



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

FINANCIAL STATEMENTS

JUNE 30, 2014

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

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INDEPENDENT AUDITOR'S REPORT

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September 16, 2014

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 MOT Charter School (the "School"), Middletown, Delaware (a component unit of the State of Delaware) as of and for the year ended June 30, 2014, 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 School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 MOT Charter School as of June 30, 2014, 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 MOT Charter School's 2013 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 20, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 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 - 10 and budgetary comparison information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MOT Charter 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

Board of Directors
MOT Charter School

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 16, 2014 on our consideration of MOT Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MOT Charter School's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

MOT CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

Our discussion and analysis of MOT Charter School's financial performance provides an overview of the School's financial activities for the year ended June 30, 2014, which is the School's twelfth 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 11.

FINANCIAL HIGHLIGHTS

The School's net position increased by \$546,172, and general revenues accounted for \$6.97 million, or 94 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 13 and provides detailed information about the most significant funds, not the School as a whole. Some funds are required to be established by State statute, while other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions. The School's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures

MOT CHARTER SCHOOL

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

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 position 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 17. 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, assets exceeded liabilities by \$7,043,450 at the close of the fiscal year. All of the School's net position currently consists of those invested in capital assets, or restricted for capital projects, due to the recent addition of the gymnasium and the high school expansion project currently underway. 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 2014 and 2013 follows:

Table 1
STATEMENT OF NET POSITION

	Governmental Activities	
	2014	2013
ASSETS		
Current and other assets	\$ 4,617,969	\$ 4,850,127
Capital assets, net of depreciation	9,315,035	8,503,043
TOTAL ASSETS	<u>\$ 13,933,004</u>	<u>\$ 13,353,170</u>
LIABILITIES AND NET POSITION		
LIABILITIES:		
Long-term liabilities outstanding	\$ 5,873,906	\$ 6,000,741
Other liabilities	1,015,648	855,151
TOTAL LIABILITIES	<u>6,889,554</u>	<u>6,855,892</u>
NET POSITION:		
Net investment in capital assets	3,390,871	2,463,938
Restricted	3,719,477	3,278,937
Unrestricted (Deficit)	(66,898)	754,403
TOTAL NET POSITION	<u>7,043,450</u>	<u>6,497,278</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 13,933,004</u>	<u>\$ 13,353,170</u>

MOT CHARTER SCHOOL

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

This year was the twelfth full year of operations for the School. The decrease in revenues this year is attributed to grants received last year related to the high school expansion project, as well as decreases in local funding.

A comparative analysis of changes in net position for fiscal years 2014 and 2013 follows:

Table 2
STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities	
	2014	2013
REVENUES		
Program revenues:		
Charges for services	\$ 111,568	\$ 133,609
Operating grants and contributions	162,958	226,734
Capital grants and contributions	166,689	1,035,133
General revenues:		
Charges to school districts	1,037,056	1,097,677
State aid not restricted	5,808,669	5,346,675
Earnings on cash and investments	19,356	19,797
Other	108,975	70,057
TOTAL REVENUES	7,415,271	7,929,682
EXPENSES		
Instructional services	4,291,185	3,989,220
Supporting services:		
Operation and maintenance of facilities	719,177	721,624
Administrative services	824,929	757,902
Transportation	534,814	543,436
Food service	240,665	253,126
Interest on long-term debt	258,329	255,930
TOTAL EXPENSES	6,869,099	6,521,238
CHANGES IN NET POSITION	\$ 546,172	\$ 1,408,444

Governmental Activities

Net position of the School's governmental activities increased by \$546,172, and unrestricted net position reflects a negative balance of \$66,898.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The table on the following page 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.

MOT CHARTER SCHOOL

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

	2014		2013	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental Activities:				
Instructional services	\$ 4,291,185	\$ 4,000,891	\$ 3,989,220	\$ 2,756,974
Operation and maintenance of facilities	719,177	719,177	721,624	721,624
Administrative services	824,929	824,929	757,902	757,902
Transportation	534,814	534,814	543,436	543,436
School lunch service	240,665	89,744	253,126	89,896
Interest on long-term debt	258,329	258,329	255,930	255,930
Total Governmental Activities	<u>\$ 6,869,099</u>	<u>\$ 6,427,884</u>	<u>\$ 6,521,238</u>	<u>\$ 5,125,762</u>

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$6,427,884 of support from general revenues, which comprise 87 percent of total revenues.

