration regardless of when the cash is received or paid. These two statements report the School's net position and changes thereof. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at their conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

Governmental Funds

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$30,092,538 at the close of the fiscal year. The School's total assets are comprised of cash and pooled cash (8.49 percent), investments (8.29 percent), accounts receivable (0.05 percent), and capital assets net of depreciation (83.17 percent). The School uses capital assets to provide services; consequently, capital assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay such debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debt obligations.

A summarized comparative analysis for the fiscal year 2020 to 2019 follows:

**TABLE 1
NET POSITION
June 30, 2020 and 2019**

	2020	2019
Current and Other Assets		
Current assets	\$ 7,388,422	\$ 8,413,862
Capital assets, net of depreciation	36,507,149	36,116,331
Total Assets	<u>43,895,571</u>	<u>44,530,193</u>
Deferred Outflows of Resources	22,009,621	14,942,167
Total Assets and Deferred Outflows of Resources	<u>65,905,192</u>	<u>59,472,360</u>
Liabilities		
Current liabilities	4,638,587	4,193,804
Long-term liabilities	82,741,921	75,666,586
Total Liabilities	<u>87,380,508</u>	<u>79,860,390</u>
Deferred Inflows of Resources	8,617,222	4,929,514
Total Liabilities and Deferred Inflows of Resources	<u>95,997,730</u>	<u>84,789,904</u>

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

**TABLE 1
NET POSITION
June 30, 2020 and 2019**

(cont'd)	2020	2019
Net Position (Deficit)		
Net investment in capital assets	270,776	(903,324)
Restricted	3,640,751	3,745,008
Unrestricted (deficit)	<u>(34,004,065)</u>	<u>(28,159,228)</u>
Total Net Deficit	<u><u>\$(30,092,538)</u></u>	<u><u>\$(25,317,544)</u></u>

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

**TABLE 2
CHANGE IN NET POSITION
Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019
General Revenues		
Charges to school districts	\$ 8,106,496	\$ 7,548,810
State aid not restricted to specific purposes	15,321,161	14,174,528
Other revenues	414,041	465,774
Total General Revenues	<u>23,841,698</u>	<u>22,189,112</u>
Program Revenues		
Charges for services	2,113,747	1,998,654
Operating grants and contributions	1,055,029	1,307,384
Capital grants and contributions	15,914	-
Total Revenues	<u>27,026,388</u>	<u>25,495,150</u>
Expenses		
Instructional services	21,172,187	17,536,989
Support services:		
Operation and maintenance of facilities	5,872,961	5,611,139
Transportation	1,327,674	686,627
School food services	959,560	729,429
Interest on long-term debt	2,469,000	2,433,995
Total Expenses	<u>31,801,382</u>	<u>26,998,179</u>
Change in Net Position	<u><u>\$ (4,774,994)</u></u>	<u><u>\$ (1,503,029)</u></u>

Government Activities

The net position of the School's governmental activities decreased by \$4,774,994, and unrestricted net position reflects a deficit balance of \$34,004,065. The decrease in net position is attributable to the pension and OPEB expense recognized in the current year.

ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020

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

	SERVICES			
	2020		2019	
	Total Cost	Net Cost (Revenue)	Total Cost	Net Cost (Revenue)
Governmental Activities				
Instructional services	\$21,172,187	\$20,141,507	\$17,536,989	\$16,379,429
Support services:				
Operation and maintenance of facilities	5,872,961	4,995,519	5,611,139	4,661,439
Transportation	1,327,674	892,753	686,627	267,720
School food services	959,560	117,913	729,429	(50,442)
Interest on long-term debt	2,469,000	2,469,000	2,433,995	2,433,995
Total Expenses	<u>\$31,801,382</u>	<u>\$28,616,692</u>	<u>\$26,998,179</u>	<u>\$23,692,141</u>

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

THE SCHOOL'S FUNDS

The governmental funds (as presented on the balance sheet on page 13) reported a fund balance of \$4,340,777, which is a decrease from the prior year's amount by \$1,346,315. The schedule below indicates the fund balance and the total changes in fund balance from June 30, 2019 to June 30, 2020.

	2020	2019	Increase (Decrease)
Governmental Fund Balance			
Nonspendable, prepaids	\$ -	\$ 98,550	\$ (98,550)
Restricted - debt service	2,831,267	2,853,465	(22,198)
Restricted - repairs and maintenance of School facility	409,484	491,543	(82,059)
Restricted - renovations of School property	400,000	400,000	-
Unassigned - general fund	700,026	1,843,534	(1,143,508)
Total Fund Balance	<u>\$ 4,340,777</u>	<u>\$ 5,687,092</u>	<u>\$ (1,346,315)</u>

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

General Fund

The decrease in the School's fund balance of the general fund is due mainly to increases in operation and maintenance of facilities, which was greater than the related increases, charges to school districts, and state aid as a result of increased enrollment.

