



---

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

---

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Entity-wide Financial Statements:	
Statements of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to Statement of Activities	18
Statements of Fiduciary Net Position - Agency Fund	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Governmental Funds	40
Schedule of the School's Proportionate Share of the Net Pension Liability	41
Schedule of School Pension Contributions	42
Schedule of the School's Proportionate Share of the Net OPEB Liability	43
Schedule of School OPEB Contributions	44

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

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - General Fund	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	46
Schedule of Expenditures by Natural Classification - Governmental Funds	47
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48



## INDEPENDENT AUDITOR'S REPORT

September 29, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

Board of Directors  
MOT Charter School

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the MOT Charter School as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the MOT Charter School's 2019 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 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, 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 40 through 44 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 29, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

  
BARBACANE, THORNTON & COMPANY LLP

## **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, 2020, which is the School's eighteenth 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 13.

#### **FINANCIAL HIGHLIGHTS**

The School's net position decreased by \$1,584,956 and general revenues accounted for \$16.1 million, or 96.3 percent of total revenues.

#### **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 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 15 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 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



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

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 19. 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 \$16,558,342 at the close of the fiscal year. Of the School's net position, \$5,117,348 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.

A comparative net position analysis of fiscal years 2020 and 2019 follows:

**Table 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	Governmental Activities	
	2020	2019
<b>ASSETS</b>		
Current assets	\$ 7,081,458	\$ 7,162,621
Capital assets, net of depreciation	26,737,797	27,065,127
<b>TOTAL ASSETS</b>	<u>33,819,255</u>	<u>34,227,748</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension expenses	2,578,570	2,488,320
Deferred OPEB expenses	6,908,936	5,564,747
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>9,487,506</u>	<u>8,053,067</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 43,306,761</u>	<u>\$ 42,280,815</u>

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

**Table 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

(cont'd)	Governmental Activities	
	2020	2019
<b>LIABILITIES</b>		
Current liabilities	\$ 2,182,580	\$ 2,401,683
Noncurrent liabilities	52,114,114	51,201,141
<b>TOTAL LIABILITIES</b>	<u>54,296,694</u>	<u>53,602,824</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension expense	36,991	226,944
Deferred OPEB expense	5,531,418	3,424,433
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>5,568,409</u>	<u>3,651,377</u>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	4,487,666	4,337,755
Restricted	629,682	536,169
Unrestricted	(21,675,690)	(19,847,310)
<b>TOTAL NET POSITION (DEFICIT)</b>	<u>(16,558,342)</u>	<u>(14,973,386)</u>
<b>TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)</b>	<u>\$ 43,306,761</u>	<u>\$ 42,280,815</u>

The School's net deficit increased \$1,584,956 as the result of GASB 68 and GASB 75 expenses recognized in the current year.

A comparative analysis of changes in net deficit for fiscal years 2020 and 2019 follows:

**Table 2**  
**STATEMENT OF NET DEFICIT**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Governmental Activities	
	2020	2019
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 151,672	\$ 199,832
Operating grants and contributions	459,671	410,243
General revenues:		
Charges to school districts	3,280,837	2,992,145
State aid not restricted	12,189,105	11,462,483
Earnings on cash and investments	243,997	132,442
Other	374,802	416,543
<b>TOTAL REVENUES</b>	<u>16,700,084</u>	<u>15,613,688</u>

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

**Table 2**  
**STATEMENT OF NET DEFICIT**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

(cont'd)	Governmental Activities	
	2020	2019
<b>EXPENSES</b>		
Instructional services	11,848,835	10,958,196
Supporting services:		
Operation and maintenance of facilities	2,002,075	2,019,692
Administrative services	1,985,809	1,622,345
Transportation	1,305,506	1,203,207
Food service	453,013	514,920
Interest on long-term debt	689,802	703,732
<b>TOTAL EXPENSES</b>	<b>18,285,040</b>	<b>17,022,092</b>
<b>CHANGE IN NET DEFICIT</b>	<b>\$ (1,584,956)</b>	<b>\$ (1,408,404)</b>

This year was the eighteenth full year of operations for the School. The increase in revenues this year is mainly attributed to the increase in the number of students and changes in funding rates.

***Governmental Activities***

Net position of the School's governmental activities decreased by \$1,584,956, and unrestricted net position reflects a deficit balance of \$21,675,690.

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.