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet on page 13) reported a combined fund balance of \$3,743,878. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2014.

	2014	2013	Increase (Decrease)
Fund Balances:			
Restricted	\$ 234,421	\$ 412,239	\$ (177,818)
Committed	2,345,548	1,948,134	397,414
Assigned	1,139,508	918,564	220,944
Unassigned	24,401	904,372	(879,971)
Total Fund Balances	<u>\$ 3,743,878</u>	<u>\$ 4,183,309</u>	<u>\$ (439,431)</u>

Governmental Funds

The School's governmental fund balance decrease is mainly due to expenses related to the new high school project. The Board Reserves are held for extraordinary capital expenses and for capital improvements. The Board authorized use of the reserve to fund initial expenses related to the construction of the new high school. The information that follows assists in illustrating the financial activities and balance of the governmental funds.

	2014	2013
REVENUES:		
Charges to school districts	\$ 1,037,056	\$ 1,097,677
State aid	5,808,669	5,346,675
Federal aid	107,165	194,700
Earnings on cash and investments	19,356	19,797
Contributions and other local sources	292,104	1,107,603
Food service	150,921	163,231
TOTAL	<u>\$ 7,415,271</u>	<u>\$ 7,929,683</u>

MOT CHARTER SCHOOL

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

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

	Governmental Funds	
	2014	2013
EXPENDITURES BY OBJECT:		
Salaries	\$ 3,402,318	\$ 3,151,325
Employment costs	1,634,321	1,505,616
Travel	32,919	3,271
Contractual service	137,474	139,008
Professional development	28,064	29,003
Public utilities services	107,513	113,260
Insurance	24,952	23,134
Transportation - buses	534,813	543,436
Land/building/facilities	73,977	93,859
Supplies and materials	116,154	124,843
Related services	151,561	164,136
Student activities	49,800	36,037
Capital outlays - equipment	36,197	45,107
Capital outlays - property	1,085,807	538,989
Debt service - principal	114,941	88,080
Debt service - interest	323,891	227,256
TOTAL	<u>\$ 7,854,702</u>	<u>\$ 6,826,360</u>

Expenses exceeded revenues during the fiscal year, resulting in a decrease in fund balance. Expenses related to the high school expansion were paid for with funds received in prior years.

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 28.

REVENUES

1. Charges to School Districts are lower than expected because:
 - a. There was a reduction in the per student rate paid by Appoquinimink School District.

MOT CHARTER SCHOOL

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

2. State Revenues are higher than expected because:
 - a. There were changes in staff composition.
 - b. There was an increase in state units, mostly related to student special education categories.
 - c. Increases in funding provided through the Education Sustainment Grant.
 - d. Funding provided by the state as a contingency for the federal sequester.
 - e. Funding provided for Odyssey of the Mind teams that qualified for nationals.
3. Federal Revenues are smaller than expected because:
 - a. There were changes in the amounts allocated to us in the Consolidated Grant.
4. Contributions are larger than expected because:
 - a. General and capital contributions were greater than anticipated.
5. Other Local Revenues are larger than expected because:
 - a. Flow-through activities for Student Activities were greater than anticipated.

EXPENSES

1. Salaries and Other Employment Costs
 - a. Salary costs were higher than anticipated while Employment costs were lower due a salary increase approved in January, and the use of long-term substitutes for employees on leave.
2. Travel
 - a. Higher than budget due to additional training required for a new staff member, and cost associated with student travel to national competitions, which is offset by additional revenues.
3. Professional Development
 - a. Higher than budget due to DCSN membership fees and tuition reimbursement that is offset by state revenues.
4. Insurance
 - a. Higher than budget due to an increase in rates.

MOT CHARTER SCHOOL

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

5. Transportation

- a. Lower than budget due to negotiation of a less expensive contract due to reductions in the state reimbursement rates for transportation.

