MOT CHARTER SCHOOL

(A Component Unit of the State of Delaware)

MIDDLETOWN, DELAWARE

FINANCIAL STATEMENTS

JUNE 30, 2019

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

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(A Component Unit of the State of Delaware)

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INDEPENDENT AUDITOR'S REPORT

September 30, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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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 polices 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, 2019, 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 2018 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 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 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 30, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, which is the School's seventeenth 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 $1,408,404, and general revenues accounted for $15,003,613, or 96 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, deferred outflows, liabilities, and deferred inflows 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 Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual method of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. Activities relating to capital assets, long-term debt, and compensated absences are the primary reconciling items.

Fiduciary Funds

The School is fiduciary for its student activity assets that, due to a fiduciary arrangement, can be used only for student activities. All of the School's fiduciary activities are reported in a separate statement of fiduciary net position on page 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 $14,973,386 at the close of the fiscal year. Of the School's net position, $4,873,924 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 2019 and 2018 follows:

Table 1
STATEMENT OF NET POSITION
JUNE 30, 2019 AND 2018

	Governmental Activities	
	2019	2018
ASSETS		
Current assets	$ 7,162,621	$ 6,969,528
Capital assets, net of depreciation	27,065,127	27,413,105
TOTAL ASSETS	34,227,748	34,382,633

Table 1
STATEMENT OF NET POSITION
JUNE 30, 2019 AND 2018

	Governmental Activities	
(cont'd)	2019	2018
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expenses	2,488,320	2,668,763
Deferred OPEB expenses	5,564,747	3,777,707
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,053,067	6,446,470
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 42,280,815	$ 40,829,103
LIABILITIES		
Current liabilities	$ 2,401,683	$ 2,284,589
Noncurrent liabilities	51,201,141	49,375,239
TOTAL LIABILITIES	53,602,824	51,659,828
DEFERRED INFLOWS OF RESOURCES		
Deferred pension expense	226,944	71,853
Deferred OPEB expense	3,424,433	2,662,404
TOTAL DEFERRED INFLOWS OF RESOURCES	3,651,377	2,734,257
NET POSITION (DEFICIT)		
Net investment in capital assets	4,337,755	4,484,842
Restricted	536,169	442,656
Unrestricted (deficit)	(19,847,310)	(18,492,480)
TOTAL NET POSITION (DEFICIT)	(14,973,386)	(13,564,982)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 42,280,815	$ 40,829,103

The School's net position decreased $1,408,404 mainly as the result of GASB 68 and GASB 75 expenses recognized in the current year.

A comparative analysis of changes in net position for fiscal years 2019 and 2018 follows:

Table 2
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Governmental Activities	
	2019	2018
REVENUES		
Program revenues:		
Charges for services	$ 199,832	$ 207,809
Operating grants and contributions	410,243	359,367
General revenues:		
Charges to school districts	2,992,145	2,658,194
State aid not restricted for specific purposes	11,462,483	10,700,891
Earnings on cash and investments	132,442	33,119
Other	416,543	417,432
TOTAL REVENUES	15,613,688	14,376,812
EXPENSES		
Instructional services	10,958,196	9,787,581
Supporting services:		
Operation and maintenance of facilities	2,019,692	1,858,759
Administrative services	1,622,345	1,541,156
Transportation	1,203,207	1,251,173
Food service	514,920	492,102
Interest on long-term debt	703,732	1,163,834
TOTAL EXPENSES	17,022,092	16,094,605
CHANGE IN NET DEFICIT	$ (1,408,404)	$ (1,717,793)

This year was the seventeenth 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 $1,408,404, and unrestricted net position reflects a deficit balance of $19,847,310.

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.

	2019		2018	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental Activities:				
Instructional services	$ 10,958,196	$ 10,636,103	$ 9,787,581	$ 9,524,557
Operation and maintenance of facilities	2,019,692	2,019,692	1,858,759	1,858,759
Administrative services	1,622,345	1,622,345	1,541,156	1,541,156
Transportation	1,203,207	1,203,207	1,251,173	1,251,173
School lunch service	514,920	226,938	492,102	187,950
Interest on long-term debt	703,732	703,732	1,163,834	1,163,834
Total Governmental Activities	$ 17,022,092	$ 16,412,017	$ 16,094,605	$ 15,527,429

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for $16,412,017 of support from general revenues, or 105 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 $5,643,398. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2019.