	2020		2019	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental Activities:				
Instructional services	\$ 11,848,835	\$ 11,463,278	\$ 10,958,196	\$ 10,636,103
Operation and maintenance of facilities	2,002,075	2,002,075	2,019,692	2,019,692
Administrative services	1,985,809	1,985,809	1,622,345	1,622,345
Transportation	1,305,506	1,305,506	1,203,207	1,203,207
School lunch service	453,013	227,227	514,920	226,938
Interest on long-term debt	689,802	689,802	703,732	703,732
<b>Total Governmental Activities</b>	<b>\$ 18,285,040</b>	<b>\$ 17,673,697</b>	<b>\$ 17,022,092</b>	<b>\$ 16,412,017</b>

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

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$17,673,697 of support from general revenues, or 105.8 percent of total revenues.

**THE SCHOOL'S FUNDS**

The School's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$5,422,582. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2020.

	<u>2020</u>	<u>2019</u>	Increase (Decrease)
Fund Balances:			
Restricted	\$ 629,682	\$ 536,169	\$ 93,513
Committed	3,240,175	2,942,463	297,712
Unassigned	<u>1,552,725</u>	<u>2,164,766</u>	<u>(612,041)</u>
 Total Fund Balances	 <u>\$ 5,422,582</u>	 <u>\$ 5,643,398</u>	 <u>\$ (220,816)</u>

***Governmental Funds***

The School's governmental fund balance decreased because the current year expenditures exceeded the current year revenues. The information that follows assists in illustrating the financial activities and balance of the governmental funds.

	<u>2020</u>	<u>2019</u>
REVENUES:		
Charges to school districts	\$ 3,280,837	\$ 2,992,145
State aid	12,189,105	11,462,483
Federal aid	374,106	288,018
Earnings on cash and investments	243,997	132,442
Contributions and other local sources	386,253	450,618
Food service	<u>225,786</u>	<u>287,981</u>
 TOTAL	 <u>\$ 16,700,084</u>	 <u>\$ 15,613,687</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.

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

	Governmental Funds	
	2020	2019
EXPENDITURES BY OBJECT:		
Salaries	\$ 7,860,635	\$ 7,206,239
Employment costs	3,937,248	3,645,389
Travel	16,467	34,734
Contractual service	195,011	203,480
Professional development	54,117	64,602
Public utilities services	245,923	257,943
Insurance	61,514	56,192
Transportation - buses	1,305,507	1,203,207
Land/building/facilities	215,322	269,561
Supplies and materials	428,482	524,768
Related services	256,873	234,035
Student activities	203,009	182,084
Capital outlays - equipment	28,600	208,734
Capital outlays - property	540,035	302,774
Debt service - principal	477,241	200,891
Debt service - interest	1,094,916	703,882
TOTAL	<u>\$ 16,920,900</u>	<u>\$ 15,298,515</u>

Expenditures exceeded revenues during the fiscal year resulting in a decrease in fund balance. This due to the expenditures related to the high school field project and K8 Academy 2<sup>nd</sup> grade classroom upgrade project, as well as principal and interest payments due on the USDA loans that were approved to be paid out of prior year reserved funds.

**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.

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 40.

**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. Food service revenue is lower than expected because:
  - a. Students were not in the building at the end of the year due to the COVID-19 pandemic.

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

3. State revenues are higher than expected because:
  - a. There were changes in student and staff composition.
  - b. The School received funds for foster care transportation and paid parental leave substitute reimbursement.
4. Federal revenues are higher because:
  - a. The School received additional IDEA funds for a high needs student.
  - b. The School received additional School Emergency Relief funds as a result of the COVID-19 pandemic.
5. Earnings on cash and investments are higher because:
  - a. There was an increase in interest rates.
6. Other local revenues are higher than expected because:
  - a. There was an increase in the amounts collected in student funded accounts such as computer insurance and deductibles, athletics, field trips, and clubs. Additional expenses offset these additional revenues.

**EXPENDITURES**

1. Salaries are higher than expected because:
  - a. There were changes in projected and actual staff education and experience, which was only partially offset by the loss of the planned new hire of the Psychologist that resulted in an increase in contracted services.
2. Travel costs were lower than expected because:
  - a. Planned end of year student trips were cancelled due to the COVID-19 pandemic.
3. Contracted service costs were higher than expected because:
  - a. Contracting services for psychological services due to the loss of the planned new hire of the school psychologist.
  - b. Higher costs for laptop deductibles that were offset by higher revenues.
  - c. Additional special education services that are offset by additional federal revenues.
  - d. Higher than anticipated legal expenditures.

