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**MOT CHARTER SCHOOL**  
(A Component Unit of the State of Delaware)  
**MIDDLETOWN, DELAWARE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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MOT CHARTER SCHOOL  
(A Component Unit of the State of Delaware)

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MOT CHARTER SCHOOL  
(A Component Unit of the State of Delaware)

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## INDEPENDENT AUDITOR'S REPORT

September 28, 2018

Board of Directors  
MOT Charter School  
Middletown, Delaware

### Report on Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Board of Directors  
MOT Charter School

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the MOT Charter School as of June 30, 2018, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

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

### Report on Summarized Comparative Information

We have previously audited the MOT Charter School's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 11, and the budgetary comparison schedule - governmental funds, 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 39 through 43 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  
MOT Charter School

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, and schedule of expenditures by natural classification - governmental funds 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, and schedule of expenditures by natural classification - governmental funds 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, and schedule of expenditures by natural classification - governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MOT CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of the MOT Charter School's ("the School") financial performance provides an overview of the School's financial activities for the year ended June 30, 2018, which is the School's sixteenth full year of operation. Please read it in conjunction with the Independent Auditors' Report on pages 1 - 3 and the School's financial statements, which begin on page 12.

#### FINANCIAL HIGHLIGHTS

The School's net position decreased by \$1,717,793 and general revenues accounted for \$13.8 million, or 96 percent of total revenues.

The School implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The purpose of this statement is to improve transparency, consistency, and comparability of postemployment benefits other than pensions reported by state and local governments (e.g. charter schools and school districts). The implementation of GASB Statement No. 75 has had an impact on the entity-wide statements. The School is now required to report its proportionate share of the net other post-employment benefits ("OPEB") liability. This portion of the net OPEB liability contributed to a total deficit in net position of \$13,564,982. The net OPEB liability reported in these financial statements at June 30, 2018 totals \$22,425,436. While the net OPEB liability is significant to the School's financial statements, it is a liability that the School has limited control over. This liability is anticipated to continue to increase in future years as medical costs increase. Reporting in the governmental fund is not affected by the implementation of this statement.

#### USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School as a whole, and then proceed 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 and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net position and changes in them. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving



## MOT CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment and facility conditions in arriving at a 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 14 and provides detailed information about the most significant funds, not the School as a whole. Some funds are required to be established by State statute, while other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions. The School's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

##### *Governmental Funds*

Most of the Charter School's activities are reported in 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 the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide 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 fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. Activities relating to capital assets, long-term debt, and compensated absences are the primary reconciling items.

##### *Fiduciary Funds*

The School is fiduciary for its student activity assets that, due to a fiduciary arrangement, can be used only for student activities. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position on page 18. These activities are excluded from the School's other financial statements because the assets are not utilized by the School to finance its operations.

#### ENTITY-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 \$13,564,982 at the close of the fiscal year. Of the School's net position, \$4,927,498 consists of those resources invested in capital assets or restricted for capital projects. The School uses capital assets to provide services; consequently, these assets are not available for future spending.

MOT CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

A comparative net position analysis of fiscal years 2018 and 2017 follows:

**Table 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets	\$ 6,969,529	\$ 7,421,807
Capital assets, net of depreciation	27,413,105	27,874,013
<b>TOTAL ASSETS</b>	<u>34,382,634</u>	<u>35,295,820</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension contributions	639,803	518,808
Deferred pension expenses	2,028,959	1,962,832
Deferred OPEB contributions	677,069	644,383
Deferred OPEB expenses	3,100,638	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>6,446,469</u>	<u>3,126,023</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 40,829,103</u>	<u>\$ 38,421,843</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 2,284,589	\$ 2,322,435
Noncurrent liabilities	49,375,239	47,867,911
<b>TOTAL LIABILITIES</b>	<u>51,659,828</u>	<u>50,190,346</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension expense	71,853	78,686
Deferred OPEB expense	2,662,404	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,734,257</u>	<u>78,686</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	4,484,842	4,307,592
Restricted	442,656	370,845
Unrestricted (deficit)	(18,492,480)	(16,525,626)
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>(13,564,982)</u>	<u>(11,847,189)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 40,829,103</u>	<u>\$ 38,421,843</u>

The School's net position decreased \$1,717,793 mainly as the result of implementing GASB 75 and the OPEB expense recognized in the current year.

**MOT CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**

A comparative analysis of changes in net position for fiscal years 2018 and 2017 follows:

**Table 2  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	Governmental Activities	
	2018	2017
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 207,809	\$ 221,514
Operating grants and contributions	359,367	382,872
Capital grants and contributions	-	200,990
General revenues:		
Charges to school districts	2,658,194	2,249,403
State aid not restricted	10,700,891	9,758,105
Earnings on cash and investments	33,119	77,076
Other	417,432	308,468
<b>TOTAL REVENUES</b>	<b>14,376,812</b>	<b>13,198,428</b>
<b>EXPENSES</b>		
Instructional services	9,787,581	7,619,446
Supporting services:		
Operation and maintenance of facilities	1,858,759	1,703,482
Administrative services	1,541,156	1,511,375
Transportation	1,251,173	928,471
Food service	492,102	466,594
Interest on long-term debt	1,163,834	227,382
<b>TOTAL EXPENSES</b>	<b>16,094,605</b>	<b>12,456,750</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ (1,717,793)</b>	<b>\$ 741,678</b>

This year was the sixteenth full year of operations for the School. The increase in revenues this year is mainly attributed to the increase in the number of students with the addition of the twelfth grade class for the new high school.