	2019	2018	Increase (Decrease)
Fund Balances:			
Restricted	$ 536,169	$ 672,925	$ (136,756)
Committed	2,942,463	2,714,234	228,229
Assigned	-	230,269	(230,269)
Unassigned	2,164,766	1,710,797	453,969
Total Fund Balances	$ 5,643,398	$ 5,328,225	$ 315,173

Governmental Funds

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

	2019	2018
REVENUES:		
Charges to school districts	$ 2,992,145	$ 2,658,194
State aid	11,462,483	10,700,891
Federal aid	288,018	249,365
Earnings on cash and investments	132,442	33,119
Contributions and other local sources	450,618	431,091
Food service	287,982	304,152
TOTAL	$ 15,613,688	$ 14,376,812

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.

	Governmental Funds	
	2019	2018
EXPENDITURES BY OBJECT:		
Salaries	$ 7,206,239	$ 6,638,600
Employment costs	3,645,389	3,234,104
Travel	34,734	18,768
Contractual service	203,480	145,038
Professional development	64,602	52,714
Public utilities services	257,943	274,589
Insurance	56,192	57,285
Transportation - buses	1,203,207	1,251,173
Land/building/facilities	269,561	189,584
Supplies and materials	524,768	482,903
Related services	234,034	229,988
Student activities	182,084	194,452
Capital outlays - equipment	208,735	77,566
Capital outlays - property	302,774	306,698
Debt service - principal	200,891	877,186
Debt service - interest	703,882	725,626
TOTAL	$ 15,298,515	$ 14,756,274

Revenues exceeded expenses during the fiscal year resulting in an increase in fund balance.

GOVERNMENTAL FUND BUDGET INFORMATION

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

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. State revenues are higher than expected because:
   a. The School received funds from the Safety and Security Grant.

3. Federal Revenues are higher because:
   a. There was an increase in consolidated grant funding.

4. Earnings on Cash and Investments are higher because:
   a. There was in increase in interest rates.

5. 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. These additional revenues are offset by additional expenses.

EXPENSES

1. Salaries and other employment costs are higher than expected because:
   a. There were changes in projected and actual staff education and experience that was partially offset by the elimination of the Psychologist salary that resulted in an increase in contracted services.

2. Travel costs were higher than expected because:
   a. Student travel to the TSA national competition that was offset by parent payments.
   b. Professional development travel expenses from the consolidated grant that are offset by lower professional development expenses.

3. Contracted service costs were higher than expected because:
   a. Contracting services for Psychological services due to the resignation of the School Psychologist, which is offset by a reduction in salaries.

4. Public utility services were lower than expected because:
   a. Electricity and heat expenses were lower than anticipated.
   b. The School was unable to upgrade the TLS until later in the year than anticipated.

5. Transportation is lower than expected because:
   a. The School was forced to reduce the number of bus routes because the transportation company was unable to provide enough drivers to service all 17 projected routes.

6. Land/Building/Facilities is higher than expected because:
   a. Additional purchases approved to be paid out of remaining funds for window shades for the high school, playground mulch dirt, paint and HVAC wrap, caulk, a new C3 machine, replacement circuit panel, parking lot lights, and burnisher for the K8.

7. Supplies and materials are higher than expected because:
   a. Additional purchases approved to be paid out of remaining funds for next year's NWEA tests, new K-5 Math curriculum, furniture for classrooms and the conference room, new cafeteria tables, and the Chromebooks and computers for next year.

8. Related services are lower than expected because:
   a. Cafeteria, marketing, postage, and administrative supply expenses were all lower than anticipated.

9. Student activities are higher than expected because:
   a. Additional expenses related to flow through accounts like athletics, field trips, and clubs, which are mostly offset by additional revenues.

10. Capital outlays – equipment are higher than expected because:
    a. The purchase of the new cafeteria serving line equipment for the K8 Academy that were approved to be paid out of prior year reserve cafeteria funds.
    b. The access control system paid for by the Safety and Security Grant.
    c. Purchases authorized to be paid out of remaining FY19 funds for a replacement server, fire alarm panel replacement at the K8, Scissor lift for the K8, new Audio systems at the high school, and new furniture for the K8.