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

4. Professional development costs were lower than expected because:
  - a. Planned professional development was cancelled due to the COVID-19 pandemic.
5. Utilities were lower than expected because:
  - a. Electricity and heat expenditures were lower than anticipated.
6. Transportation is lower than expected because:
  - a. Remote learning in the spring due to the COVID-19 pandemic resulted in lower transportation costs.
7. Land/building/facilities is lower than expected because:
  - a. Lower than anticipated landscaping costs.
8. Supplies and materials are higher than expected because:
  - a. The School purchased additional Chrome Books in order to support remote learning due to the COVID-19 pandemic.
9. Student activities are higher than expected because:
  - a. Additional expenditures related to flow through accounts like athletics, field trips, and clubs, which are mostly offset by additional revenues.
10. Capital outlays – equipment are higher than expected because:
  - a. The purchase of three new servers to replace the video server and two outdated servers.
11. Capital outlays – property are higher than expected because:
  - a. Expenditures for the high school fields and K8 2<sup>nd</sup> grade classroom upgrade project that were approved to be paid out of prior year reserves.
12. Interest is higher than expected because:
  - a. The interest-only payments due on July 1 for the USDA loans were budgeted out of prior year reserved funds.

As the School begins its nineteenth 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.

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

**CAPITAL ASSETS**

The School has \$26,737,797 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Acquisitions for governmental activities totaled \$568,636. These acquisitions were for equipment and costs related improvements to the K8 2<sup>nd</sup> grade classrooms and high school front entrance and athletic fields. 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 \$22,250,131. 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 2020 was the eighteenth 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, 2020 AND 2019**

	Governmental Activities	
	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current Assets:		
Cash and cash equivalents	\$ 7,081,458	\$ 7,162,621
Total Current Assets	<u>7,081,458</u>	<u>7,162,621</u>
Noncurrent Assets:		
Land	1,232,830	1,232,830
Construction-in-progress	8,350	100,815
Capital assets, net of accumulated depreciation	25,496,617	25,731,482
Total Noncurrent Assets	<u>26,737,797</u>	<u>27,065,127</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	2,578,570	2,488,320
Deferred OPEB expense	6,908,936	5,564,747
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,487,506</u>	<u>8,053,067</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 43,306,761</u></u>	<u><u>\$ 42,280,815</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 55,467	\$ 53,029
Accrued salaries and related costs	1,577,550	1,453,336
Unearned revenue	25,859	12,858
Interest payable	36,850	441,964
Loans payable	486,854	440,496
Total Current Liabilities	<u>2,182,580</u>	<u>2,401,683</u>
Noncurrent Liabilities:		
Compensated absences	202,633	173,098
Loans payable	21,763,277	22,286,876
Net pension liability	5,039,579	3,993,955
Net OPEB liability	25,108,625	24,747,212
Total Noncurrent Liabilities	<u>52,114,114</u>	<u>51,201,141</u>
TOTAL LIABILITIES	<u>54,296,694</u>	<u>53,602,824</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred pension expense	36,991	226,944
Deferred OPEB expense	5,531,418	3,424,433
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,568,409</u>	<u>3,651,377</u>
 NET POSITION (DEFICIT)		
Net investment in capital assets	4,487,666	4,337,755
Restricted	629,682	536,169
Unrestricted (deficit)	(21,675,690)	(19,847,310)
TOTAL NET POSITION (DEFICIT)	<u>(16,558,342)</u>	<u>(14,973,386)</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	<u><u>\$ 43,306,761</u></u>	<u><u>\$ 42,280,815</u></u>

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

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

	Program Revenues			Net (Expense) Revenues and Changes in Net Deficit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (11,848,835)	\$ -	\$ 385,557	\$ -	\$ (11,463,278)
Support services:					
Operation and maintenance of facilities	(2,002,075)	-	-	-	(2,002,075)
Administrative services	(1,985,809)	-	-	-	(1,985,809)
Transportation	(1,305,506)	-	-	-	(1,305,506)
Food service	(453,013)	151,672	74,114	-	(227,227)
Interest on long-term debt	(689,802)	-	-	-	(689,802)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (18,285,040)</u>	<u>\$ 151,672</u>	<u>\$ 459,671</u>	<u>\$ -</u>	<u>(17,673,697)</u>
GENERAL REVENUES					
Charges to school districts					3,280,837
State aid not restricted to specific purposes					12,189,105
Earnings on cash and investments					243,997
Other local sources					374,802
TOTAL GENERAL REVENUES					<u>16,088,741</u>
CHANGE IN NET DEFICIT					(1,584,956)
NET DEFICIT, BEGINNING OF YEAR					<u>(14,973,386)</u>
NET DEFICIT, END OF YEAR					<u>\$ (16,558,342)</u>
					<u>\$ (14,973,386)</u>