***Governmental Activities***

Net position of the School's governmental activities decreased by \$1,717,793, and unrestricted net position reflects a deficit balance of \$18,492,480.

**MOT CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**

The statement of activities shows the cost of program services and the charges for services and grants 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 governmental activities. General revenues that include charges to school districts, investment earnings, and state entitlements must support the net cost of the School's programs.

	2018		2017	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental Activities:				
Instructional services	\$ 9,787,581	\$ 9,524,557	\$ 7,619,446	\$ 7,325,971
Operation and maintenance of facilities	1,858,759	1,858,759	1,703,482	1,502,492
Administrative services	1,541,156	1,541,156	1,511,375	1,511,375
Transportation	1,251,173	1,251,173	928,471	928,471
School lunch service	492,102	187,950	466,594	155,683
Interest on long-term debt	1,163,834	1,163,834	227,382	227,382
Total Governmental Activities	<u>\$ 16,094,605</u>	<u>\$ 15,527,429</u>	<u>\$ 12,456,750</u>	<u>\$ 11,651,374</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$15,527,429 of support from general revenues, or 108 percent of total revenues.

**THE SCHOOL'S FUNDS**

The School's governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$5,328,225. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2018.

	2018	2017	Increase (Decrease)
Fund Balances:			
Restricted	\$ 442,656	\$ 370,845	\$ 71,811
Committed	2,714,234	2,467,596	246,638
Assigned	230,269	208,432	21,837
Unassigned	1,941,066	2,421,786	(480,720)
Total Fund Balances	<u>\$ 5,328,225</u>	<u>\$ 5,468,659</u>	<u>\$ (140,434)</u>

**Governmental Funds**

The School's governmental fund balance decreased because the current year expenditures, including those related to the completion of the high school gym project, and the early retirement of the Furniture, Fixtures, and Equipment ("FFE") loan exceeded the current year revenues and proceeds from financing (loan proceeds). The information that follows assists in illustrating the financial activities and balance of the governmental funds.

**MOT CHARTER SCHOOL**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)**

	<u>2018</u>	<u>2017</u>
REVENUES:		
Charges to school districts	\$ 2,658,194	\$ 2,249,403
State aid	10,700,891	9,758,105
Federal aid	249,365	276,307
Earnings on cash and investments	33,119	77,076
Contributions and other local sources	431,091	526,626
Food service	<u>304,152</u>	<u>310,911</u>
 TOTAL	 <u>\$ 14,376,812</u>	 <u>\$ 13,198,428</u>

The largest portion of governmental fund expenditures was salaries and other employment costs. The School is a service entity and, as such, is labor intensive.

	<u>Governmental Funds</u>	
	<u>2018</u>	<u>2017</u>
EXPENDITURES BY OBJECT:		
Salaries	\$ 6,638,600	\$ 6,068,382
Employment costs	3,234,104	2,900,070
Travel	18,768	3,798
Contractual service	145,038	193,612
Professional development	52,714	29,778
Public utilities services	274,589	247,434
Insurance	57,285	50,814
Transportation - buses	1,251,173	928,471
Land/building/facilities	189,584	162,995
Supplies and materials	482,903	353,351
Related services	229,988	238,336
Student activities	194,452	108,515
Capital outlays - equipment	77,566	9,220
Capital outlays - property	306,698	2,570,969
Debt service - principal	877,186	16,307,553
Debt service - interest	<u>725,626</u>	<u>262,923</u>
 TOTAL	 <u>\$ 14,756,274</u>	 <u>\$ 30,436,221</u>

Expenses exceeded operating revenues during the fiscal year due to expenses related to the early retirement of the FFE loan, and current year expenses related to the high school gym project, which exceeded the current year loan financing. These expenses were funded out of prior year cash, resulting in a decrease in fund balance.

**GOVERNMENTAL FUND BUDGET INFORMATION**

The School's budget is prepared in accordance with the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. Formal budgetary integration is employed as a management control device throughout the year with monthly reports to the Board of Directors.

## MOT CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 39.

#### REVENUES

1. Charges to school districts are higher than expected because:
  - a. There were changes in student composition and district reimbursement rates, as well as the funds from the Christina School district due to a legal settlement.
2. State revenues are lower than expected because:
  - a. There were changes in student and staff composition.
  - b. The All Other Costs ("AOC") reduction in state funding was higher than anticipated.
3. Other local revenues are smaller than expected because:
  - a. The budget reflects anticipated proceeds from financing as other local revenue.

#### EXPENSES

1. Salaries and other employment costs are lower than expected because:
  - a. There were changes in staff composition.
2. Transportation is higher than expected because:
  - a. The School added an additional bus route to help with transportation delays.
  - b. Unanticipated additional overage charges for transportation.
3. Supplies and materials are higher than expected because:
  - a. The purchase of additional laptops, printers, and Chromebooks to be used next year.
4. Student activities are higher than expected because:
  - a. Additional expenses related to flow through accounts like athletics, field trips, and clubs, which are mostly offset by additional revenues.
5. Capital outlays – equipment are higher than expected because:
  - a. The purchase and installation scoreboards at the high school, and playground equipment at the K8 Academy, as well as a new lawn tractor and a replacement server.