11. Capital outlays – property are higher than expected because:
    a. Expenses for the High School fields and K8 sprinkler system repairs that were approved to be paid out of prior year reserves.
    b. K8 door upgrades for the access control system paid for by the Safety and Security Grant.
    c. The purchase of new signs approved to be paid out of remaining FY19 funds, as well as architect fees for possible future changes to the K8 building.

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

CAPITAL ASSETS

The School has $27,065,127 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Acquisitions for governmental activities totaled $511,508. These acquisitions were for furniture and equipment, and costs related to the gymnasium portion of the high school expansion project. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the School has total debt outstanding of $22,727,372. 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 2019 was the seventeenth 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, 2019 AND 2018

	Governmental Activities	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and cash equivalents	$ 7,162,621	$ 6,969,528
Total Current Assets	7,162,621	6,969,528
Noncurrent Assets:		
Land	1,232,830	1,232,830
Construction-in-progress	100,815	-
Capital assets, net of depreciation	25,731,482	26,180,275
Total Noncurrent Assets	27,065,127	27,413,105
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	2,488,320	2,668,763
Deferred OPEB expense	5,564,747	3,777,707
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,053,067	6,446,470
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 42,280,815	$ 40,829,103
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 53,029	$ 310,971
Accrued salaries and related costs	1,453,336	1,317,702
Unearned revenue	12,858	12,631
Interest payable	441,964	442,114
Notes payable	440,496	201,171
Total Current Liabilities	2,401,683	2,284,589
Noncurrent Liabilities:		
Compensated absences	173,098	147,293
Notes payable	22,286,876	22,727,092
Net pension liability	3,993,955	4,075,418
Net OPEB liability	24,747,212	22,425,436
Total Noncurrent Liabilities	51,201,141	49,375,239
TOTAL LIABILITIES	53,602,824	51,659,828
DEFERRED INFLOWS OF RESOURCES		
Deferred pension expense	226,944	71,853
Deferred OPEB expense	3,424,433	2,662,404
TOTAL DEFERRED INFLOWS OF RESOURCES	3,651,377	2,734,257
NET POSITION (DEFICIT)		
Net investment in capital assets	4,337,755	4,484,842
Restricted	536,169	672,925
Unrestricted (deficit)	(19,847,310)	(18,722,749)
TOTAL NET POSITION (DEFICIT)	(14,973,386)	(13,564,982)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 42,280,815	$ 40,829,103

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

MOT CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)

		Program Revenues			Net (Expense) Revenues and Changes in Net Deficit	
			Operating	Capital	Totals	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	2019	2018
GOVERNMENTAL ACTIVITIES						
Instructional services	$ (10,958,196)	$ -	$ 322,093	$ -	$ (10,636,103)	$ (9,524,557)
Support services:						
Operation and maintenance of facilities	(2,019,692)	-	-	-	(2,019,692)	(1,858,759)
Administrative services	(1,622,345)	-	-	-	(1,622,345)	(1,541,156)
Transportation	(1,203,207)	-	-	-	(1,203,207)	(1,251,173)
Food service	(514,920)	199,832	88,150	-	(226,938)	(187,950)
Interest on long-term debt	(703,732)	-	-	-	(703,732)	(1,163,834)
TOTAL GOVERNMENTAL ACTIVITIES	$ (17,022,092)	$ 199,832	$ 410,243	$ -	(16,412,017)	(15,527,429)
GENERAL REVENUES						
Charges to school districts					2,992,145	2,658,194
State aid not restricted to specific purposes					11,462,483	10,700,891
Earnings on cash and investments					132,442	33,119
Other local sources					416,543	417,432
TOTAL GENERAL REVENUES					15,003,613	13,809,636
CHANGE IN NET DEFICIT					(1,408,404)	(1,717,793)
NET DEFICIT, BEGINNING OF YEAR					(13,564,982)	(11,847,189)
NET DEFICIT, END OF YEAR					$ (14,973,386)	$ (13,564,982)

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

MOT CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019
(With Summarized Comparative Data for June 30, 2018)