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

**MOT CHARTER SCHOOL**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**  
**(With Summarized Comparative Data for June 30, 2019)**

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2020	2019
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,451,776	\$ 629,682	\$ 7,081,458	\$ 7,162,621
<b>TOTAL ASSETS</b>	<u>\$ 6,451,776</u>	<u>\$ 629,682</u>	<u>\$ 7,081,458</u>	<u>\$ 7,162,621</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 55,467	\$ -	\$ 55,467	\$ 53,029
Accrued salaries and related costs	1,577,550	-	1,577,550	1,453,336
Unearned revenue	25,859	-	25,859	12,858
<b>TOTAL LIABILITIES</b>	<u>1,658,876</u>	<u>-</u>	<u>1,658,876</u>	<u>1,519,223</u>
<b>FUND BALANCES:</b>				
Restricted	-	629,682	629,682	536,169
Committed	3,240,175	-	3,240,175	2,942,463
Unassigned	1,552,725	-	1,552,725	2,164,766
<b>TOTAL FUND BALANCES</b>	<u>4,792,900</u>	<u>629,682</u>	<u>5,422,582</u>	<u>5,643,398</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,451,776</u>	<u>\$ 629,682</u>	<u>\$ 7,081,458</u>	<u>\$ 7,162,621</u>

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, 2020**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 5,422,582
--	--------------

The total net deficit 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.	26,737,797
---	------------

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	\$ (36,850)	
Compensated absences	(202,633)	
Loans payable	(22,250,131)	
Net pension liability	(5,039,579)	
Net OPEB liability	<u>(25,108,625)</u>	(52,637,818)

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, differences between actual and expected experience, changes in actuarial assumptions, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows - pension expense	2,578,570	
Deferred inflows - pension expense	<u>(36,991)</u>	2,541,579

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

Deferred outflows - OPEB expense	6,908,936	
Deferred inflows - OPEB expense	<u>(5,531,418)</u>	<u>1,377,518</u>

TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (16,558,342)</u></u>
--	-------------------------------

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, 2020**  
**(With Summarized Comparative Data for the Year Ended June 30, 2019)**

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2020	2019
<b>REVENUES</b>				
Charges to school districts	\$ 3,280,837	\$ -	\$ 3,280,837	\$ 2,992,145
Food service revenue	225,786	-	225,786	287,982
State aid	12,189,105	-	12,189,105	11,462,483
Federal aid	374,106	-	374,106	288,018
Earnings on cash and investments	243,997	-	243,997	132,442
Contributions	11,451	-	11,451	34,075
Other local sources	374,802	-	374,802	416,543
<b>TOTAL REVENUES</b>	<b>16,700,084</b>	<b>-</b>	<b>16,700,084</b>	<b>15,613,688</b>
<b>EXPENDITURES</b>				
Current:				
Instructional services	9,866,717	-	9,866,717	9,305,027
Operation and maintenance of facilities	1,203,293	-	1,203,293	1,236,735
Administrative services	1,951,578	-	1,951,578	1,622,345
Transportation	1,305,507	-	1,305,507	1,203,207
Food services	453,013	-	453,013	514,920
Capital outlays:				
Equipment	28,600	-	28,600	208,734
Property	540,035	-	540,035	302,774
Debt service:				
Principal	477,241	-	477,241	200,891
Interest	1,094,916	-	1,094,916	703,882
<b>TOTAL EXPENDITURES</b>	<b>16,920,900</b>	<b>-</b>	<b>16,920,900</b>	<b>15,298,515</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(220,816)</b>	<b>-</b>	<b>(220,816)</b>	<b>315,173</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	93,513	93,513	136,900
Transfers out	(93,513)	-	(93,513)	(136,900)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(93,513)</b>	<b>93,513</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(314,329)</b>	<b>93,513</b>	<b>(220,816)</b>	<b>315,173</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>5,107,229</b>	<b>536,169</b>	<b>5,643,398</b>	<b>5,328,225</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,792,900</b>	<b>\$ 629,682</b>	<b>\$ 5,422,582</b>	<b>\$ 5,643,398</b>

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, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(220,816)
--	----	-----------

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 depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 568,636		
Depreciation expense	<u>(895,966)</u>		(327,330)

The issuance of long-term debt (e.g., loans, 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.