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

	Amounts		Percentage (%) Change
	2020	2019	
Revenues			
Charges to school districts	\$ 8,106,496	\$ 7,548,810	7.39%
State sources	15,321,161	14,174,528	8.09%
Federal sources	972,938	796,851	22.10%
Charges for services	2,113,747	2,273,622	-7.03%
Miscellaneous revenue	603,534	613,711	-1.66%
Total Revenues	\$27,117,876	\$25,407,522	6.73%

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

	Amounts		Percentage (%) Change
	2020	2019	
Expenditures by Object			
Instructional services	\$16,355,704	\$17,545,780	-6.78%
Support services:			
Operation and maintenance of facilities	5,136,753	1,913,621	168.43%
Transportation	1,189,348	573,275	107.47%
School food services	959,560	737,216	30.16%
Capital outlay	1,440,819	1,843,033	-21.82%
Debt services	3,267,880	3,124,643	4.58%
Total Expenditures by Object	\$28,350,064	\$25,737,568	10.15%

Debt Service Fund

The debt service fund had a fund balance of \$2,831,267 at June 30, 2020. This was a \$22,198 decrease from the prior year. The debt service fund is funded by transfers from the general fund and is maintained to accumulate resources for the payment of interest and principal on the long-term general obligation debt.

ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020

Repair and Replacement Fund

The repair and replacement fund had a fund balance of \$409,484 at June 30, 2020. This was a \$82,059 decrease from the prior year. The repair and replacement fund is maintained to accumulate resources for the payment of repairs and maintenance of the school facilities.

Supplemental Reserve Fund

The supplemental reserve fund had a fund balance of \$400,000 at June 30, 2020. There was no change from the prior year. The supplemental reserve fund is maintained to pay for renovations of the school property.

GENERAL FUND BUDGET INFORMATION

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

CAPITAL ASSETS

The School has \$36,507,149 invested in capital assets, net of accumulated depreciation. During the current year, the School purchased furniture, computer equipment, and added building improvements as well as incurring construction costs associated with renovations. The total of all additions was \$1,375,468, and the School incurred depreciation of \$984,650 during the year.

DEBT ADMINISTRATION

As of June 30, 2020, the School had total outstanding debt of \$36,236,373 in the form of loans and a bond payable. Detailed information regarding long-term debt activity is included in Note 4 to the financial statements.

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

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

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

The financial model the School has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will have to be made.

**ODYSSEY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (CONT'D)
YEAR ENDED JUNE 30, 2020**

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ODYSSEY CHARTER SCHOOL, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	Governmental Activities	
	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and pooled cash	\$ 3,727,718	\$ 4,379,315
Investments	3,640,751	3,745,008
Accounts receivable	19,953	190,989
Prepaid expenses	-	98,550
Total Current Assets	7,388,422	8,413,862
NONCURRENT ASSETS:		
Land	11,704,800	11,704,800
Construction-in-progress	1,317,047	786,980
Depreciable capital assets, net	23,485,302	23,624,551
Total Noncurrent Assets	36,507,149	36,116,331
TOTAL ASSETS	43,895,571	44,530,193
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	4,681,051	3,898,532
Deferred outflows - OPEB	17,328,570	11,043,635
TOTAL DEFERRED OUTFLOWS OF RESOURCES	22,009,621	14,942,167
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,905,192	\$ 59,472,360
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 101,352	\$ 118,162
Accrued salaries and related costs	2,937,568	2,517,120
Accrued interest payable	768,531	784,129
Security deposit liability	8,725	-
Loans payable	332,411	314,393
Bonds payable	490,000	460,000
Total Current Liabilities	4,638,587	4,193,804
NONCURRENT LIABILITIES:		
Compensated absences	673,020	619,536
Loans payable	2,553,962	2,895,262
Bonds payable	32,860,000	33,350,000
Net pension liability	7,798,847	5,392,007
Net OPEB liability	38,856,092	33,409,781
Total Noncurrent Liabilities	82,741,921	75,666,586
TOTAL LIABILITIES	87,380,508	79,860,390
 DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows - pension	57,244	306,384
Deferred inflows - OPEB	8,559,978	4,623,130
TOTAL DEFERRED INFLOWS OF RESOURCES	8,617,222	4,929,514
 NET POSITION (DEFICIT):		
Net investment in capital assets	270,776	(903,324)
Restricted for:		
Repayment of debt	2,831,267	2,853,465
Repairs and maintenance of School facilities	409,484	491,543
Renovations of the School property	400,000	400,000
Unrestricted (Deficit)	(34,004,065)	(28,159,228)
TOTAL NET POSITION (DEFICIT)	(30,092,538)	(25,317,544)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 65,905,192	\$ 59,472,360

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

ODYSSEY CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)

GOVERNMENTAL ACTIVITIES	Program Revenues		Net (Expense) Revenue and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	2020	2020	2020	2019
Instructional services	\$ (21,172,187)	\$ 315,510	\$ 715,170	\$ (16,379,429)
Support services:				
Operation and maintenance of facilities	(5,872,961)	779,437	82,091	(4,661,439)
Transportation	(1,327,674)	434,921	-	(267,720)
Food service	(959,560)	583,879	257,768	50,442
Interest expense and other charges	(2,469,000)	-	-	(2,433,995)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (31,801,382)	\$ 2,113,747	\$ 1,055,029	(23,692,141)
GENERAL REVENUES				
Charges to school districts			8,106,496	7,548,810
State aid not restricted to specific purposes			15,321,161	14,174,528
Interest income			215,895	123,659
Other local revenues			198,146	342,115
TOTAL GENERAL REVENUES			23,841,698	22,189,112
CHANGE IN NET DEFICIT			(4,774,994)	(1,503,029)
NET DEFICIT, BEGINNING OF YEAR			(25,317,544)	(23,814,515)
NET DEFICIT, END OF YEAR			\$ (30,092,538)	\$ (25,317,544)