	General Fund	Capital Projects Fund	Total Governmental Funds 2019	Total Governmental Funds 2018
ASSETS				
Cash and cash equivalents	$ 6,626,452	$ 536,169	$ 7,162,621	$ 6,969,529
TOTAL ASSETS	$ 6,626,452	$ 536,169	$ 7,162,621	$ 6,969,529
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 53,029	$ -	$ 53,029	$ 310,971
Accrued salaries and related costs	1,453,336	-	1,453,336	1,317,702
Unearned revenue	12,858	-	12,858	12,631
TOTAL LIABILITIES	1,519,223	-	1,519,223	1,641,304
FUND BALANCES:				
Restricted	-	536,169	536,169	672,925
Committed	2,942,463	-	2,942,463	2,714,234
Assigned	-	-	-	230,269
Unassigned	2,164,766	-	2,164,766	1,710,797
TOTAL FUND BALANCES	5,107,229	536,169	5,643,398	5,328,225
TOTAL LIABILITIES AND FUND BALANCES	$ 6,626,452	$ 536,169	$ 7,162,621	$ 6,969,529

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, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 5,643,398
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.		27,065,127
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	$ (441,964)	
Compensated absences	(173,098)	
Notes payable	(22,727,372)	
Net pension liability	(3,993,955)	
Net OPEB liability	(24,747,212)	(52,083,601)
Deferred inflows and outflows of resources related to the School's net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the School's amount of the total pension liability, and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.		
Deferred outflows - pension expense	2,488,320	
Deferred inflows - pension expense	(226,944)	2,261,376
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, changes in the actuarially determined proportion of the School's amount of returns, changes in the actuarially determined proportion of the School's amount of the total OPEB liability, and OPEB contributions made after the measurement date of the net OPEB liability. These amounts will be amortized over the estimated remaining average service life of the employees.		
Deferred outflows - OPEB expense	5,564,747	
Deferred inflows - OPEB expense	(3,424,433)	2,140,314
TOTAL NET DEFICIT OF GOVERNMENTAL ACTIVITIES		$ (14,973,386)

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, 2019
(With Summarized Comparative Data for the Year Ended June 30, 2018)

	General Fund	Capital Projects Fund	Total Governmental Funds 2019	Total Governmental Funds 2018
REVENUES				
Charges to school districts	$ 2,992,145	$ -	$ 2,992,145	$ 2,658,194
Food service revenue	287,982	-	287,982	304,152
State aid	11,462,483	-	11,462,483	10,700,891
Federal aid	288,018	-	288,018	249,365
Earnings on cash and investments	132,298	144	132,442	33,119
Contributions	34,075	-	34,075	13,659
Other local sources	416,543	-	416,543	417,432
TOTAL REVENUES	15,613,544	144	15,613,688	14,376,812
EXPENDITURES				
Current:				
Instructional services	9,305,027	-	9,305,027	8,403,568
Operation and maintenance of facilities	1,236,735	-	1,236,735	1,081,199
Administrative services	1,622,345	-	1,622,345	1,541,156
Transportation	1,203,207	-	1,203,207	1,251,173
Food services	514,920	-	514,920	492,102
Capital outlays:				
Equipment	208,734	-	208,734	77,566
Property	302,774	-	302,774	306,698
Debt service:				
Principal	200,891	-	200,891	877,186
Interest	703,882	-	703,882	725,626
TOTAL EXPENDITURES	15,298,515	-	15,298,515	14,756,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	315,029	144	315,173	(379,462)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	-	239,028
Transfers in	136,900	-	136,900	139,481
Transfers out	-	(136,900)	(136,900)	(139,481)
TOTAL OTHER FINANCING SOURCES (USES)	136,900	(136,900)	-	239,028
NET CHANGES IN FUND BALANCES	451,929	(136,756)	315,173	(140,434)
FUND BALANCES, BEGINNING OF YEAR	4,655,300	672,925	5,328,225	5,468,659
FUND BALANCES, END OF YEAR	$ 5,107,229	$ 536,169	$ 5,643,398	$ 5,328,225

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 315,173
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	$ 511,508	
Depreciation expense	(859,486)	(347,978)
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	200,891	200,891
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	(25,805)	
Accrued interest	150	(25,655)
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.		(254,070)
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.		(1,296,765)
CHANGE IN NET DEFICIT - GOVERNMENTAL ACTIVITIES		$ (1,408,404)

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

MOT CHARTER SCHOOL
STATEMENTS OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2019 AND 2018

	Student Activities Fund	
	2019	2018
ASSETS		
Cash and cash equivalents	$ 109,533	$ 91,054
LIABILITIES		
Due to student groups	$ 109,533	$ 91,054
NET POSITION		
Unrestricted	-	-
TOTAL LIABILITIES AND NET POSITION	$ 109,533	$ 91,054

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

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

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

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

Reporting Entity

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

Entity-wide and Fund Financial Statements

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

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

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** – 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.