Payment of loan principal	<u>477,241</u>		477,241
---------------------------	----------------	--	---------

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	(29,535)		
Accrued interest	<u>405,114</u>		375,579

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.

(765,421)

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.

(1,124,209)

CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES	\$	<u><u>(1,584,956)</u></u>
---	----	---------------------------

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

**MOT CHARTER SCHOOL**  
**STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND**  
**JUNE 30, 2020 AND 2019**

	Student Activities Fund	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	<u>\$ 128,355</u>	<u>\$ 109,533</u>
LIABILITIES		
Due to student groups	<u>\$ 128,355</u>	<u>\$ 109,533</u>
NET POSITION		
Unrestricted	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 128,355</u>	<u>\$ 109,533</u>

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 accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of 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.

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.

#### 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** – The 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.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

Additionally, the School reports the following fund type:

- **Student Activities Agency Fund** (a fiduciary fund) – The student activities agency fund accounts for assets held on behalf of student groups.

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, 2020, 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, furniture and fixtures, equipment, and computers 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 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:

Buildings and improvements	40 years
Furniture and fixtures	7 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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

recognized as an outflow of resources (expenses) until then. The School currently has two items 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 \$202,633 at June 30, 2020.

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:

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The 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 unassigned 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. The net investment 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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

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

charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative Data

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

NOTE 2      CASH AND CASH EQUIVALENTS

At June 30, 2020, the School has a cash equivalent balance of \$7,209,813. Of that amount, \$6,985,318 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.

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

At June 30, 2020, the reported amount of the School's deposits not held with the State Treasurer's Office was \$224,495, and the bank balance was \$225,106. The full bank balance of \$225,106 was covered by federal depository insurance.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 3     CAPITAL ASSETS

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

	Balances 7/01/19	Increases	Decreases	Balances 6/30/20
<i>Governmental Activities</i>				
General capital assets not being depreciated:				
Land	\$ 1,232,830	\$ -	\$ -	\$ 1,232,830
Construction-in-progress	100,815	336,289	(428,754)	8,350
Total general capital assets not being depreciated	1,333,645	336,289	(428,754)	1,241,180
General capital assets being depreciated:				
Buildings and improvements	30,408,666	602,957	-	31,011,623
Equipment	238,166	58,144	(749)	295,561
Furniture and fixtures	392,781	-	-	392,781
Total general capital assets being depreciated	31,039,613	661,101	(749)	31,699,965
Accumulated depreciation	(5,308,131)	(895,966)	749	(6,203,348)
Total general capital assets being depreciated, net	25,731,482	(234,865)	-	25,496,617
Governmental Activities, Net	<u>\$27,065,127</u>	<u>\$ 101,424</u>	<u>\$ (428,754)</u>	<u>\$26,737,797</u>

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	\$ 95,634
Operation and maintenance of facilities	<u>800,332</u>
	<u>\$ 895,966</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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 4     LONG-TERM DEBT (cont'd)

June 30, 2020, the interest rate on the WSFS loan was 6.50 percent, and the outstanding balance was \$198,096. 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, 2020 was \$2,104,804.

The transfer of the above loan 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, 2020, 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 \$2,520,745. 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, 2020, the outstanding balance was \$183,176. These loans mature January 2023 through September 2052 and are secured by the buildings.

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. These loans are secured by the buildings. As of June 30, 2020, \$15,745,647 was the outstanding balance on these loans.

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. This loan is secured by the building. The total amount of the liability of the USDA loan at June 30, 2020 was \$1,497,663.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 486,854	\$ 666,828
2022	502,938	650,744
2023	485,528	634,333
2024	450,837	621,675
2025	462,596	613,844
2026 - 2030	2,542,600	2,819,960
2031 - 2035	2,978,944	2,383,616
2036 - 2040	3,494,897	1,867,683
2041 - 2045	3,441,790	1,311,011
2046 - 2050	3,454,524	816,304
2051 - 2055	3,337,186	319,181
2056	611,437	9,297
	<u>\$ 22,250,131</u>	<u>\$ 12,714,476</u>



MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

Interest expense for the year ended June 30, 2020 was \$1,094,916.