6. Supplies and Materials

- a. Lower than budget due to aggressively managing and deferring costs in this area to offset increased expenses.

7. Capital Outlays - Property

- a. Higher than budget due to final expenses related to the new high school expansion project.

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

CAPITAL ASSETS

The School has \$9,315,035 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Acquisitions for governmental activities totaled \$1,122,004. These acquisitions were for computers, additional security cameras, upgrading the floors in the existing building, and costs related to the high school expansion project. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, MOT Charter School has total debt outstanding of \$5,924,164. This debt is a direct result of the construction of the School facility located in Middletown, Delaware. This debt is split between the Wilmington Savings Fund Society and the U.S. Department of Agriculture, and the School building is held as collateral against these loans.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

Fiscal year 2014 was the twelfth 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, 2014 AND 2013**

	Governmental Activities	
	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,615,122	\$ 4,841,103
Due from other governments	2,847	9,024
Total Current Assets	<u>4,617,969</u>	<u>4,850,127</u>
Noncurrent Assets:		
Land	75,000	75,000
Construction-in-progress	1,161,684	89,857
Capital assets, net of depreciation	8,078,351	8,338,186
Total Noncurrent Assets	<u>9,315,035</u>	<u>8,503,043</u>
TOTAL ASSETS	<u><u>\$ 13,933,004</u></u>	<u><u>\$ 13,353,170</u></u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 217,961	\$ 47,559
Accrued salaries and related costs	551,920	519,468
Interest payable	7,830	73,392
Due to State of Delaware - pension costs	104,210	99,791
Notes payable	133,727	114,941
Total Current Liabilities	<u>1,015,648</u>	<u>855,151</u>
Noncurrent Liabilities:		
Compensated absences	83,469	76,577
Notes payable	5,790,437	5,924,164
Total Noncurrent Liabilities	<u>5,873,906</u>	<u>6,000,741</u>
TOTAL LIABILITIES	<u>6,889,554</u>	<u>6,855,892</u>
NET POSITION:		
Net investment in capital assets	3,390,871	2,463,938
Restricted	3,719,477	3,278,937
Unrestricted (Deficit)	<u>(66,898)</u>	<u>754,403</u>
TOTAL NET POSITION	<u>7,043,450</u>	<u>6,497,278</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 13,933,004</u></u>	<u><u>\$ 13,353,170</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, 2014
(With Summarized Comparative Data for the Year Ended June 30, 2013)

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ (4,291,185)	\$ -	\$ 123,605	\$ 166,689	\$ (4,000,891)
Support services:					
Operation and maintenance of facilities	(719,177)	-	-	-	(719,177)
Administrative services	(824,929)	-	-	-	(824,929)
Transportation	(534,814)	-	-	-	(534,814)
Food service	(240,665)	111,568	39,353	-	(89,896)
Interest on long-term debt	(258,329)	-	-	-	(258,329)
TOTAL GOVERNMENTAL ACTIVITIES	\$ (6,869,099)	\$ 111,568	\$ 162,958	\$ 166,689	(6,427,884)
GENERAL REVENUES					
Charges to school districts					1,037,056
State aid not restricted to specific purposes					5,808,669
Earnings on cash and investments					19,356
Other local sources					108,975
TOTAL GENERAL REVENUES					6,974,056
CHANGE IN NET POSITION					546,172
NET POSITION, BEGINNING OF YEAR					5,088,834
NET POSITION, END OF YEAR					\$ 7,043,450
					\$ 6,497,278

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

MOT CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014
(With Summarized Comparative Data for June 30, 2013)