## MOT CHARTER SCHOOL

### MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

6. Capital outlays – property are lower than expected because:
  - a. The budget reflects expenses related to construction of the high school gymnasium, which were accounted for in the capital projects fund.
7. Debt is higher than expected because:
  - a. The School paid off the FFE loan associated with the high school project.

As the School begins its seventeenth year of operations, it will continue to use its historical trends based on prior year experience and anticipated future performance based on conservative estimates to better estimate revenues and certain budget line items.

#### **CAPITAL ASSETS**

The School has \$27,413,105 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Acquisitions for governmental activities totaled \$384,264. These acquisitions were for furniture and equipment, and costs related to gymnasium portion of the high school expansion project. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

#### **LONG-TERM DEBT**

At the end of the current fiscal year, the School has total debt outstanding of \$22,928,263. This debt is a direct result of the construction of the School facilities located in Middletown, Delaware. This debt is split between the Wilmington Savings Fund Society and the U.S. Department of Agriculture, and the School buildings are held as collateral against these loans.

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

Fiscal year 2018 was the sixteenth year of operation as a functioning school. The financial model the School has developed is based on the funding formula currently in effect under the Delaware Charter School Law. If the funding formula for charter schools changes, adjustments to the underlying assumptions of the model will have to be made.

#### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School's Business Manager at (302) 376-5125.

## **BASIC FINANCIAL STATEMENTS**



**MOT CHARTER SCHOOL  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017**

	Governmental Activities	
	2018	2017
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current Assets:		
Cash and cash equivalents	\$ 6,969,529	\$ 6,667,593
Loan proceeds receivable	-	740,879
Due from other governments	-	13,335
Total Current Assets	6,969,529	7,421,807
Noncurrent Assets:		
Land	1,232,830	1,232,830
Construction-in-progress	-	2,248,507
Capital assets, net of depreciation	26,180,275	24,392,676
Total Noncurrent Assets	27,413,105	27,874,013
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension contributions	639,803	518,808
Deferred pension expense	2,028,959	1,962,832
Deferred OPEB contributions	677,069	644,383
Deferred OPEB expense	3,100,638	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	6,446,469	3,126,023
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 40,829,103</b>	<b>\$ 38,421,843</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
Current Liabilities:		
Accounts payable	\$ 310,971	\$ 571,440
Retainage payable	-	211,693
Accrued salaries and related costs	1,317,702	1,161,907
Unearned revenue	12,631	8,108
Interest payable	442,114	3,906
Notes payable	201,171	365,381
Total Current Liabilities	2,284,589	2,322,435
Noncurrent Liabilities:		
Compensated absences	147,293	124,577
Notes payable	22,727,092	23,201,040
Net pension liability	4,075,418	3,587,232
Net OPEB liability	22,425,436	20,955,062
Total Noncurrent Liabilities	49,375,239	47,867,911
<b>TOTAL LIABILITIES</b>	51,659,828	50,190,346
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension expense	71,853	78,686
Deferred OPEB expense	2,662,404	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	2,734,257	78,686
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	4,484,842	4,307,592
Restricted	442,656	370,845
Unrestricted (deficit)	(18,492,480)	(16,525,626)
<b>TOTAL NET POSITION (DEFICIT)</b>	(13,564,982)	(11,847,189)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 40,829,103</b>	<b>\$ 38,421,843</b>

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

**MOT CHARTER SCHOOL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(With Summarized Comparative Data for the Year Ended June 30, 2017)**

	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Deficit Totals
Expenses	Charges for Services	Operating Grants and Contributions	2018	2017
<b>GOVERNMENTAL ACTIVITIES</b>				
Instructional services	\$ (9,787,581)	\$ 263,024	\$ -	\$ (7,325,971)
Support services:				
Operation and maintenance of facilities	(1,858,759)	-	-	(1,502,492)
Administrative services	(1,541,156)	-	-	(1,511,375)
Transportation	(1,251,173)	-	-	(928,471)
Food service	(492,102)	96,343	-	(155,683)
Interest on long-term debt	(1,163,834)	-	-	(227,382)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ (16,094,605)</b>	<b>\$ 359,367</b>	<b>\$ -</b>	<b>(11,651,374)</b>
<b>GENERAL REVENUES</b>				
Charges to school districts			2,658,194	2,249,403
State aid not restricted to specific purposes			10,700,891	9,758,105
Earnings on cash and investments			33,119	77,076
Other local sources			417,432	308,468
<b>TOTAL GENERAL REVENUES</b>			<b>13,809,636</b>	<b>12,393,052</b>
<b>CHANGE IN NET DEFICIT</b>			<b>(1,717,793)</b>	<b>741,678</b>
<b>NET DEFICIT, BEGINNING OF YEAR, RESTATED</b>			<b>(11,847,189)</b>	<b>(12,588,867)</b>
<b>NET DEFICIT, END OF YEAR</b>			<b>\$ (13,564,982)</b>	<b>\$ (11,847,189)</b>

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

**MOT CHARTER SCHOOL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**  
(With Summarized Comparative Data for June 30, 2017)