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

ODYSSEY CHARTER SCHOOL, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

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

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
	2020	2019	2020	2019	2020
ASSETS:					
Cash and pooled cash	\$ 3,727,718	\$ -	\$ -	\$ -	\$ 4,379,315
Investments	-	2,831,267	409,484	400,000	3,745,008
Accounts receivable	19,953	-	-	-	190,989
Prepaid expenditures	-	-	-	-	98,550
TOTAL ASSETS	<u>\$ 3,747,671</u>	<u>\$ 2,831,267</u>	<u>\$ 409,484</u>	<u>\$ 400,000</u>	<u>\$ 8,413,862</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 101,352	\$ -	\$ -	\$ -	\$ 118,162
Accrued salaries and related costs	2,937,568	-	-	-	2,517,120
Security deposit liability	8,725	-	-	-	-
TOTAL LIABILITIES	<u>3,047,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,635,282</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - note receivable	-	-	-	-	91,488
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,488</u>
FUND BALANCES:					
Nonspendable	-	-	-	-	98,550
Restricted	-	2,831,267	409,484	400,000	3,745,008
Unassigned	700,026	-	-	-	1,843,534
TOTAL FUND BALANCES	<u>700,026</u>	<u>2,831,267</u>	<u>409,484</u>	<u>400,000</u>	<u>5,687,092</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,747,671</u>	<u>\$ 2,831,267</u>	<u>\$ 409,484</u>	<u>\$ 400,000</u>	<u>\$ 8,413,862</u>

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

**ODYSSEY CHARTER SCHOOL, INC.
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL
FUNDS TO STATEMENT OF NET POSITION
JUNE 30, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,340,777

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

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position. 36,507,149

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Accrued interest payable	\$ (768,531)	
Compensated absences	(673,020)	
Loans payable	(2,886,373)	
Bonds payable	(33,350,000)	
Net pension liability	(7,798,847)	
Net OPEB liability	(38,856,092)	(84,332,863)

Deferred inflows of resources and deferred outflows of resources related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, differences in actual and expected experience, changes in assumptions, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension	4,681,051	
Deferred inflows - pension	<u>(57,244)</u>	4,623,807

Deferred inflows of resources and deferred outflows of resources related to the School's net OPEB liability are based on the differences between actuarially determined actual and expected investment returns, differences in actual and expected experience, changes in assumptions, changes in the actuarially determined proportion of the School's amount of the total OPEB liability, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - OPEB	17,328,570	
Deferred inflows - OPEB	<u>(8,559,978)</u>	<u>8,768,592</u>

TOTAL NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (30,092,538)

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

ODYSSEY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

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

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
	2020	2019	2020	2019	2020
REVENUES					
Charges to school districts	\$ 8,106,496	-	-	-	\$ 8,106,496
State aid	15,321,161	-	-	-	14,174,528
Federal aid	972,938	-	-	-	796,851
Interest income	155,229	48,690	7,083	4,893	215,895
Food service revenue	583,879	-	-	-	779,871
Facilities rental	779,437	-	-	-	714,135
After care	285,336	-	-	-	360,709
Summer camp	30,174	-	-	-	-
Donations	98,005	-	-	-	235,565
Transportation	434,921	-	-	-	418,907
Other local revenues	289,634	-	-	-	254,487
TOTAL REVENUES	27,057,210	48,690	7,083	4,893	27,117,876
EXPENDITURES					
Current:					
Instruction	16,355,704	-	-	-	17,545,780
Operation and maintenance of facilities	5,136,753	-	-	-	1,913,621
Transportation	1,189,348	-	-	-	573,275
Food services	959,560	-	-	-	737,216
Capital outlay	1,440,819	-	-	-	1,843,033
Debt service:					
Principal	323,282	460,000	-	-	687,120
Interest and other charges	179,398	2,305,200	-	-	2,484,598
TOTAL EXPENDITURES	25,584,864	2,765,200	-	-	28,350,064
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,472,346	(2,716,510)	7,083	4,893	(1,232,188)
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	900,290
Refund of prior year revenue	(114,127)	-	-	-	(3,860)
Transfers in (out)	(2,600,277)	2,694,312	(89,142)	(4,893)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,714,404)	2,694,312	(89,142)	(4,893)	896,430
NET CHANGE IN FUND BALANCES	(1,242,058)	(22,198)	(82,059)	-	(1,346,315)
FUND BALANCES, BEGINNING OF YEAR	1,942,084	2,853,465	491,543	400,000	5,687,092
FUND BALANCES, END OF YEAR	\$ 700,026	\$ 2,831,267	\$ 409,484	\$ 400,000	\$ 4,340,777

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

ODYSSEY CHARTER SCHOOL, INC.
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,346,315)

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

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

Capital outlays	\$ 1,375,468	
Depreciation expense	<u>(984,650)</u>	390,818

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

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. In addition, bond premiums are reported as other financing sources; however, these amounts are reported on the statement of net position as deferred charges and amortized over the life of the debt.

Principal repayments on loans and bonds		783,282
---	--	---------

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

Accrued interest	15,598	
Compensated absences	<u>(53,484)</u>	(37,886)

Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,375,181)

OPEB expenses in the statement of activities differ from the amount reported in the governmental funds because OPEB expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (3,098,224)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (4,774,994)

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Odyssey Charter School, Inc. is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent board of directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions - most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. Odyssey Charter School, Inc.'s initial charter was granted for a three-year period, renewable every five years thereafter.