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2014	2013
ASSETS				
Cash and cash equivalents	\$ 3,241,193	\$ 1,373,929	\$ 4,615,122	\$ 4,841,103
Due from other governments	2,847	-	2,847	9,024
TOTAL ASSETS	<u>\$ 3,244,040</u>	<u>\$ 1,373,929</u>	<u>\$ 4,617,969</u>	<u>\$ 4,850,127</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 217,961	\$ -	\$ 217,961	\$ 47,559
Accrued salaries and related costs	551,920	-	551,920	519,468
Due to State of Delaware - pension costs	104,210	-	104,210	99,791
TOTAL LIABILITIES	<u>874,091</u>	<u>-</u>	<u>874,091</u>	<u>666,818</u>
FUND BALANCES:				
Restricted	-	234,421	234,421	412,239
Committed	2,345,548	-	2,345,548	1,948,134
Assigned	-	1,139,508	1,139,508	918,564
Unassigned	24,401	-	24,401	904,372
TOTAL FUND BALANCES	<u>2,369,949</u>	<u>1,373,929</u>	<u>3,743,878</u>	<u>4,183,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,244,040</u>	<u>\$ 1,373,929</u>	<u>\$ 4,617,969</u>	<u>\$ 4,850,127</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, 2014**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 3,743,878
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The total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statements of net position.	9,315,035
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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	\$ (7,830)	
Compensated absences	(83,469)	
Notes payable	<u>(5,924,164)</u>	<u>(6,015,463)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 7,043,450</u></u>
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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, 2014
(With Summarized Comparative Data for the Year Ended June 30, 2013)

	General Fund	Capital Projects Fund	Total Governmental Funds	
			2014	2013
REVENUES				
Charges to school districts	\$ 1,037,056	\$ -	\$ 1,037,056	\$ 1,097,677
Food service revenue	150,921	-	150,921	163,231
State aid	5,808,669	-	5,808,669	5,346,675
Federal aid	107,165	-	107,165	194,700
Earnings on cash and investments	19,356	-	19,356	19,797
Contributions	16,440	166,689	183,129	1,037,546
Other local sources	108,975	-	108,975	70,057
TOTAL REVENUES	7,248,582	166,689	7,415,271	7,929,683
EXPENDITURES				
Current:				
Instructional services	4,222,436	-	4,222,436	3,898,988
Operation and maintenance of facilities	471,025	-	471,025	473,475
Administrative services	824,928	-	824,928	757,902
Transportation	534,813	-	534,813	543,436
Food services	240,664	-	240,664	253,126
Capital outlays:				
Equipment	36,197	-	36,197	45,108
Property	962,244	123,563	1,085,807	538,989
Debt service:				
Principal	114,941	-	114,941	88,080
Interest	323,891	-	323,891	227,256
TOTAL EXPENDITURES	7,731,139	123,563	7,854,702	6,826,360
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(482,557)	43,126	(439,431)	1,103,323
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	-	410,404
Transfers in	-	-	-	241,190
Transfers out	-	-	-	(241,190)
TOTAL OTHER FINANCING SOURCES	-	-	-	410,404
NET CHANGES IN FUND BALANCES	(482,557)	43,126	(439,431)	1,513,727
FUND BALANCES, BEGINNING OF YEAR	2,852,506	1,330,803	4,183,309	2,669,582
FUND BALANCES, END OF YEAR	\$ 2,369,949	\$ 1,373,929	\$ 3,743,878	\$ 4,183,309

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, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (439,431)
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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 \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal of capital assets exceeded capital outlays in the current period.

Capital outlays	\$ 1,122,004	
Depreciation expense	<u>(310,012)</u>	811,992

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

Payment of note principal	114,941	
Accrued interest	<u>65,562</u>	180,503

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	<u>(6,892)</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 546,172</u></u>
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The accompanying notes are an integral part of these financial statements.

**MOT CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2014 AND 2013**

	Student Activities Fund	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	<u>\$ 32,306</u>	<u>\$ 21,064</u>
LIABILITIES		
Due to student groups	<u>\$ 32,306</u>	<u>\$ 21,064</u>
NET POSITION		
Unrestricted	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 32,306</u></u>	<u><u>\$ 21,064</u></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

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 MOT Charter School have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of MOT Charter School (the "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.

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.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

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

Additionally, the School reports the following fund type:

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

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.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

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, 2014, the School had no such activity.

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

Capital Assets

Capital assets, which include buildings and improvements, and furniture and equipment, are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend lives of the assets are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest cost incurred during construction is not capitalized.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

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

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

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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 \$83,469 and \$76,577 at June 30, 2014 and 2013, respectively.

Fund Equity

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

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

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

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

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

Unassigned – all other spendable amounts.

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

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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.