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:

	Outstanding 7/01/19	Additions	Retirements	Outstanding 6/30/20	Amounts Due within One Year
<i>Governmental Activities</i>					
Loans payable	\$22,727,372	\$ -	\$ 477,241	\$22,250,131	\$ 486,854
Compensated absences	173,098	29,535	-	202,633	-
Net pension liability	3,993,955	1,045,624	-	5,039,579	-
Net OPEB liability	24,747,212	361,413	-	25,108,625	-
Total Governmental Activities	<u>\$51,641,637</u>	<u>\$1,436,572</u>	<u>\$ 477,241</u>	<u>\$52,600,968</u>	<u>\$ 486,854</u>

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     PENSION PLAN (cont'd)

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

Benefits Provided

*Service Benefits*

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

*Vesting*

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

*Retirement*

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

*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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     PENSION PLAN (cont'd)

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, 2020, the rate of the employer contribution was 11.96 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2020 was \$889,193.

*PRI Contribution*

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

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

At June 30, 2020, the School reported a liability of \$5,039,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.3236 percent, which was an increase of 0.0143 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$1,654,614. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     PENSION PLAN (cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 523,150	\$ -
Changes in proportions	685,152	-
Difference between actual and expected experience	423,875	36,991
Difference between projected and actual earnings	57,200	-
Contributions subsequent to the date of measurement	889,193	-
	<u>\$2,578,570</u>	<u>\$ 36,991</u>

An amount of \$889,193 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

Year Ending June 30,

2021	\$ 641,281
2022	177,140
2023	294,091
2024	352,575
2025	187,299
	<u>\$ 1,652,386</u>

Actuarial Assumptions

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

- Investment return/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

# MOT CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5 PENSION PLAN (cont'd)

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

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

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

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

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

### 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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 5     PENSION PLAN (cont'd)

pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	\$ 9,103,379	\$ 5,039,579	\$ 1,627,240

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).

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, 2020. For a more complete description, please refer to the Delaware Public Employees' Retirement System

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6     OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

*Employer Contributions*

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. For the year ended June 30, 2019, the rate of the employer contributions was 12.51 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2020 was \$930,234.

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

At June 30, 2020, the School reported a liability of \$25,108,625 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the Plan's total OPEB liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net OPEB liability was calculated based on the actual contributions made during the measurement period in proportion to the total of all employer contributions made during the measurement period. At June 30, 2019, the School's proportion was 0.3151 percent, which was an increase of 0.0137 percent from its proportion measured as of June 30, 2018.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6     OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

For the year ended June 30, 2020, the School recognized OPEB expense of \$2,054,443. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 22,740
Expected and actual change differences	-	2,818,657
Changes in proportions	4,756,296	-
Changes in assumptions	1,222,406	2,690,021
Contributions subsequent to the date of measurement	<u>930,234</u>	<u>-</u>
	<u>\$6,908,936</u>	<u>\$5,531,418</u>

An amount of \$930,234 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2019 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to OPEB and will be recognized in OPEB expense as follows:

Year Ending June 30,

2021	\$ (206,091)
2022	(206,091)
2023	(193,214)
2024	420,673
2025	<u>632,007</u>
	<u>\$ 447,284</u>

Actuarial Assumptions

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



# MOT CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Discount rate - 3.50 percent
- Salary increases - 3.25 percent + merit
- Healthcare cost trend rates – 6.60 percent

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2014 Total Dataset Employee Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

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

#### Discount Rate

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

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

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

	1% Decrease 2.50%	Current Rate Discount Rate 3.50%	1% Increase 4.50%
School's proportionate share of the net OPEB liability	\$ 29,772,433	\$ 25,108,625	\$ 21,408,308

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 6.6 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.6 percent) or one percentage point higher (7.6 percent) than the current rate.

	1% Decrease 5.6%	Current Rate Healthcare Trend Rate 6.6%	1% Increase 7.6%
School's proportionate share of the net OPEB liability	\$ 21,456,915	\$ 25,108,625	\$ 29,467,882

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).

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 UNCERTAINTIES

COVID-19 Pandemic

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

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 8     UNCERTAINTIES (cont'd)

Grants

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

NOTE 9     FUND BALANCES

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Committed:			
Board-determined reserve	\$ 3,240,175	\$ -	\$ 3,240,175
Restricted:			
Capital projects	-	629,682	629,682
Unassigned	<u>1,552,725</u>	<u>-</u>	<u>1,552,725</u>
Total Fund Balances	<u>\$ 4,792,900</u>	<u>\$ 629,682</u>	<u>\$ 5,422,582</u>

NOTE 10     EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$ 59,020
Contractual services	\$ 68,986
Insurance	\$ 3,514
Supplies and materials	\$ 15,224
Related activities	\$ 1,300
Student activities	\$ 10,918
Capital outlay - equipment	\$ 28,600
Capital outlay - property	\$ 540,035
Debt service - principal	\$ 20,857
Debt service - interest	\$ 394,902

The excess expenditures were covered by revenues exceeding anticipated amounts and the use of fund balance.