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

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

The entity-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Amounts reported as program revenues include 1) charges to students for special fees, supplies, food, or services provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include charges to school districts.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The School reports the following major governmental funds:

- **General Fund** – The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- **Debt Service Fund** – These funds are maintained to accumulate resources for the payment of interest and principal on long-term general obligation debt.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

- **Repair and Replacement Fund** – These funds are maintained to accumulate resources for the payment of repairs and maintenance of school facilities.
- **Supplementary Reserve Fund** – These funds are maintained to pay for renovations of the school property.

Investments

Investments are recorded at fair value.

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

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

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

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., current portion) or “advances from/to other funds” (i.e., the noncurrent portion). At June 30, 2020, the School had no such activity.

Advances between funds, when present in the financial statements, are offset by fund balance reserves in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. At June 30, 2020, the School had no such activity.

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

Capital Assets

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Such assets are recorded at historical cost. When the historical cost cannot be determined, the value shall be fixed by estimation based on those assets which are currently in existence. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and building improvements	40 years
Furniture and equipment	5 years
Books	3 years
Vehicles	5 - 10 years

Compensated Absences

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

Fund Equity

Fund balance will be displayed in the following classification (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

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

Unassigned – all other spendable amounts.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

Net Position

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

Deferred Inflows and Outflows of Resources

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

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2019 basic financial statements to be comparative with the current year presentation.

NOTE 2 CASH, POOLED CASH, AND INVESTMENTS

Deposits

At June 30, 2020, the School had a cash and pooled cash balance of \$3,727,718. Of that amount, \$3,661,222, was part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware, and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as pooled cash in these financial statements.

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

At June 30, 2020, the reported amount of the School's deposits outside of the State Treasurer's Office was \$66,496. The bank balance at June 30, 2020 was \$66,495, all of which was covered by federal depository insurance.

Investments

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

The School categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The School has the following recurring fair value measurements as of June 30, 2020:

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Mutual Fund	<u>\$3,640,751</u>	<u>\$3,640,751</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$3,640,751</u>	<u>\$3,640,751</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in external investment pools, such as those in mutual funds, are disclosed but not subject to interest rate, custodial credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
General capital assets not being depreciated:				
Land	\$11,704,800	\$ -	\$ -	\$11,704,800
Construction-in-progress	<u>786,980</u>	<u>688,242</u>	<u>158,175</u>	<u>1,317,047</u>
Total general capital assets not being depreciated	<u>12,491,780</u>	<u>688,242</u>	<u>158,175</u>	<u>13,021,847</u>
General capital assets being depreciated:				
Buildings/building improvements	25,148,697	505,566	-	25,654,263
Furniture and equipment	1,074,651	339,835	-	1,414,486
Books	567,632	-	-	567,632
Vehicles	<u>1,030,387</u>	<u>-</u>	<u>-</u>	<u>1,030,387</u>
Total general capital assets being depreciated	<u>27,821,367</u>	<u>845,401</u>	<u>-</u>	<u>28,666,768</u>
Accumulated depreciation	<u>(4,196,816)</u>	<u>(984,650)</u>	<u>-</u>	<u>(5,181,466)</u>
Total general capital assets being depreciated, net	<u>23,624,551</u>	<u>(139,249)</u>	<u>-</u>	<u>23,485,302</u>
Governmental Activities, Net	<u>\$36,116,331</u>	<u>\$ 548,993</u>	<u>\$ 158,175</u>	<u>\$36,507,149</u>

Depreciation expense was charged to the following governmental activities:

Instructional services	\$ 175,467
Operation and maintenance of facilities	670,857
Transportation	<u>138,326</u>
	<u>\$ 948,650</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT

Revenue Bonds

General Obligation Bonds Series 2015 A and B – On February 18, 2015, the School issued \$34,650,000 in revenue bonds. The bonds were issued to finance the purchase and redevelopment of approximately 36 acres of land, improved with eight buildings at Barley Mill, and pay the costs and expenses of issuing and insuring the bond. Interest is payable on a semi-annual basis. The bonds bear interest at rates ranging from 6.25% to 7.00% and mature annually beginning in March 2017 through September 2045. The bonds are subject to certain financial covenants, which have not been met. The 2015 B Bonds were paid in full in 2019.

\$33,350,000

Loans

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

314,121

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

1,713,369

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

78,387

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

140,547

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

327,539

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

132,064

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

180,346

TOTAL LOANS OUTSTANDING

2,886,373

TOTAL BONDS AND LOANS OUTSTANDING

\$36,236,373

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

The total principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 822,411	\$ 2,416,839	\$ 3,239,250
2022	876,128	2,401,297	3,277,425
2023	887,642	2,484,722	3,372,364
2024	765,477	2,310,458	3,075,935
2025	775,904	2,226,552	3,002,456
2026 - 2030	5,393,811	10,247,689	15,641,500
2031 - 2035	5,400,000	8,404,000	13,804,000
2036 - 2040	7,690,000	6,190,906	13,880,906
2041 - 2045	10,940,000	2,961,700	13,901,700
2046	2,685,000	93,975	2,778,975
Total	<u>\$ 36,236,373</u>	<u>\$ 39,738,138</u>	<u>\$ 75,974,511</u>

Interest expense and other charges were \$2,469,000 for the year ended June 30, 2020.