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

Additionally, the School reports the following fund type:

- **Student Activities Agency Fund** (a fiduciary 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, 2019, the School had no such activity.

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

Capital Assets

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

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

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

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The School currently has two items

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

that qualify for reporting in this category. The School reports deferred pension and OPEB contributions resulting from pension and OPEB contributions subsequent to the measurement date of the net pension and OPEB liabilities and certain other items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents a source of net position that applies to future periods. The School reports certain items which represent differences related to changes in the net pension and OPEB liabilities which will be amortized over future periods.

Compensated Absences

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

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

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

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

The School has recorded the local portion of the compensated absences liability, which was $173,098 at June 30, 2019.

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.

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

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

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

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

Unassigned – all other spendable amounts.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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 charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an

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

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

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative total data for the prior year is presented in the basic financial statements to provide an understanding of changes in the School's financial position and operations. That comparative data is not at the level of detail required for a presentation in conformity with generally accepted accounting principles and has been restated and reclassified, as needed, from the presentation in the School's June 30, 2018 basic financial statements to be comparative with the current year preparation.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2019, the School has a cash equivalent balance of $7,272,154. Of that amount, $6,683,855 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, 2019, the reported amount of the School's deposits not held with the State Treasurer's Office was $588,299, and the bank balance was $589,601. Of the bank balance, $250,000 was covered by federal depository insurance, and $339,601 was exposed to custodial credit risk because it was uninsured.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 is as follows:

	Balances 7/01/18	Increases	Decreases	Balances 6/30/19
Governmental Activities				
General capital assets not being depreciated:				
Land	$ 1,232,830	$ -	$ -	$ 1,232,830
Construction-in-progress	-	100,815	-	100,815
Total general capital assets not being depreciated	1,232,830	100,815	-	1,333,645
General capital assets being depreciated:				
Buildings and improvements	30,161,179	247,487	-	30,408,666
Equipment	1,047,903	89,734	(899,471)	238,166
Furniture and fixtures	321,585	73,472	(2,276)	392,781
Total general capital assets being depreciated	31,530,667	410,693	(901,747)	31,039,613
Accumulated depreciation	(5,350,392)	(859,486)	901,747	(5,308,131)
Total general capital assets being depreciated, net	26,180,275	(448,793)	-	25,731,482
Governmental Activities, Net	$27,413,105	$ (347,978)	$ -	$27,065,127

Depreciation expense was charged to the following activities:

Governmental Activities:	
Instructional services	$ 76,528
Operation and maintenance of facilities	782,958
	$ 859,486

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

NOTE 4 LONG-TERM DEBT (cont'd)

June 30, 2019, the interest rate on the WSFS loan was 6.50 percent and the outstanding balance was $267,031. 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, 2019 was $2,166,415.

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, 2019, 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 $2,566,022. 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, 2019, the outstanding balance was $186,559. 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. As of June 30, 2019, $16,000,000 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. The total amount of the liability of the USDA loan at June 30, 2019 was $1,541,345.

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

Year Ending June 30,	Principal	Interest
2020	$ 440,496	$ 694,466
2021	485,674	670,723
2022	503,457	652,941
2023	486,664	634,781
2024	450,773	621,739
2025 - 2029	2,463,450	2,903,038
2030 - 2034	2,885,306	2,477,254
2035 - 2039	3,384,792	1,977,768
2040 - 2041	3,495,204	1,416,702
2045 - 2049	3,430,214	917,030
2050 - 2054	3,388,191	414,732
2055 - 2056	1,313,151	37,228
	$ 22,727,372	$ 13,418,402

NOTE 4 LONG-TERM DEBT (cont'd)

Interest expense for the year ended June 30, 2019 was $703,732.

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 7/01/18	Additions	Retirements	Outstanding 6/30/19	Amounts Due within One Year
Governmental Activities					
Notes payable	$22,928,263	$ -	$ 200,891	$22,727,372	$ 440,496
Compensated absences	147,293	25,805	-	173,098	-
Net pension liability	4,075,418	-	81,463	3,993,955	-
Net OPEB liability	22,425,436	2,321,776	-	24,747,212	-
Total Governmental Activities	$49,576,410	$2,347,581	$ 282,354	$51,641,637	$ 440,496

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, 2019. For a more complete description, please refer to the Delaware Employees' Pension Plan Comprehensive Annual Financial Report. Separately issued financial statements for the Plan may be obtained by writing to the State of Delaware Public Employee Retirement System, McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904; by calling 1-800-722-7300; or by visiting the PERS website at www.delawarepensions.com.