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2017	2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,296,604	\$ 672,925	\$ 6,969,529	\$ 6,667,593
Loan proceeds receivable	-	-	-	740,879
Due from other governments	-	-	-	13,335
<b>TOTAL ASSETS</b>	<b>\$ 6,296,604</b>	<b>\$ 672,925</b>	<b>\$ 6,969,529</b>	<b>\$ 7,421,807</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 310,971	-	\$ 310,971	\$ 571,440
Retainage payable	-	-	-	211,693
Accrued salaries and related costs	1,317,702	-	1,317,702	1,161,907
Unearned revenue	12,631	-	12,631	8,108
<b>TOTAL LIABILITIES</b>	<b>1,641,304</b>	<b>-</b>	<b>1,641,304</b>	<b>1,953,148</b>
<b>FUND BALANCES:</b>				
Restricted	-	442,656	442,656	370,845
Committed	2,714,234	-	2,714,234	2,467,596
Assigned	-	230,269	230,269	208,432
Unassigned	1,941,066	-	1,941,066	2,421,786
<b>TOTAL FUND BALANCES</b>	<b>4,655,300</b>	<b>672,925</b>	<b>5,328,225</b>	<b>5,468,659</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,296,604</b>	<b>\$ 672,925</b>	<b>\$ 6,969,529</b>	<b>\$ 7,421,807</b>

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

**MOT CHARTER SCHOOL  
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,328,225

The total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in 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 statements of net position. 27,413,105

Long-term liabilities applicable to the governmental activities are not due and payable in the current year and, accordingly, are not reported as fund liabilities.

Interest payable	\$ (442,114)	
Compensated absences	(147,293)	
Notes payable	(22,928,263)	
Net pension liability	(4,075,418)	
Net OPEB liability	<u>(22,425,436)</u>	(50,018,524)

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

Deferred outflows - pension contributions	639,803	
Deferred outflows - pension expense	2,028,959	
Deferred inflows - pension expense	<u>(71,853)</u>	2,596,909

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

Deferred outflows - OPEB contributions	677,069	
Deferred outflows - OPEB expense	3,100,638	
Deferred inflows - OPEB expense	<u>(2,662,404)</u>	<u>1,115,303</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (13,564,982)

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

**MOT CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**(With Summarized Comparative Data for the Year Ended June 30, 2017)**

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2018	2017
<b>REVENUES</b>				
Charges to school districts	\$ 2,658,194	-	\$ 2,658,194	\$ 2,249,403
Food service revenue	304,152	-	304,152	310,911
State aid	10,700,891	-	10,700,891	9,758,105
Federal aid	249,365	-	249,365	276,307
Earnings on cash and investments	32,774	345	33,119	77,076
Contributions	13,659	-	13,659	218,158
Other local sources	417,432	-	417,432	308,468
<b>TOTAL REVENUES</b>	<u>14,376,467</u>	<u>345</u>	<u>14,376,812</u>	<u>13,198,428</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	8,403,569	-	8,403,569	7,381,427
Operation and maintenance of facilities	1,081,198	-	1,081,198	997,689
Administrative services	1,541,157	-	1,541,157	1,511,375
Transportation	1,251,172	-	1,251,172	928,471
Food services	492,102	-	492,102	466,594
Capital outlays:				
Equipment	77,566	-	77,566	9,220
Property	-	306,698	306,698	2,570,969
Debt service:				
Principal	877,186	-	877,186	16,307,553
Interest	725,626	-	725,626	262,923
<b>TOTAL EXPENDITURES</b>	<u>14,449,576</u>	<u>306,698</u>	<u>14,756,274</u>	<u>30,436,221</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(73,109)	(306,353)	(379,462)	(17,237,793)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt	-	239,028	239,028	17,422,907
Transfers in	-	139,481	139,481	545,262
Transfers out	(139,481)	-	(139,481)	(545,262)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(139,481)</u>	<u>378,509</u>	<u>239,028</u>	<u>17,422,907</u>
<b>NET CHANGES IN FUND BALANCES</b>	(212,590)	72,156	(140,434)	185,114
<b>FUND BALANCES, BEGINNING OF YEAR</b>	4,867,890	600,769	5,468,659	5,283,545
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 4,655,300</u>	<u>\$ 672,925</u>	<u>\$ 5,328,225</u>	<u>\$ 5,468,659</u>

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

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (140,434)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 384,264	
Depreciation expense	<u>(845,172)</u>	(460,908)

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Note issuance	(239,028)	
Payment of note principal	<u>877,186</u>	638,158

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

Compensated absences	(22,716)	
Accrued interest	<u>(438,208)</u>	(460,924)

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.

(294,231)

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 plan, whereas OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.

(999,454)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES \$ (1,717,793)

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

**MOT CHARTER SCHOOL  
STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND  
JUNE 30, 2018 AND 2017**

	Student Activities Fund	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 91,054	\$ 73,885
LIABILITIES		
Due to student groups	\$ 91,054	\$ 73,885
NET POSITION		
Unrestricted	-	-
TOTAL LIABILITIES AND NET POSITION	\$ 91,054	\$ 73,885

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

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

Reporting Entity

The School is a special purpose 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.



MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the entity-wide financial statements. The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

- **General Fund.** The general fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- **Capital Projects Fund.** Accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the School.