A schedule of changes in debt is as follows:

	<u>Amounts Outstanding 7/1/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amounts Outstanding 6/30/2020</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable	\$33,810,000	\$ -	\$ (460,000)	\$33,350,000	\$ 490,000
Loans payable	3,209,655	-	(323,282)	2,886,373	332,411
	<u>37,019,655</u>	-	<u>(783,282)</u>	<u>36,236,373</u>	<u>822,411</u>
Compensated absences	619,536	53,484	-	673,020	-
Net OPEB liability	33,409,781	5,446,311	-	38,856,092	-
Net pension liability	<u>5,392,007</u>	<u>2,406,840</u>	<u>-</u>	<u>7,798,847</u>	<u>-</u>
Total Governmental Activities	<u>\$76,440,979</u>	<u>\$ 7,906,635</u>	<u>\$ (783,282)</u>	<u>\$83,564,332</u>	<u>\$ 822,411</u>

Payments of bonds and loans payable are expected to be funded by the general and debt service funds, and all other liabilities are expected to be funded by the general fund.

NOTE 5 PENSION PLAN

Plan Description

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

There are two tiers within this plan: 1) employees hired prior to January 1, 2012, and 2) employees hired on or after January 1, 2012.

Benefits Provided

Service Benefits

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

Vesting

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

Retirement

Employees hired before January 1, 2012 may retire at age 62 with five years of credited service; at age 60 with 15 years of credited service; or after 30 years of credited service at any age. Employees hired on or after January 1, 2012 may retire at age 65 with at least 10 years of credited service; at age 60 with 20 years of credited service; or after 30 years of credited service at any age.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Disability Benefits

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

Survivor and Burial Benefits

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

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the year ended June 30, 2020, the rate of the employer contributions was 11.96 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2020 was \$1,407,822.

PRI Contribution

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

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

At June 30, 2020, the School reported a liability of \$7,798,847 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.5008 percent, which was an increase of 0.0833 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense in the amount of \$2,783,003. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 88,518	\$ -
Difference between actual and expected experience	655,956	57,244
Changes in assumptions	809,584	-
Changes in proportions	1,719,171	-
Contributions subsequent to the date of measurement	<u>1,407,822</u>	<u>-</u>
	<u>\$ 4,681,051</u>	<u>\$ 57,244</u>

An amount of \$1,407,822 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ending June 30,

2021	\$1,124,172
2022	405,905
2023	586,889
2024	677,393
2025	<u>421,626</u>
	<u>\$3,215,985</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Actuarial Assumptions

The total pension liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions, applied to all periods:

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

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

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

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

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Domestic equity	5.7%	29.5%
International equity	5.7%	13.5%
Fixed income	2.0%	27.1%
Alternative investments	7.8%	22.4%
Cash and equivalents	0.0%	7.5%

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

Discount Rate

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

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 14,087,638	\$ 7,798,847	\$ 2,518,182

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

The following are brief descriptions of the Plan in effect as of June 30, 2020. For a more complete description, please refer to the Delaware Public Employees' Retirement System Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

The Plan is a cost-sharing multiple employer plan that covers all employees of the State that are eligible to participate in the defined benefit pension plan, including employees of other affiliated entities.

Benefits Provided

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

Contributions

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2020, the rate of the employer contribution was 12.51 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2020 was \$1,472,800.

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

At June 30, 2020, the School reported a liability of \$38,856,092 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.4876 percent, which was an increase of 0.0807 percent from its proportion measured as of June 30, 2018.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

For the year ended June 30, 2020, the School recognized OPEB expense of \$4,571,024. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 35,190
Net difference between projected and actual experience	-	4,361,927
Changes in proportions	13,964,072	-
Changes in assumptions	1,891,698	4,162,861
Contributions subsequent to the date of measurement	<u>1,472,800</u>	<u>-</u>
	<u>\$17,328,570</u>	<u>\$ 8,559,978</u>

An amount of \$1,472,800 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

Year Ending June 30,

2021	\$1,001,790
2022	1,001,790
2023	1,021,717
2024	1,971,721
2025	<u>2,298,774</u>
	<u>\$7,295,792</u>

Actuarial Assumptions

The total OPEB liability as of the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total OPEB liability to June 30, 2019. These actuarial valuations used the following actuarial assumptions, applied to all periods:

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Investment return – 3.5 percent
- Salary increases – 2.5 percent + merit
- Cost-of-living adjustments – ad hoc

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent at the beginning of the current measurement period and 3.50 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2019 and 2018 measurement date are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the net OPEB liability, calculated using the discount rate of 3.50 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate.

	1% Decrease 2.50%	Current Rate Discount Rate 3.50%	1% Increase 4.50%
School's proportionate share of the net OPEB liability	\$ 46,073,477	\$ 38,856,092	\$ 33,129,814

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.60 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.60 percent) or one percentage point higher (7.60 percent) than the current rate.

	1% Decrease 5.60%	Current Rate Healthcare Trend Rate 6.60%	1% Increase 7.60%
School's proportionate share of the net OPEB liability	\$ 33,205,035	\$ 38,856,092	\$ 45,602,178

Plan Fiduciary Net Position

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

NOTE 7 LEASING ARRANGEMENTS

Operating Lease - Lessee

The School leases three buses under an operating lease arrangement with an expiration date in January 2021. Total rental expense for the year ended June 30, 2020 was \$46,728.

At June 30, 2020, the minimum future rental payments under noncancelable leasing arrangements for the remaining period and in the aggregate are as follows:

<u>Year Ending June 30,</u>	
2021	<u>\$ 27,528</u>
Minimum future rental payments required	<u>\$ 27,528</u>

Operating Lease – Lessor

The School leases buildings under an operating lease to Academia Antonia Alonso, Inc. with an expiration date of July 31, 2021. Total rental income for the year ended June 30, 2020 was \$779,437.