Plan Description and Eligibility

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

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).

NOTE 5 PENSION PLAN (cont'd)

If the employee is an active member of the Plan with at least five years of credited service, the eligible survivor receives 75 percent of the benefit the active employee would have received at age 62.

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

Contributions

Member Contributions

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

Employer Contributions

Employer contributions are determined by the Board. For the year ended June 30, 2019, the rate of the employer contribution was 11.83 percent of covered payroll. The School's contribution to PERS for the year ended June 30, 2019 was $794,600.

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, 2019, the School reported a liability of $3,993,955 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the School's proportion was 0.3093 percent, which was an increase of 0.0313 percent from its proportion measured as of June 30, 2017.

NOTE 5 PENSION PLAN (cont'd)

For the year ended June 30, 2019, the School recognized pension expense of $1,048,670. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 169,302
Changes in assumptions	695,394	
Changes in proportions	789,596	-
Difference between actual and expected experience	208,730	57,642
Contributions subsequent to the date of measurement	794,600	-
	$ 2,488,320	$ 226,944

An amount of $794,600 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date (June 30, 2018) and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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,	
2020	$ 649,250
2021	467,205
2022	23,630
2023	135,402
2024	191,289
	$ 1,466,776

Actuarial Assumptions

The total pension liability as of the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the

NOTE 5 PENSION PLAN (cont'd)

total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions, applied to all periods:

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

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

Mortality rates were based on the 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:

Asset Class	Long-term Expected Real Rate of Return	Target Asset Allocation
Domestic equity	5.7%	30.7%
International equity	5.7%	13.9%
Fixed income	2.0%	23.3%
Alternative investments	7.8%	24.4%
Cash and equivalents	0.0%	7.7%

NOTE 5 PENSION PLAN (cont'd)

Discount Rate

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

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

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

	1% Decrease 6.0%	Current Rate Discount Rate 7.0%	1% Increase 8.0%
School's proportionate share of the net pension liability	$ 7,750,714	$ 3,993,955	$ 839,595

Pension Plan Fiduciary Net Position

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

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

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

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

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 11.79 percent of covered payroll. The School's contribution to the Plan for the year ended June 30, 2019 was $791,821.

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

At June 30, 2019, the School reported a liability of $24,747,212 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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. 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, 2018, the School's proportion was 0.3014 percent, which was an increase of 0.0298 percent from its proportion measured as of June 30, 2017.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

For the year ended June 30, 2019, the School recognized OPEB expense of $2,088,586. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 62,178
Changes in proportions	4,772,926	-
Changes in assumptions	-	3,362,255
Contributions subsequent to the date of measurement	791,821	-
	$5,564,747	$3,424,433

An amount of $791,821 is reported as deferred outflows of resources resulting from the School's contributions subsequent to the June 30, 2018 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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,	
2020	$ 147,308
2021	147,308
2022	147,308
2023	159,624
2024	746,945
	$1,348,493

Actuarial Assumptions

The total OPEB liability as of the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Discount rate - 3.87 percent
- Salary increases - 3.25 percent + merit
- Healthcare cost trend rates – 6.80 percent

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

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

Discount Rate

The discount rate to measure the total OPEB liability was 3.58 percent at the beginning of the current measurement period and 3.87 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, 2018 measurement dates 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 3.87 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 (2.87 percent) or one percentage point higher (4.87 percent) than the current rate.

	1% Decrease 2.87%	Current Rate Discount Rate 3.87%	1% Increase 4.87%
School's proportionate share of the net OPEB liability	$ 29,448,632	$ 24,747,212	$ 21,050,647

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 6.8 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 (5.8 percent) or one percentage point higher (7.8 percent) than the current rate.

	1% Decrease 5.8%	Current Rate Healthcare Trend Rate 6.8%	1% Increase 7.8%
School's proportionate share of the net OPEB liability	$ 21,070,842	$ 24,747,212	$ 29,224,298

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.