Additionally, the School reports the following fund type:

- **Student Activities Agency Fund** (a fiduciary fund). Accounts for assets held on behalf of student groups.

MOT CHARTER SCHOOL  
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, 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.

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 of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). At June 30, 2018, the School had no such activity.

Advances between funds, when present, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets, which include buildings and improvements, and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

Capital assets 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:

Furniture and fixtures	7 years
Buildings and improvements	40 years
Equipment	7 years
Computers	3 - 5 years

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 (expenses) until then. The School currently has two items

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

that qualify for reporting in this category. 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.

Compensated Absences

Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. A 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.

**Vacation** – Twelve-month employees can accumulate up to 30 days of vacation. Any days in excess of 30 are dropped as of July 1 of each year. Employees are paid for unused vacation upon termination and retirement at the current rate of pay.

**Sick Leave** – Sick leave allowances are as follows: teachers shall be allowed 10 days of sick leave per year, and annual employees earn one day of sick leave for each month worked. Any unused sick days shall be accumulated to the employee's credit. Compensation for accumulated sick days is received when employees (a) qualify and apply for state pension and are paid at a rate of 50 percent of the *per diem* rate of pay not to exceed 90 days; or (b) in the case of death, when payment is made to the employee's estate at a rate of one day's pay for each day of unused sick leave not to exceed 90 days.

Earned unused sick leave may be transferred to another state agency if the employee remains a state employee or is later rehired as a state employee. Sick time does not accrue while an employee is on leave of absence, unless otherwise required by law.

The School has recorded the local portion of the compensated absences liability, which was \$147,293 at June 30, 2018.

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.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

*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 Head of School may assign amounts for specific purposes.

*Unassigned* – all other spendable amounts.

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

Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

organization that is not a private foundation under Section 509(a)(1). The School did not engage in any unrelated business activities during the fiscal year. Management believes more likely than not that its tax-exempt status and tax positions will be sustained if examined by authorities.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2017 basic financial statements to be comparative with the current year preparation.

Implementation of GASB Statement

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

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2018, the School has a cash equivalent balance of \$7,060,583. Of that amount, \$6,260,854 is 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 cash equivalents in these financial statements.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND CASH EQUIVALENTS (cont'd)

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

At June 30, 2018, the reported amount of the School's deposits not held with the State Treasurer's Office was \$799,729, and the bank balance was \$801,225. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$551,225 was exposed to custodial credit risk because it was uninsured.

NOTE 3 CAPITAL ASSETS

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

	<u>Balances 7/01/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances 6/30/18</u>
<i>Governmental Activities</i>				
General capital assets not being depreciated:				
Land	\$ 1,232,830	\$ -	\$ -	\$ 1,232,830
Construction-in-progress	<u>2,248,507</u>	<u>306,698</u>	<u>2,555,205</u>	<u>-</u>
Total general capital assets not being depreciated	<u>3,481,337</u>	<u>306,698</u>	<u>2,555,205</u>	<u>1,232,830</u>
General capital assets being depreciated:				
Buildings and improvements	27,600,622	2,560,557	-	30,161,179
Equipment	975,689	72,214	-	1,047,903
Furniture and fixtures	<u>339,539</u>	<u>-</u>	<u>17,954</u>	<u>321,585</u>
Total general capital assets being depreciated	28,915,850	2,632,771	17,954	31,530,667
Accumulated depreciation	<u>(4,523,174)</u>	<u>(845,172)</u>	<u>(17,954)</u>	<u>(5,350,392)</u>
Total general capital assets being depreciated, net	<u>24,392,676</u>	<u>1,787,599</u>	<u>-</u>	<u>26,180,275</u>
Governmental Activities, Net	<u>\$27,874,013</u>	<u>\$ 2,094,297</u>	<u>\$ 2,555,205</u>	<u>\$27,413,105</u>

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 3     CAPITAL ASSETS (cont'd)

Depreciation expense was charged to the following activities:

Governmental Activities:

Instructional activities	\$   67,612
Operation and maintenance of facilities	<u>777,560</u>
	<u>\$   845,172</u>

NOTE 4     LONG-TERM DEBT

WSFS and USDA Loans

At its initiation, the School borrowed \$6,000,000 through the USDA's Rural Development program in order to construct a one-story, 55,000 square foot building. This program consisted of a \$3,000,000 direct loan from the USDA at a fixed interest rate of 4.75 percent, and a \$3,000,000 loan from WSFS guaranteed by the USDA at an interest rate of prime plus one percent. As of June 30, 2018, the interest rate on the WSFS loan was 6.00 percent and the outstanding balance was \$331,389. The balance of the original \$3,000,000 USDA loan was transferred to a new loan and reamortized over a total of 40 years (10 additional years) at a fixed interest rate of 4.75 percent. The balance on this loan as of June 30, 2018 was \$2,220,444. This provided an annual cash flow savings of \$35,940, allowing the School to obtain an additional loan in October 2011 in the amount of \$2,775,000 at an interest rate of 3.75 percent to construct the 19,000 square foot addition consisting of a gymnasium and classroom space. As of June 30, 2018, the School had drawn down the entire \$2,775,000 (\$2,564,596 in fiscal year 2012 and \$210,404 in fiscal year 2013), and the outstanding balance was \$2,606,218. In September 2012, the School obtained an additional \$200,000 loan from the USDA at an interest rate of 3.375 percent for overruns with the construction of the gymnasium and classroom space. As of June 30, 2018, the outstanding balance was \$189,567. These loans mature January 2023 through September 2052.