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 LEASING ARRANGEMENTS (cont'd)

At June 30, 2020, the minimum future rental payments under the lease are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 878,264
2022	251,226
2023	194,907
2024	199,779
2025	<u>101,122</u>
Minimum future rental payments required	<u>\$ 1,625,298</u>

NOTE 8 RISK MANAGEMENT

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

NOTE 9 COMMITMENTS AND CONTINGENCIES

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

Capital Improvement Commitments

As of June 30, 2020, anticipated construction commitments are as follows:

	<u>Contract Amount</u>	<u>Completed at 06/30/2020</u>	<u>Commitment</u>
Large gym	\$ 2,327,029	\$ 229,129	\$ 2,097,900
Building 23 classrooms	401,764	399,676	2,088
Building 23 12 th grade expansion	<u>973,128</u>	<u>688,242</u>	<u>284,886</u>
Totals	<u>\$ 3,701,921</u>	<u>\$ 1,317,047</u>	<u>\$ 2,384,874</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

	General Fund	Debt Service Fund	Repair and Replacement Fund	Supplementary Reserve Fund	Total Governmental Funds
Restricted:					
Debt service	\$ -	\$ 2,831,267	\$ -	\$ -	\$ 2,831,267
School facilities	-	-	409,484	400,000	809,484
Unassigned	<u>700,026</u>	-	-	-	<u>700,026</u>
Total Fund Balances	<u>\$ 700,026</u>	<u>\$ 2,831,267</u>	<u>\$ 409,484</u>	<u>\$ 400,000</u>	<u>\$ 4,340,777</u>

NOTE 11 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Employment costs	\$ 37,670
Supplies and materials	\$ 164,251
Student activities	\$ 15,540
Debt service - principal	\$ 88,391
Debt service - interest	\$ 179,398

The excess expenditures were covered by other expenditure categories that were less than their budgeted appropriation.

NOTE 12 INTERNAL TRANSFERS

Interfund transfers for the year ended June 30, 2020 are as follows:

Fund	Transfer In	Transfer Out	Net Transfer In (Out)
General	\$ 196,789	\$ 2,797,066	\$(2,600,277)
Debt service	2,801,959	107,647	2,694,312
Repair and replacement	107,647	196,789	(89,142)
Supplementary reserve	-	4,893	(4,893)
	<u>\$ 3,106,395</u>	<u>\$ 3,106,395</u>	<u>\$ -</u>

ODYSSEY CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12 INTERNAL TRANSFERS (cont'd)

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

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$34,004,065 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 14 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, which was ongoing at June 30, 2020, economic and operational uncertainties have arisen which may impact the School in fiscal year 2021. There exist uncertainties surrounding the School's operations in the 2020 - 2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while onsite. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

Grants

The School receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 15 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 29, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ODYSSEY CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Charges to school districts	\$ 8,010,965	\$ 8,226,781	\$ 8,106,496	\$ (120,285)
State aid	15,081,321	15,397,756	15,321,161	(76,595)
Federal aid	666,049	716,145	972,938	256,793
Interest income	-	-	155,229	155,229
Food service revenue	1,096,623	1,158,653	583,879	(574,774)
Facilities rental	627,407	740,344	779,437	39,093
After care	380,000	412,292	285,336	(126,956)
Summer camp			30,174	30,174
Donations	229,015	281,355	98,005	(183,350)
Transportation			434,921	434,921
Other local revenues	440,000	514,150	289,634	(224,516)
TOTAL REVENUES	<u>26,531,380</u>	<u>27,447,476</u>	<u>27,057,210</u>	<u>(390,266)</u>
EXPENDITURES				
Current:				
Salaries	12,814,717	13,090,407	13,069,486	20,921
Employment costs	6,227,596	6,138,510	6,176,180	(37,670)
Travel	\$12,840	14,072	13,272	800
Contractual services	1,866,106	2,115,108	1,927,532	187,576
Professional development	54,650	115,154	49,667	65,487
Public utilities service	540,200	510,529	387,112	123,417
Insurance	125,000	145,864	145,864	-
Related services	483,777	506,375	346,355	160,020
Supplies and materials	1,027,384	1,165,190	1,329,441	(164,251)
Student activities	120,000	180,916	196,456	(15,540)
Capital outlay	2,105,241	2,199,890	1,440,819	759,071
Debt service:				
Principal	233,000	234,891	323,282	(88,391)
Interest and other charges	-	-	179,398	(179,398)
TOTAL EXPENDITURES	<u>25,610,511</u>	<u>26,416,906</u>	<u>25,584,864</u>	<u>832,042</u>
EXCESS OF REVENUES OVER EXPENDITURES	920,869	1,030,570	1,472,346	441,776
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenue	-	-	(114,127)	(114,127)
Transfer out	(2,797,066)	(2,797,066)	(2,600,277)	196,789
TOTAL OTHER FINANCING USES	<u>(2,797,066)</u>	<u>(2,797,066)</u>	<u>(2,714,404)</u>	<u>82,662</u>
NET CHANGE IN FUND BALANCE	(1,876,197)	(1,766,496)	(1,242,058)	524,438
FUND BALANCE, BEGINNING OF YEAR	<u>1,942,084</u>	<u>1,942,084</u>	<u>1,942,084</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 65,887</u>	<u>\$ 175,588</u>	<u>\$ 700,026</u>	<u>\$ 524,438</u>

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

**ODYSSEY CHARTER SCHOOL, INC.
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 STATE OF DELAWARE EMPLOYEES' PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2020**