NOTE 7 RISK MANAGEMENT

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

NOTE 8 COMMITMENTS AND CONTINGENCIES

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

Grants

The School receives significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires

NOTE 8 COMMITMENTS AND CONTINGENCIES (cont'd)

compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts and federal agencies. Any disallowed claims resulting from such audits could become a liability of the general fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE 9 FUND BALANCES

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Total Governmental Funds
Committed:			
Capital improvements	$ 2,942,463	$ -	$ 2,942,463
Restricted:			
Capital projects	-	536,169	536,169
Unassigned	2,164,766	-	2,164,766
Total Fund Balances	$ 5,107,229	$ 536,169	$ 5,643,398

NOTE 10 EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following categories:

Salaries	$ 28,759
Employment costs	$ 130,615
Travel	$ 19,734
Contractual services	$ 56,109
Land/building/facilities	$ 72,789
Supplies and materials	$ 118,291
Student activities	$ 59,836
Capital outlay - equipment	$ 193,735
Capital outlay - property	$ 302,774
Debt service - interest	$ 2,942

The excess expenditures were covered by revenues exceeding anticipated amounts.

NOTE 11 INTERFUND TRANSFERS

The interfund transfer from the General Fund to the Capital Projects Fund in the amount of $136,900 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 $19,847,310 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 30, 2019, 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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Charges to school districts	$ 2,694,001	$ 2,694,001	$ 2,992,145	$ 298,144
Food service revenue	285,464	285,464	287,982	2,518
State aid	11,420,476	11,420,476	11,462,483	42,007
Federal aid	255,043	255,043	288,018	32,975
Earnings on cash and investments	19,200	19,200	132,442	113,242
Contributions	10,000	10,000	34,075	24,075
Other local sources	194,230	194,230	416,543	222,313
TOTAL REVENUES	14,878,414	14,878,414	15,613,688	735,274
EXPENDITURES				
Current:				
Salaries	7,177,480	7,177,480	7,206,239	(28,759)
Employment costs	3,514,774	3,514,774	3,645,389	(130,615)
Travel	15,000	15,000	34,734	(19,734)
Contractual services	147,371	147,371	203,480	(56,109)
Professional development	81,902	81,902	64,602	17,300
Public utilities service	310,188	310,188	257,943	52,245
Insurance	58,000	58,000	56,192	1,808
Transportation - buses	1,340,461	1,340,461	1,203,207	137,254
Land/building/facilities	196,772	196,772	269,561	(72,789)
Supplies and materials	406,477	406,477	524,768	(118,291)
Related services	298,649	298,649	234,035	64,614
Student activities	122,248	122,248	182,084	(59,836)
Capital outlays:				
Equipment	15,000	15,000	208,734	(193,734)
Property	-	-	302,774	(302,774)
Debt service:				
Principal	202,471	202,471	200,891	1,580
Interest	700,940	700,940	703,882	(2,942)
TOTAL EXPENDITURES	14,587,733	14,587,733	15,298,515	(710,782)
EXCESS OF REVENUES OVER EXPENDITURES	290,681	290,681	315,173	24,492
NET CHANGES IN FUND BALANCE	$ 290,681	$ 290,681	315,173	$ 24,492
FUND BALANCE, BEGINNING OF YEAR			5,328,225	
FUND BALANCE, END OF YEAR			$ 5,643,398	

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

	MEASUREMENT DATE				
PROPORTIONATE SHARE OF NET PENSION LIABILITY	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015	JUNE 30, 2014
School's proportion of the net pension liability	0.3093%	0.2780%	0.2380%	0.1982%	0.1717%
School's proportion of the net pension liability - dollar value	$ 3,993,955	$ 4,075,418	$ 3,587,232	$ 1,318,772	$ 632,204
School's covered employee payroll	$ 6,140,144	$ 5,415,532	$ 4,539,959	$ 3,696,998	$ 2,717,333
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	65.05%	75.25%	79.01%	35.67%	23.27%
Plan fiduciary net position as a percentage of the total pension liability	87.49%	85.31%	84.11%	92.67%	95.80%

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

MOT CHARTER SCHOOL
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS

CONTRIBUTIONS	JUNE 30, 2019	JUNE 30, 2018	JUNE 30, 2017	JUNE 30, 2016	JUNE 30, 2015
Contractually required contribution	$ 794,600	$ 639,803	$ 518,808	$ 434,928	$ 353,433
Contributions in relation to the contractually required contribution	794,600	639,803	518,808	434,928	353,433
Contribution excess	$ -	$ -	$ -	$ -	$ -
School's covered employee payroll	$ 6,716,822	$ 6,140,144	$ 5,415,532	$ 4,539,959	$ 3,696,998
Contributions as a percentage of covered-employee payroll	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