During the year ended June 30, 2015, the School obtained a loan from Wilmington Savings Fund Society. The loan made available \$1,000,000 to the School for the purchase of furniture, fixtures, and equipment for the construction of the new high school facility. During the fiscal year ended June 30, 2018, this loan was paid in full.

On July 1, 2016, the School obtained \$16,000,000 in USDA loans (Loan 97-06 for \$9,000,000 and Loan 97-07 for \$7,000,000) and used the proceeds to pay off the outstanding balance of the construction loan and the related issuance costs. These loans accrue interest at 2.75 percent and mature on July 1, 2056. As of June 30, 2018, \$16,000,000 was the outstanding balance on these loans.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

On December 22, 2016, the School obtained \$1,600,000 in financing through the USDA for the construction of a gymnasium. The loan accrues interest at 2.375 percent and will mature on December 22, 2046. The total amount of the liability of the USDA loan at June 30, 2018 was \$1,580,645.

An analysis of debt service requirements to maturity on these obligations follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 201,171	\$ 703,140
2020	440,879	693,235
2021	485,711	669,838
2022	503,104	652,446
2023	486,258	634,687
2024 - 2028	2,389,736	2,976,752
2029 - 2033	2,795,184	2,567,376
2034 - 2038	3,278,007	2,084,553
2039 - 2043	3,545,708	1,524,538
2044 - 2048	3,406,846	1,016,814
2049 - 2053	3,436,948	512,531
2054 - 2057	1,958,711	83,045
	<u>\$ 22,928,263</u>	<u>\$ 13,415,815</u>

Interest expense for the year ended June 30, 2018 was \$1,163,834.

Payments of long-term liabilities are expected to be funded by the general fund.

A schedule of changes in long-term liabilities is as follows:

	<u>Outstanding</u>			<u>Outstanding</u>	<u>Amounts</u>
	<u>7/01/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/18</u>	<u>Due within</u>
					<u>One Year</u>
<i>Governmental Activities</i>					
Notes payable	\$23,566,421	\$ 239,028	\$ 877,186	\$22,928,263	\$ 201,171
Compensated absences	124,577	22,716	-	147,293	-
Net pension liability	3,587,232	488,186	-	4,075,418	-
Net OPEB liability	<u>20,955,062</u>	<u>1,470,374</u>	<u>-</u>	<u>22,425,436</u>	<u>-</u>
Total Governmental Activities	<u>\$48,233,292</u>	<u>\$2,220,304</u>	<u>\$ 877,186</u>	<u>\$49,576,410</u>	<u>\$ 201,171</u>



MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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.

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

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

Plan Description and Eligibility

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

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

Benefits Provided

*Service Benefits*

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

*Vesting*

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5    PENSION PLAN (cont'd)

*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.

*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. For the year ended June 30, 2018, the rate of the employer contribution was 11.52 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2018 was \$639,803.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

*PRI Contribution*

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

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

At June 30, 2018, the School reported a liability of \$4,075,418 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2016 to June 30, 2017. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2017, the School's proportion was 0.2780 percent, which was an increase of 0.0400 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$934,034. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 476,431	\$ -
Changes in assumptions	800,766	
Changes in proportions	704,716	-
Difference between actual and expected experience	47,046	71,853
Contributions subsequent to the date of measurement	<u>639,803</u>	<u>-</u>
	<u>\$ 2,668,762</u>	<u>\$ 71,853</u>

An amount of \$639,803 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date (June 30, 2017) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5      PENSION PLAN (cont'd)

Year Ending June 30,	
2019	\$ 303,664
2020	710,339
2021	546,700
2022	147,965
2023	248,438
	\$ 1,957,106

Actuarial Assumptions

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

- Investment return/discount rate – 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 Sex Distinct RP-2000 Combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN (cont'd)

expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Plan are summarized in the following table:

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

Discount Rate

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

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

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

	<u>1% Decrease 6.0%</u>	<u>Current Rate Discount Rate 7.0%</u>	<u>1% Increase 8.0%</u>
School's proportionate share of the net pension liability	\$ 7,336,754	\$ 4,075,418	\$ 1,310,622

Pension Plan Fiduciary Net Position

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6     OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Other Postemployment 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.

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

*Member Contributions*

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Employer Contributions

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2018, the rate of the employer contributions was 11.52 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2018 was \$677,069.