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2013 basic financial statements to be comparative with the current year preparation.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2014, the School has a cash equivalent balance of \$4,647,428. Of that amount, \$4,582,098 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, 2014, the reported amount of the School's deposits not held with the State Treasurer's Office was \$65,330 and the bank balance was \$70,224. All of the balance 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, 2014 is as follows:

	Balances 7/01/13	Increases	Decreases	Balances 6/30/14
Governmental Activities:				
General capital assets not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction-in-progress	89,857	1,071,827	-	1,161,684
Total general capital assets not being depreciated	164,857	1,071,827	-	1,236,684
General capital assets being depreciated:				
Buildings and improvements	9,926,042	17,700	-	9,943,742
Equipment	1,013,499	32,477	42,546	1,003,430
Furniture and fixtures	228,037	-	-	228,037
Total general capital assets being depreciated	11,167,578	50,177	42,546	11,175,209
Accumulated depreciation	(2,829,392)	(310,012)	(42,546)	(3,096,858)
Total general capital assets being depreciated, net	8,338,186	(259,835)	-	8,078,351
Governmental Activities, Net	\$ 8,503,043	\$ 811,992	\$ -	\$ 9,315,035

Depreciation expense was charged to the following activities:

Governmental activities:	
Instructional activities	\$ 59,754
Operation and maintenance of facilities	250,258
	<u>\$ 310,012</u>

NOTE 4 LONG-TERM DEBT

WSFS and USDA Loans

At its initiation, MOT Charter School borrowed \$6,000,000 through the USDA's Rural Development program in order to construct a one-story, 55,000 square foot building. This program consisted of a \$3,000,000 direct loan from the USDA at a fixed interest rate of 4.75 percent and a \$3,000,000 loan from WSFS guaranteed by the USDA at an interest rate of prime plus one percent. As of June 30, 2014, the interest rate on the WSFS loan was 5.06 percent. The balance of the original \$3,000,000 USDA loan was transferred to a new loan and re-amortized over a total of 40 years (10

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

additional years) at a fixed interest rate of 4.75 percent. This provided an annual cash flow savings of \$35,940, allowing the School to obtain an additional loan in October of 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, 2014, the School had drawn down the entire \$2,775,000 (\$2,564,596 in fiscal year 2012 and \$210,404 in fiscal year 2013). 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. These loans mature January 2023 through September 2052.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 133,727	\$ 256,885
2016	139,992	244,509
2017	147,235	237,266
2018	154,150	230,351
2019	161,394	223,107
2020-2024	820,282	998,645
2025-2029	685,594	838,886
2030-2034	850,705	673,775
2035-2039	1,056,265	468,215
2040-2044	831,894	242,948
2045-2049	611,404	121,376
2050-2053	331,522	15,402
	<u>\$ 5,924,164</u>	<u>\$ 4,551,365</u>

Interest expense was \$258,329 and \$255,930 for the years ended June 30, 2014 and 2013, respectively.

A schedule of changes in debt is as follows:

	<u>Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding</u>	<u>Amounts</u>
	<u>7/01/13</u>			<u>6/30/14</u>	<u>Due within</u>
					<u>One Year</u>
Governmental activities:					
Notes payable	\$6,039,105	\$ -	\$ 114,941	\$5,924,164	\$ 133,727
Compensated absences	76,577	6,892	-	83,469	-
Total Governmental Activities	<u>\$6,115,682</u>	<u>\$ 6,892</u>	<u>\$ 114,941</u>	<u>\$6,007,633</u>	<u>\$ 133,727</u>

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 5 PENSION PLAN

Plan Description

School employees are considered state employees and are covered under the State of Delaware Employees' Pension Plan, which is a cost-sharing, multiple-employer defined benefit public employees' retirement system (the "State PERS"). The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. All eligible state employees are required to contribute to the pension plan according to Chapter 55, Title 29 of the Delaware Code.