MOT CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

NOTE 11    INTERFUND TRANSFERS

The interfund transfer from the general fund to the capital projects fund in the amount of \$93,513 was to pay for expenditures related to the construction of the gymnasium project.

NOTE 12    DEFICIT NET POSITION

For governmental activities, the unrestricted net deficit amount of \$21,675,690 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 13    SUBSEQUENT EVENTS

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MOT CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges to school districts	\$ 3,085,562	\$ 3,085,562	\$ 3,280,837	\$ 195,275
Food service revenue	285,464	285,464	225,786	(59,678)
State aid	12,106,006	12,106,006	12,189,105	83,099
Federal aid	290,453	290,453	374,106	83,653
Earnings on cash and investments	192,000	192,000	243,997	51,997
Contributions	10,000	10,000	11,451	1,451
Other local sources	258,835	258,835	374,802	115,967
<b>TOTAL REVENUES</b>	<u>16,228,320</u>	<u>16,228,320</u>	<u>16,700,084</u>	<u>471,764</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	7,801,615	7,801,615	7,860,635	(59,020)
Employment costs	3,945,012	3,945,012	3,937,248	7,764
Travel	18,420	18,420	16,467	1,953
Contractual services	126,025	126,025	195,011	(68,986)
Professional development	66,713	66,713	54,117	12,596
Public utilities service	317,301	317,301	245,923	71,378
Insurance	58,000	58,000	61,514	(3,514)
Transportation - buses	1,331,702	1,331,702	1,305,507	26,195
Land/building/facilities	222,890	222,890	215,322	7,568
Supplies and materials	413,258	413,258	428,482	(15,224)
Related services	255,573	255,573	256,873	(1,300)
Student activities	192,091	192,091	203,009	(10,918)
Capital outlays:				
Equipment	-	-	28,600	(28,600)
Property	-	-	540,035	(540,035)
Debt service:				
Principal	456,384	456,384	477,241	(20,857)
Interest	700,014	700,014	1,094,916	(394,902)
<b>TOTAL EXPENDITURES</b>	<u>15,904,998</u>	<u>15,904,998</u>	<u>16,920,900</u>	<u>(1,015,902)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>323,322</u>	<u>323,322</u>	<u>(220,816)</u>	<u>(544,138)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 323,322</u>	<u>\$ 323,322</u>	<u>(220,816)</u>	<u>\$ (544,138)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>5,643,398</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 5,422,582</u>	

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

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

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE				
	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2014
School's proportion of the net pension liability	0.3236%	0.3093%	0.2780%	0.2380%	0.1982%
School's proportion of the net pension liability - dollar value	\$ 5,039,579	\$ 3,993,955	\$ 4,075,418	\$ 3,587,232	\$ 1,318,772
School's covered employee payroll	\$ 6,716,822	\$ 6,140,144	\$ 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	75.03%	65.05%	75.25%	79.01%	35.67%
Plan fiduciary net position as a percentage of the total pension liability	85.41%	87.49%	85.31%	84.11%	92.67%
					23.27%
					95.80%

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

**MOT CHARTER SCHOOL**  
**SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2016</u>	<u>JUNE 30, 2015</u>
Contractually required contribution	\$ 889,193	\$ 794,600	\$ 639,803	\$ 518,808	\$ 434,928	\$ 353,433
Contributions in relation to the contractually required contribution	889,193	794,600	639,803	518,808	434,928	353,433
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 7,434,724	\$ 6,716,822	\$ 6,140,144	\$ 5,415,532	\$ 4,539,959	\$ 3,696,998
Contributions as a percentage of covered-employee payroll	11.96%	11.83%	10.42%	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**  
**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, 2019</u>	<u>JUNE 30, 2018</u>	<u>JUNE 30, 2017</u>
School's proportion of the net pension liability	0.3151%	0.3014%	0.2716%
School's proportion of the net pension liability - dollar value	\$ 25,108,625	\$ 24,747,212	\$ 22,425,436
School's covered employee payroll	\$ 6,716,822	\$ 6,140,144	\$ 5,415,532
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	373.82%	403.04%	414.09%
Plan fiduciary net position as a percentage of the total pension liability	4.89%	4.44%	4.13%