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

At June 30, 2018, the School reported a liability of \$22,425,436 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total pension liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2016 to June 30, 2017. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2017, the School's proportion was 0.2716 percent, which was an increase of 0.0409 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$1,676,523. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 44,403
Changes in proportions	3,100,638	-
Changes in assumptions	-	2,618,004
Contributions subsequent to the date of measurement	<u>677,069</u>	<u>-</u>
	<u>\$3,777,707</u>	<u>\$ 2,662,404</u>

An amount of \$677,069 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2017 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions, and will be recognized in OPEB expense as follows:

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Year Ending June 30,

2019	\$	85,428
2020		85,428
2021		85,428
2022		85,428
2023		96,522
		96,522
		\$ 438,234

Actuarial Assumptions

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

- Discount rate - 3.58 percent
- Salary increases - 3.25 percent + Merit
- Healthcare cost trend rates - 7.00 percent

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

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

Discount Rate

The discount rate to measure the total OPEB liability was 2.85 percent at the beginning of the current measurement period and 3.58 percent at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that employer contributions to the



MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used at the June 30, 2017 and 2016 measurement dates are equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

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

	1% Decrease <u>2.58%</u>	Current Rate Discount Rate <u>3.58%</u>	1% Increase <u>4.58%</u>
School's proportionate share of the net OPEB liability	\$ 26,889,103	\$ 22,425,436	\$ 18,947,139

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

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

	1% Decrease <u>6.0%</u>	Current Rate Discount Rate <u>7.0%</u>	1% Increase <u>8.0%</u>
School's proportionate share of the net OPEB liability	\$ 18,987,540	\$ 22,425,436	\$ 26,636,616

Plan Fiduciary Net Position

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 7 RISK MANAGEMENT

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

NOTE 8 COMMITMENTS AND CONTINGENCIES

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

Grants

The School receives significant financial assistance from federal and state 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 and federal agencies. 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 9 FUND BALANCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Committed:			
Capital improvements	\$ 2,714,234	\$ -	\$ 2,714,234
Restricted:			
Capital projects	-	442,656	442,656
Assigned:			
Capital projects	-	230,269	230,269
Unassigned	<u>1,941,066</u>	<u>-</u>	<u>1,941,066</u>
Total Fund Balances	<u>\$ 4,655,300</u>	<u>\$ 672,925</u>	<u>\$ 5,328,225</u>

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Travel	\$	5,768
Contractual services	\$	8,251
Professional development	\$	3,569
Insurance	\$	4,285
Transportation – buses	\$	120,301
Land/building/facilities	\$	12,377
Supplies and materials	\$	61,165
Student activities	\$	75,214
Capital outlay - equipment	\$	77,566
Debt service - principal	\$	502,392

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

NOTE 11 INTERFUND TRANSFERS

The interfund transfer from the General Fund to the Capital Projects Fund in the amount of \$139,481 was to pay for expenditures related to the construction of the gymnasium project.

NOTE 12 PRIOR PERIOD ADJUSTMENT

The School has decreased its July 1, 2016 net position by \$20,310,679 due to the effects of implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School recorded a beginning deferred outflow for OPEB contributions of \$644,383 and a beginning net OPEB liability of \$20,955,062.

NOTE 13 DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$18,492,480 includes the effect of deferring the recognition of pension and OPEB contributions made subsequent to the measurement date of the net pension and OPEB liabilities, and the deferred outflows related to the pension and OPEB plans. This is offset by the School's actuarially determined pension and OPEB liabilities, and the deferred inflows related to the pension and OPEB plans.

NOTE 14 SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 28, 2018, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MOT CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges to school districts	\$ 2,432,978	\$ 2,432,978	\$ 2,658,194	\$ 225,216
Food service revenue	275,119	275,119	304,152	29,033
State aid	11,012,535	11,012,535	10,700,891	(311,644)
Federal aid	223,701	223,701	249,365	25,664
Earnings on cash and investments	56,400	56,400	33,119	(23,281)
Contributions	10,000	10,000	13,659	3,659
Other local sources	1,136,102	1,136,102	417,432	(718,670)
<b>TOTAL REVENUES</b>	<u>15,146,835</u>	<u>15,146,835</u>	<u>14,376,812</u>	<u>(770,023)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	6,668,618	6,668,618	6,638,600	30,018
Employment costs	3,343,249	3,343,249	3,234,104	109,145
Travel	13,000	13,000	18,768	(5,768)
Contractual services	136,787	136,787	145,038	(8,251)
Professional development	49,145	49,145	52,714	(3,569)
Public utilities service	291,398	291,398	274,589	16,809
Insurance	53,000	53,000	57,285	(4,285)
Transportation - buses	1,130,872	1,130,872	1,251,173	(120,301)
Land/building/facilities	177,207	177,207	189,584	(12,377)
Supplies and materials	421,738	421,738	482,903	(61,165)
Related services	264,354	264,354	229,988	34,366
Student activities	119,238	119,238	194,452	(75,214)
Capital outlays:				
Equipment	-	-	77,566	(77,566)
Property	1,080,599	1,080,599	306,698	773,901
Debt service:				
Principal	374,794	374,794	877,186	(502,392)
Interest	746,295	746,295	725,626	20,669
<b>TOTAL EXPENDITURES</b>	<u>14,870,294</u>	<u>14,870,294</u>	<u>14,756,274</u>	<u>114,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>276,541</u>	<u>276,541</u>	<u>(379,462)</u>	<u>(656,003)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from financing	-	-	239,028	239,028
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>239,028</u>	<u>239,028</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 276,541</u>	<u>\$ 276,541</u>	(140,434)	<u>\$ (416,975)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>5,468,659</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 5,328,225</u>	

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

**MOT CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>MEASUREMENT DATE</u>		
	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
School's proportion of the net pension liability	0.2780%	0.2380%	0.1982%
School's proportion of the net pension liability - dollar value	\$ 4,075,418	\$ 3,587,232	\$ 1,318,772
School's covered employee payroll	\$ 5,415,532	\$ 4,539,959	\$ 3,696,998
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	75.25%	79.01%	35.67%
Plan fiduciary net position as a percentage of the total pension liability	85.31%	84.11%	92.67%
			95.80%
			23.27%
			\$ 632,204
			\$ 2,717,333

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.