All full-time and regular part-time employees are eligible to participate in the State PERS. The State PERS provides pension, disability, and death benefits. Certain significant plan provisions follow:

- Early retirement:
 - a. 15 years service - age 55
 - b. 25 years service - any age
- Service retirement:
 - a. 15 years service - age 60 if hired prior to January 1, 2012;
20 years service - age 60 if hired on or after January 1, 2012
 - b. 30 years service - any age
 - c. 5 years service - age 62 if hired prior to January 1, 2012;
5 years service - age 65 if hired on or after January 1, 2012
- Disability retirement:
 - a. 5 consecutive years service and proof of disability
- Vested pension - an employee can vest pension rights after five years of service if hired prior to January 1, 2012. If hired after January 1, 2012, an employee can vest pension rights after ten years, five of which must be consecutive.

The State PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report 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, or by calling 1-800-722-7300.

Funding Policy

Employees of the School are required to contribute three percent of earnings in excess of \$6,000. The School's contribution to the State PERS for the years ended June 30, 2012, 2013, and 2014 was \$561,402, \$594,397, and \$658,754, respectively.

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 6 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 7 COMMITMENTS AND CONTINGENCIES

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

Grants

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

Construction Commitment

As of June 30, 2014, anticipated construction commitments are as follows:

Name	Contract Amount	Completed through 6/30/14	Remaining Amount
High School Construction Project	\$ 15,938,009	\$ 581,512	\$ 15,592,897

In addition, the School has incurred costs in the amount of \$580,172 that were not under a formal construction commitment as of June 30, 2014.

NOTE 8 FUND BALANCES

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Total Governmental Funds
Restricted:			
USDA	\$ -	\$ 194,040	\$ 194,040
Capital campaign - donor	-	40,381	40,381

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

NOTE 8 FUND BALANCES (cont'd)

	General Fund	Capital Projects Fund	Total Governmental Funds
Committed:			
Capital improvements	2,345,548	-	2,345,548
Assigned:			
Capital improvements	-	1,139,508	1,139,508
Unassigned	24,401	-	24,401
Total Fund Balances	<u>\$ 2,369,949</u>	<u>\$ 1,373,929</u>	<u>\$ 3,743,878</u>

NOTE 9 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	\$ 67,786
Travel	\$ 27,089
Professional development	\$ 10,102
Insurance	\$ 1,818
Student activities	\$ 3,293
Capital outlay - equipment	\$ 3,197
Capital outlay - property	\$ 1,085,809
Debt service - interest	\$ 749

The excess expenditures were covered by the School's use of prior year's excess and revenues in excess of budget.

NOTE 10 SUBSEQUENT EVENTS

At a special meeting in August 2014, the Board approved completion of a property purchase and approval to commence site work on the high school campus up to an amount not to exceed \$500,000.

The School has evaluated all subsequent events through September 16, 2014, 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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Charges to school districts	\$ 1,097,677	\$ 1,097,677	\$ 1,037,056	\$ (60,621)
Food service revenue	161,652	161,652	150,921	(10,731)
State aid	5,407,879	5,407,879	5,808,669	400,790
Federal aid	128,112	128,112	107,165	(20,947)
Earnings on cash and investments	19,800	19,800	19,356	(444)
Contributions	-	-	183,129	183,129
Other local sources	71,210	71,210	108,975	37,765
TOTAL REVENUES	<u>6,886,330</u>	<u>6,886,330</u>	<u>7,415,271</u>	<u>528,941</u>
EXPENDITURES				
Current:				
Salaries	3,334,532	3,334,532	3,402,318	(67,786)
Employment costs	1,668,634	1,668,634	1,634,321	34,313
Travel	5,830	5,830	32,919	(27,089)
Contractual services	139,150	139,150	137,474	1,676
Professional development	17,962	17,962	28,064	(10,102)
Public utilities service	113,640	113,640	107,513	6,127
Insurance	23,134	23,134	24,952	(1,818)
Transportation - buses	545,000	545,000	534,813	10,187
Land/building/facilities	82,570	82,570	73,977	8,593
Supplies and materials	153,050	153,050	116,154	36,896
Related services	152,549	152,549	151,561	988
Student activities	46,507	46,507	49,800	(3,293)
Capital outlays:				
Equipment	33,000	33,000	36,197	(3,197)
Property	-	-	1,085,807	(1,085,807)
Debt service:				
Principal	114,941	114,941	114,941	-
Interest	323,142	323,142	323,891	(749)
TOTAL EXPENDITURES	<u>6,753,641</u>	<u>6,753,641</u>	<u>7,854,702</u>	<u>(1,101,061)</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>132,689</u>	<u>132,689</u>	<u>(439,431)</u>	<u>(572,120)</u>
NET CHANGES IN FUND BALANCE	<u>\$ 132,689</u>	<u>\$ 132,689</u>	<u>(439,431)</u>	<u>\$ (572,120)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>4,183,309</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 3,743,878</u></u>	