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

**MOT CHARTER SCHOOL  
SCHEDULE OF SCHOOL OPEB CONTRIBUTIONS**

<u>CONTRIBUTIONS</u>	<u>JUNE 30, 2020</u>	<u>JUNE 30, 2019</u>	<u>JUNE 30, 2018</u>
Contractually required contribution	\$ 930,234	\$ 791,821	\$ 677,069
Contributions in relation to the contractually required contribution	<u>930,234</u>	<u>791,821</u>	<u>677,069</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered employee payroll	\$ 7,434,724	\$ 6,716,822	\$ 6,140,144
Contributions as a percentage of covered-employee payroll	12.51%	11.79%	11.03%

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

## **SUPPLEMENTARY INFORMATION**

**MOT CHARTER SCHOOL**  
**COMBINING BALANCE SHEET - GENERAL FUND**  
**JUNE 30, 2020**

	State Allocation	Local Funding	Federal Funding	Totals
<b>ASSETS</b>				
Cash and investments	\$ 16,574	\$ 6,435,202	\$ -	\$ 6,451,776
<b>TOTAL ASSETS</b>	<u>\$ 16,574</u>	<u>\$ 6,435,202</u>	<u>\$ -</u>	<u>\$ 6,451,776</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	\$ 55,467	\$ -	\$ 55,467
Unearned revenue	-	25,859	-	25,859
Accrued salaries and related costs	-	1,577,550	-	1,577,550
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,658,876</u>	<u>-</u>	<u>1,658,876</u>
<b>FUND BALANCES:</b>				
Committed	-	3,240,175	-	3,240,175
Unassigned	16,574	1,536,151	-	1,552,725
<b>TOTAL FUND BALANCES</b>	<u>16,574</u>	<u>4,776,326</u>	<u>-</u>	<u>4,792,900</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 16,574</u>	<u>\$ 6,435,202</u>	<u>\$ -</u>	<u>\$ 6,451,776</u>

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

	State Allocation	Local Funding	Federal Funding	Totals
<b>REVENUES</b>				
Charges to school districts	\$ -	\$ 3,280,837	\$ -	\$ 3,280,837
Food service revenue	-	151,672	74,114	225,786
State aid	12,189,105	-	-	12,189,105
Federal aid	-	-	374,106	374,106
Earnings on cash and investments	-	243,997	-	243,997
Contributions	-	11,451	-	11,451
Other local sources	-	374,802	-	374,802
<b>TOTAL REVENUES</b>	<u>12,189,105</u>	<u>4,062,759</u>	<u>448,220</u>	<u>16,700,084</u>
<b>EXPENDITURES</b>				
Current:				
Instructional services	7,126,797	2,365,814	374,106	9,866,717
Operation and maintenance of facilities	944,427	258,866	-	1,203,293
Administrative services	1,521,785	429,793	-	1,951,578
Transportation	943,382	362,125	-	1,305,507
Food services	140,542	238,357	74,114	453,013
Capital outlays:				
Equipment	-	28,600	-	28,600
Property	527,062	12,973	-	540,035
Debt service:				
Principal	379,457	97,784	-	477,241
Interest	521,654	573,262	-	1,094,916
<b>TOTAL EXPENDITURES</b>	<u>12,105,106</u>	<u>4,367,574</u>	<u>448,220</u>	<u>16,920,900</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>83,999</u>	<u>(304,815)</u>	<u>-</u>	<u>(220,816)</u>
<b>OTHER FINANCING SOURCED (USES)</b>				
Transfers Out	(70,319)	(23,194)	-	(93,513)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(70,319)</u>	<u>(23,194)</u>	<u>-</u>	<u>(93,513)</u>
<b>NET CHANGE IN FUND BALANCES</b>	13,680	(328,009)	-	(314,329)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	2,894	5,104,335	-	5,107,229
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 16,574</u>	<u>\$ 4,776,326</u>	<u>\$ -</u>	<u>\$ 4,792,900</u>

**MOT CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

EXPENDITURES

Current:

Salaries	\$ 7,860,635
Employment costs	3,937,248
Travel	16,467
Contractual services	195,011
Professional development	54,117
Public utility services	245,923
Insurance	61,514
Transportation - buses	1,305,507
Land/building/facilities	215,322
Supplies and materials	428,482
Related services	256,873
Student activities	203,009

Capital outlays:

Equipment	28,600
Property	540,035

Debt service:

Principal	477,241
Interest	1,094,916

TOTAL EXPENDITURES

\$ 16,920,900



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 29, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

Board of Directors  
MOT Charter School

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.

#### 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