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE					
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
School's proportion of the net pension liability	0.5008%	0.4175%	0.3311%	0.2759%	0.2610%	0.2047%
School's proportion of the net pension liability - dollar value	\$ 7,798,847	\$ 5,392,007	\$ 4,854,293	\$ 4,158,223	\$ 1,736,595	\$ 753,849
School's covered employee payroll	\$ 10,394,413	\$ 8,289,453	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305	\$ 3,774,749
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.03%	65.05%	75.25%	78.85%	35.67%	19.97%
Plan fiduciary net position as a percentage of the total pension liability	85.41%	87.49%	85.31%	84.11%	92.67%	95.80%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**ODYSSEY CHARTER SCHOOL, INC.
 SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS
 STATE OF DELAWARE EMPLOYEES' PENSION PLAN
 FOR THE YEAR ENDED JUNE 30, 2020**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 1,407,822	\$ 1,229,659	\$ 863,761	\$ 617,960	\$ 504,157	\$ 465,410
Contributions in relation to the contractually required contribution	<u>1,407,822</u>	<u>1,229,659</u>	<u>863,761</u>	<u>617,960</u>	<u>504,157</u>	<u>465,410</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 11,771,087	\$ 10,394,413	\$ 8,289,453	\$ 6,450,522	\$ 5,273,609	\$ 4,868,305
Contributions as a percentage of covered-employee payroll	11.96%	11.83%	10.42%	9.58%	9.56%	9.56%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020

<u>PROPORTIONATE SHARE OF NET OPEB LIABILITY</u>	<u>MEASUREMENT DATE</u>		
	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net OPEB liability	0.4876%	0.4069%	0.3236%
School's proportion of the net OPEB liability - dollar value	\$ 38,856,092	\$ 33,409,781	\$ 26,711,281
School's covered employee payroll	\$ 10,394,413	\$ 8,289,453	\$ 6,450,522
School's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	373.82%	403.04%	414.09%
Plan fiduciary net position as a percentage of the total OPEB liability	4.89%	4.44%	4.13%

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

**ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 1,472,800	\$ 1,225,359	\$ 914,072
Contributions in relation to the contractually required contribution	<u>1,472,800</u>	<u>1,225,359</u>	<u>914,072</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 11,771,087	\$ 10,394,413	\$ 8,289,453
Contributions as a percentage of covered-employee payroll	12.51%	11.79%	11.03%

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

SUPPLEMENTARY INFORMATION

ODYSSEY CHARTER SCHOOL, INC.
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2020

	State Allocation	Local Funding	Federal Funding	Total
ASSETS				
Cash and pooled cash	\$ 75,916	\$ 3,651,802	\$ -	\$ 3,727,718
Accounts receivable	-	19,953	-	19,953
TOTAL ASSETS	\$ 75,916	\$ 3,671,755	\$ -	\$ 3,747,671
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 59,381	\$ 41,971	\$ -	\$ 101,352
Accrued salaries and related costs	-	2,937,568	-	2,937,568
Security deposit liability	-	8,725	-	8,725
TOTAL LIABILITIES	59,381	2,988,264	-	3,047,645
FUND BALANCES				
Unassigned	16,535	683,491	-	700,026
TOTAL FUND BALANCES	16,535	683,491	-	700,026
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 75,916	\$ 3,671,755	\$ -	\$ 3,747,671

ODYSSEY CHARTER SCHOOL, INC.
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	State Allocation	Local Funding	Federal Funding	Total
REVENUES				
Charges to school districts	-	\$ 8,106,496	-	\$ 8,106,496
State aid	15,321,161	-	-	15,321,161
Federal aid	-	-	715,170	715,170
Interest income	-	155,229	-	155,229
Food service revenue	-	583,879	257,768	841,647
Facilities rental	-	779,437	-	779,437
After care	-	285,336	-	285,336
Summer camp	-	30,174	-	30,174
Donations	-	98,005	-	98,005
Transportation	-	434,921	-	434,921
Other local revenues	-	289,634	-	289,634
TOTAL REVENUES	15,321,161	10,763,111	972,938	27,057,210
EXPENDITURES				
Current:				
Instruction	9,659,444	6,095,142	601,118	16,355,704
Operation and maintenance of facilities	2,478,333	2,544,661	113,759	5,136,753
Transportation	494,785	694,270	293	1,189,348
Food services	857	700,935	257,768	959,560
Capital outlay	623,674	817,145	-	1,440,819
Debt service:				
Principal	128,895	194,387	-	323,282
Interest and other charges	94,036	85,362	-	179,398
TOTAL EXPENDITURES	13,480,024	11,131,902	972,938	25,584,864
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,841,137	(368,791)	-	1,472,346
OTHER FINANCING USES:				
Refund of prior year revenue	(93,085)	(21,042)	-	(114,127)
Transfer out	(2,100,277)	(500,000)	-	(2,600,277)
TOTAL OTHER FINANCING USES	(2,193,362)	(521,042)	-	(2,714,404)
NET CHANGE IN FUND BALANCES	(352,225)	(889,833)	-	(1,242,058)
FUND BALANCES, BEGINNING OF YEAR	368,760	1,573,324	-	1,942,084
FUND BALANCES, END OF YEAR	\$ 16,535	\$ 683,491	\$ -	\$ 700,026

ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

EXPENDITURES

Current:

Salaries	\$ 13,069,486
Employment costs	6,176,180
Travel	13,272
Contractual services	1,927,532
Public utilities service	387,112
Insurance	145,864
Repairs and maintenance	346,355
Supplies and materials	1,329,441
Student activities	196,456

Capital outlay 1,440,819

Debt service:

Principal	783,282
Interest	2,484,598

TOTAL EXPENDITURES \$ 28,350,064

SINGLE AUDIT SUPPLEMENT



INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

September 29, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Odyssey Charter School, Inc. ("the School"), Wilmington, Delaware, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

Board of Directors
Odyssey Charter School, Inc.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

Odyssey Charter School, Inc.'s response to Findings

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

Purpose of This Report

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


BARBACANE, THORNTON & COMPANY LLP



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

September 29, 2020

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

Report on Compliance for Each Major Federal Program

We have audited Odyssey Charter School Inc.'s ("the School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the School's major federal programs for the year ended June, 30, 2020. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

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

Board of Directors
Odyssey Charter School, Inc.