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

SUPPLEMENTARY INFORMATION

**MOT CHARTER SCHOOL
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2014**

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and investments	\$ 33,027	\$ 3,208,166	\$ -	\$ 3,241,193
Due from other governments	-	2,847	-	2,847
TOTAL ASSETS	<u>\$ 33,027</u>	<u>\$ 3,211,013</u>	<u>\$ -</u>	<u>\$ 3,244,040</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ -	\$ 217,961	\$ -	\$ 217,961
Accrued salaries	-	551,920	-	551,920
Due to State of Delaware - pension costs	-	104,210	-	104,210
TOTAL LIABILITIES	<u>-</u>	<u>874,091</u>	<u>-</u>	<u>874,091</u>
FUND BALANCES:				
Committed	-	2,345,548	-	2,345,548
Unassigned (Deficit)	33,027	(8,626)	-	24,401
TOTAL FUND BALANCES	<u>33,027</u>	<u>2,336,922</u>	<u>-</u>	<u>2,369,949</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,027</u>	<u>\$ 3,211,013</u>	<u>\$ -</u>	<u>\$ 3,244,040</u>

MOT CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	\$ -	\$ 1,037,056	-	\$ 1,037,056
Food service revenue	-	111,568	39,353	150,921
State aid	5,808,669	-	-	5,808,669
Federal aid	-	-	107,165	107,165
Earnings on cash and investments	-	19,356	-	19,356
Contributions	-	16,440	-	16,440
Other local sources	-	108,975	-	108,975
TOTAL REVENUES	<u>5,808,669</u>	<u>1,293,395</u>	<u>146,518</u>	<u>7,248,582</u>
EXPENDITURES				
Current:				
Instructional services	3,069,113	1,051,578	101,745	4,222,436
Operation and maintenance of facilities	417,609	53,416	-	471,025
Administrative services	644,256	180,672	-	824,928
Transportation	534,437	376	-	534,813
Food services	68,457	132,854	39,353	240,664
Capital outlays:				
Equipment	26,457	4,320	5,420	36,197
Property	596,312	365,932	-	962,244
Debt service:				
Principal	114,941	-	-	114,941
Interest	323,891	-	-	323,891
TOTAL EXPENDITURES	<u>5,795,473</u>	<u>1,789,148</u>	<u>146,518</u>	<u>7,731,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,196</u>	<u>(495,753)</u>	<u>-</u>	<u>(482,557)</u>
NET CHANGE IN FUND BALANCES	13,196	(495,753)	-	(482,557)
FUND BALANCES, BEGINNING OF YEAR	<u>19,831</u>	<u>2,832,675</u>	<u>-</u>	<u>2,852,506</u>
FUND BALANCES, END OF YEAR	<u>\$ 33,027</u>	<u>\$ 2,336,922</u>	<u>\$ -</u>	<u>\$ 2,369,949</u>

**MOT CHARTER SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

EXPENDITURES

Current:

Salaries	\$ 3,402,318
Employment costs	1,634,321
Travel	32,919
Contractual services	137,474
Professional development	28,064
Public utility services	107,513
Insurance	24,952
Transportation - buses	534,813
Land/building/facilities	73,977
Supplies and materials	116,154
Related services	151,561
Student activities	49,800

Capital outlays:

Equipment	36,197
Property	1,085,807

Debt service:

Principal	114,941
Interest	323,891

TOTAL EXPENDITURES

\$ 7,854,702

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

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September 16, 2014

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 *Governmental 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 MOT Charter School, Middletown, Delaware as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise MOT Charter School's (the "School") basic financial statements, and have issued our report thereon dated September 16, 2014.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
MOT Charter School

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MOT Charter School's financial statements are free of 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