PROPORTIONATE SHARE OF NET PENSION LIABILITY	MEASUREMENT DATE JUNE 30, 2019	JUNE 30, 2018
School's proportion of the net pension liability	0.3014%	0.2716%
School's proportion of the net pension liability - dollar value	$ 24,747,212	$ 22,425,436
School's covered employee payroll	$ 6,140,144	$ 5,415,532
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	403.04%	414.09%
Plan fiduciary net position as a percentage of the total pension liability	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

CONTRIBUTIONS	JUNE 30, 2019	JUNE 30, 2018
Contractually required contribution	$ 791,821	$ 677,069
Contributions in relation to the contractually required contribution	791,821	677,069
Contribution excess	$ -	$ -
School's covered employee payroll	$ 6,716,822	$ 6,140,144
Contributions as a percentage of covered-employee payroll	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, 2019

	State Allocation	Local Funding	Federal Funding	Totals
ASSETS				
Cash and investments	$ 2,894	$ 6,623,558	$ -	$ 6,626,452
TOTAL ASSETS	$ 2,894	$ 6,623,558	$ -	$ 6,626,452
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ -	$ 53,029	$ -	$ 53,029
Unearned revenue	-	12,858	-	12,858
Accrued salaries and related costs	-	1,453,336	-	1,453,336
TOTAL LIABILITIES	-	1,519,223	-	1,519,223
FUND BALANCES:				
Committed	-	2,942,463	-	2,942,463
Unassigned	2,894	2,161,872	-	2,164,766
TOTAL FUND BALANCES	2,894	5,104,335	-	5,107,229
TOTAL LIABILITIES AND FUND BALANCES	$ 2,894	$ 6,623,558	$ -	$ 6,626,452

MOT CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	State Allocation	Local Funding	Federal Funding	Totals
REVENUES				
Charges to school districts	$ -	$ 2,992,145	$ -	$ 2,992,145
Food service revenue	-	199,832	88,150	287,982
State aid	11,462,483	-	-	11,462,483
Federal aid	-	-	288,018	288,018
Earnings on cash and investments	-	132,298	-	132,298
Contributions	-	34,075	-	34,075
Other local sources	-	416,543	-	416,543
TOTAL REVENUES	11,462,483	3,774,893	376,168	15,613,544
EXPENDITURES				
Current:				
Instructional services	7,035,004	1,982,006	288,018	9,305,028
Operation and maintenance of facilities	1,032,739	203,996	-	1,236,735
Administrative services	1,330,087	292,258	-	1,622,345
Transportation	1,183,959	19,248	-	1,203,207
Food services	170,287	256,482	88,150	514,919
Capital outlays:				
Equipment	-	208,734	-	208,734
Property	291,924	10,850	-	302,774
Debt service:				
Principal	102,137	98,754	-	200,891
Interest	130,393	573,489	-	703,882
TOTAL EXPENDITURES	11,276,530	3,645,817	376,168	15,298,515
EXCESS OF REVENUES OVER EXPENDITURES	185,953	129,076	-	315,029
OTHER FINANCING SOURCED (USES)				
Transfers Out	(183,203)	320,103	-	136,900
TOTAL OTHER FINANCING SORCES (USES)	(183,203)	320,103	-	136,900
NET CHANGE IN FUND BALANCES	2,750	449,179	-	451,929
FUND BALANCES, BEGINNING OF YEAR	144	4,655,156	-	4,655,300
FUND BALANCES, END OF YEAR	$ 2,894	$ 5,104,335	$ -	$ 5,107,229

MOT CHARTER SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EXPENDITURES	
Current:	
Salaries	$ 7,206,239
Employment costs	3,645,389
Travel	34,734
Contractual services	203,480
Professional development	64,602
Public utility services	257,943
Insurance	56,192
Transportation - buses	1,203,207
Land/building/facilities	269,561
Supplies and materials	524,768
Related services	234,035
Student activities	182,084
Capital outlays:	
Equipment	208,734
Property	302,774
Debt service:	
Principal	200,891
Interest	703,882
TOTAL EXPENDITURES	$ 15,298,515

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 30, 2019

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, 2019, 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 30, 2019.

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.

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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