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

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

ODYSSEY CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 06/30/19	REVENUE RECOGNIZED	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/20	PASSED THROUGH TO SUB-RECIPIENTS
I	10.555	07/01/19-06/30/20	N/A	\$ 218,349	\$ -	\$ 218,349	\$ 218,349	\$ -	-
U.S. Department of Agriculture									
Passed through Delaware Department of Education									
National School Lunch Program									
				218,349	-	218,349	218,349	-	-
				39,419	-	39,419	39,419	-	-
			\$ 67,574	39,419	-	39,419	39,419	-	-
				257,768	-	257,768	257,768	-	-
Fresh Fruit and Vegetable Program									
				39,419	-	39,419	39,419	-	-
				257,768	-	257,768	257,768	-	-
Total U.S. Department of Agriculture									
U.S. Department of Education									
Passed through Delaware Department of Education									
Title I - Grants to Local Education Agencies									
	84.010	07/01/18-11/30/20	248,542	120,663	-	120,663	120,663	-	-
	84.010	07/01/19-11/30/21	263,716	181,727	-	181,727	181,727	-	-
				302,390	-	302,390	302,390	-	-
Total CFDA #84.10									
Title IV - Student Support and Academic Enrichment Program (SSAE)									
	84.424	07/01/17-11/30/19	10,000	10,000	-	10,000	10,000	-	-
	84.424	07/01/18-11/30/20	28,135	27,393	-	27,393	27,393	-	-
	84.424	07/01/19-11/30/21	29,188	2,570	-	2,570	2,570	-	-
				39,963	-	39,963	39,963	-	-
Total CFDA #84.424									
	84.027	07/01/17-11/30/19	240,368	403	-	403	403	-	-
	84.027	07/01/18-11/30/20	280,692	97,950	-	97,950	97,950	-	-
	84.027	07/01/19-11/30/21	296,714	146,109	-	146,109	146,109	-	-
				244,462	-	244,462	244,462	-	-
Total CFDA #84.027									
	84.173	07/01/18-11/30/20	4,678	403	-	403	403	-	-
Total CFDA #84.173									
Total Special Education Cluster (IDEA)									
	84.048	07/01/17-11/30/19	24,757	244,865	-	244,865	244,865	-	-
	84.048	07/01/18-11/30/20	34,698	24,757	-	24,757	24,757	-	-
				34,698	-	34,698	34,698	-	-
Total CFDA #84.048									
Title II - Improving Teacher Quality State Grants									
	84.367	07/01/17-11/30/19	31,638	59,455	-	59,455	59,455	-	-
	84.367	07/01/18-11/30/20	61,283	20,386	-	20,386	20,386	-	-
				41,486	-	41,486	41,486	-	-
Total CFDA #84.367									
Elementary and Secondary School Emergency Relief Fund									
	84.425D	07/01/18-11/30/22	214,137	7,250	-	7,250	7,250	-	-
				7,250	-	7,250	7,250	-	-
Total U.S. Department of Education									
U.S. Department of Health and Human Services									
Passed through Delaware Department of Health and Human Services									
	93.788	10/01/19-09/30/20	30,000	19,761	-	19,761	19,761	-	-
State Opioid Response									
				19,761	-	19,761	19,761	-	-
Total U.S. Department of Health and Human Services									
TOTAL FEDERAL AWARDS					\$ -	\$ 972,938	\$ 972,938	\$ -	\$ -

Source Code:

I = Indirect funding

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

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

NOTE B INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. For the year ended June 30, 2020, there were no indirect costs included in the schedule of expenditures of federal awards.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major program:

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

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

Unmodified

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

Yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.555
84.027 and 84.173

National School Lunch Program
Special Education Cluster (IDEA)

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

2019-001 – CAPITAL ASSET RECORDS

Condition

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

Criteria

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

Cause

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

Effect

The School's capital assets were materially misstated.

Questioned Costs

This finding does not result in questioned costs.

Recommendation

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

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Status

During our current year audit, we noted that the School assigned an individual to track capital assets and ensure that the listing included all additions, deletions, depreciation expense, and accumulated depreciation during the current year. Therefore this finding is no longer applicable.

2019-002 – CONSTRUCTION PROJECT MANAGEMENT

Condition

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

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

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

Criteria

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

Cause

Turnover in Board members and School leadership.

Effect

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

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

STATUS OF PRIOR YEAR FINDINGS

Questioned Costs

This finding does not result in questioned costs.

Recommendation

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

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

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

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

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

Status

During our current year audit, we noted that the School assigned an individual to appropriately manage construction projects as outlined in the recommendation noted above; therefore, this finding is no longer applicable.

ODYSSEY CHARTER SCHOOL, INC.
WILMINGTON, DELAWARE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.