**MOT CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 639,803	\$ 518,808	\$ 434,928	\$ 353,433
Contributions in relation to the contractually required contribution	<u>639,803</u>	<u>518,808</u>	<u>434,928</u>	<u>353,433</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 5,553,845	\$ 5,415,532	\$ 4,539,959	\$ 3,696,998
Contributions as a percentage of covered-employee payroll	11.52%	9.58%	9.58%	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.

**MOT CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

<u>PROPORTIONATE SHARE OF NET PENSION LIABILITY</u>	<u>MEASUREMENT DATE</u> <u>JUNE 30, 2018</u>
School's proportion of the net pension liability	0.2716%
School's proportion of the net pension liability - dollar value	\$ 22,425,436
School's covered employee payroll	\$ 5,559,819
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	403.35%
Plan fiduciary net position as a percentage of the total pension liability	4.13%

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



**MOT CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 677,069
Contributions in relation to the contractually required contribution	<u>677,069</u>
Contribution excess	<u>\$ -</u>
School's covered employee payroll	\$ 6,605,551
Contributions as a percentage of covered-employee payroll	10.25%

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

**SUPPLEMENTARY INFORMATION**

**MOT CHARTER SCHOOL  
COMBINING BALANCE SHEET - GENERAL FUND  
JUNE 30, 2018**

	State Allocation	Local Funding	Federal Funding	Totals
<b>ASSETS</b>				
Cash and investments	\$ 144	\$ 6,296,460	-	\$ 6,296,604
<b>TOTAL ASSETS</b>	\$ 144	\$ 6,296,460	-	\$ 6,296,604
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	-	\$ 310,971	-	\$ 310,971
Unearned revenue	-	12,631	-	12,631
Accrued salaries and related costs	-	1,317,702	-	1,317,702
<b>TOTAL LIABILITIES</b>	-	1,641,304	-	1,641,304
<b>FUND BALANCES:</b>				
Committed	-	2,714,234	-	2,714,234
Unassigned	144	1,940,922	-	1,941,066
<b>TOTAL FUND BALANCES</b>	144	4,655,156	-	4,655,300
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 144	\$ 6,296,460	-	\$ 6,296,604

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

	State Allocation	Local Funding	Federal Funding	Totals
<b>REVENUES</b>				
Charges to school districts	-	2,658,194	-	2,658,194
Food service revenue	-	207,809	96,343	304,152
State aid	10,700,891	-	-	10,700,891
Federal aid	-	-	249,365	249,365
Earnings on cash and investments	-	32,774	-	32,774
Contributions	-	13,659	-	13,659
Other local sources	-	417,432	-	417,432
<b>TOTAL REVENUES</b>	<u>10,700,891</u>	<u>3,329,868</u>	<u>345,708</u>	<u>14,376,467</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	6,240,706	1,913,498	249,365	8,403,569
Operation and maintenance of facilities	881,458	199,740	-	1,081,198
Administrative services	1,285,907	255,250	-	1,541,157
Transportation	962,554	288,618	-	1,251,172
Food services	140,229	255,530	96,343	492,102
Capital outlays:				
Equipment	-	77,566	-	77,566
Debt service:				
Principal	832,609	44,577	-	877,186
Interest	241,630	483,996	-	725,626
<b>TOTAL EXPENDITURES</b>	<u>10,585,093</u>	<u>3,518,775</u>	<u>345,708</u>	<u>14,449,576</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>115,798</u>	<u>(188,907)</u>	<u>-</u>	<u>(73,109)</u>
<b>OTHER FINANCING USES</b>				
Transfers Out	(115,658)	(23,823)	-	(139,481)
<b>TOTAL OTHER FINANCING USES</b>	<u>(115,658)</u>	<u>(23,823)</u>	<u>-</u>	<u>(139,481)</u>
<b>NET CHANGE IN FUND BALANCES</b>	140	(212,730)	-	(212,590)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	4	4,867,886	-	4,867,890
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 144</u>	<u>\$ 4,655,156</u>	<u>\$ -</u>	<u>\$ 4,655,300</u>

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

EXPENDITURES

Current:

Salaries	\$ 6,638,600
Employment costs	3,234,104
Travel	18,768
Contractual services	145,038
Professional development	52,714
Public utility services	274,589
Insurance	57,285
Transportation - buses	1,251,173
Land/building/facilities	189,584
Supplies and materials	482,903
Related services	229,988
Student activities	194,452

Capital outlays:

Equipment	77,566
Property	306,698

Debt service:

Principal	877,186
Interest	725,626

TOTAL EXPENDITURES

\$ 14,756,274

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

September 28, 2018

Board of Directors  
MOT Charter School  
Middletown, 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, each major fund, and the aggregate remaining fund information of the MOT Charter School ("the School"), Middletown, Delaware, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

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

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

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

Board of Directors  
MOT Charter School

### Compliance and Other Matters

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

### Purpose of This Report

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

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP