



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

FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

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INDEPENDENT AUDITOR'S REPORT

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September 20, 2013

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, 2013, 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 of material misstatement.

An audit involves performing procedures to obtain 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.

Board of Directors
MOT Charter School

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of MOT Charter School as of June 30, 2013, 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 2012 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 October 5, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 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 29 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, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet - general fund, combining statement of revenues, expenditures, and changes in fund balances - general fund, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to

Board of Directors
MOT Charter School

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 balance - general fund, schedule of expenditures by natural classification - governmental funds and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the 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 20, 2013 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, 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 the 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, 2013, which is the School's eleventh full year of operation. Please read it in conjunction with the Independent Auditor's Report on pages 1 - 3 and the School's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The School's net position increased by \$1,408,444, and general revenues accounted for \$6.56 million, or 83 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 the changes in net position. 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 14 and provides detailed information about the most significant funds, not the School as a whole. Some funds are required to be established by State statute, while other funds are established by the School to help manage money for particular purposes and compliance with various grant provisions. The School's two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

MOT CHARTER SCHOOL

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

Governmental Funds

Most of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These 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 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 18. These activities are excluded from the School's other financial statements because the assets are not utilized by the School to finance its operations.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$6,497,278 at the close of the fiscal year. Approximately 88 percent of the School's net position consists of those resources 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 2013 and 2012 follows:

**Table 1
STATEMENT OF NET POSITION**

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2013 | 2012 |
| ASSETS | | |
| Current and other assets | \$ 4,850,127 | \$ 3,371,493 |
| Capital assets, net of depreciation | 8,503,043 | 8,250,050 |
| TOTAL ASSETS | <u>\$ 13,353,170</u> | <u>\$ 11,621,543</u> |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES: | | |
| Long-term liabilities outstanding | \$ 6,000,741 | \$ 5,698,000 |
| Other liabilities | 855,151 | 834,709 |
| TOTAL LIABILITIES | <u>6,855,892</u> | <u>6,532,709</u> |
| NET POSITION: | | |
| Net investment in capital assets | 2,426,938 | 2,727,309 |
| Restricted | 3,278,937 | 218,199 |
| Unrestricted | 754,403 | 2,143,326 |
| TOTAL NET POSITION | <u>6,497,278</u> | <u>5,088,834</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 13,353,170</u> | <u>\$ 11,621,543</u> |

MOT CHARTER SCHOOL

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

This year was the eleventh full year of operations for the School. The increase in revenues this year is attributed to grants received related to the high school expansion project, which were partially offset by decreases in local funding.

A comparative analysis of changes in net position for fiscal years 2013 and 2012 follows:

Table 2
STATEMENT OF CHANGES IN NET POSITION

| | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2013 | 2012 |
| REVENUES | | |
| Program revenues: | | |
| Charges for services | \$ 133,609 | \$ 135,572 |
| Operating grants and contributions | 197,113 | 385,669 |
| Capital grants and contributions | 1,035,133 | 193,151 |
| General revenues: | | |
| Charges to school districts | 1,097,677 | 1,127,297 |
| State aid not restricted | 5,346,675 | 5,034,955 |
| Earnings on cash and investments | 19,797 | 20,787 |
| Other | 99,678 | 94,365 |
| TOTAL REVENUES | <u>7,929,682</u> | <u>6,991,796</u> |
| EXPENSES | | |
| Instructional services | 3,989,220 | 4,055,103 |
| Supporting services: | | |
| Operation and maintenance of facilities | 721,624 | 617,962 |
| Administrative services | 757,902 | 748,104 |
| Transportation | 543,436 | 559,424 |
| Food service | 253,126 | 258,404 |
| Interest on long-term debt | 255,930 | 155,728 |
| TOTAL EXPENSES | <u>6,521,238</u> | <u>6,394,725</u> |
| CHANGE IN NET POSITION | <u>\$ 1,408,444</u> | <u>\$ 597,071</u> |

Governmental Activities

Net position of the School's governmental activities increased by \$1,408,444 and unrestricted net position reflects a positive balance of \$754,403.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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)

Table 3
GOVERNMENTAL ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

| | 2013 | | 2012 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Total Cost | Net Cost | Total Cost | Net Cost |
| Governmental Activities: | | | | |
| Instructional services | \$ 3,989,220 | \$ 2,786,595 | \$ 4,055,103 | \$ 3,509,542 |
| Operation and maintenance of facilities | 721,624 | 721,624 | 617,962 | 617,962 |
| Administrative services | 757,902 | 757,902 | 748,104 | 748,104 |
| Transportation | 543,436 | 543,436 | 559,424 | 559,424 |
| School lunch service | 253,126 | 89,896 | 258,404 | 89,573 |
| Interest on long-term debt | 255,930 | 255,930 | 155,728 | 155,728 |
| Total Governmental Activities | <u>\$ 6,521,238</u> | <u>\$ 5,155,383</u> | <u>\$ 6,394,725</u> | <u>\$ 5,680,333</u> |

The reliance on general revenues to support governmental activities is indicated by the net services column reflecting the need for \$5,155,383 of support from general revenues, or 65 percent of total revenues.

THE SCHOOL'S FUNDS

The School's governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$4,183,309. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2013.

| | 2013 | 2012 | Increase (Decrease) |
|---------------------|---------------------|---------------------|------------------------|
| Fund Balances: | | | |
| Restricted | \$ 412,239 | \$ 412,329 | \$ - |
| Committed | 1,948,134 | 1,150,458 | 797,676 |
| Assigned | 918,564 | 183,036 | 735,528 |
| Unassigned | 904,372 | 923,849 | (19,477) |
| Total Fund Balances | <u>\$ 4,183,309</u> | <u>\$ 2,669,582</u> | <u>\$ 1,513,727</u> |

Governmental Funds

The School's governmental fund balance increase is due to increases in the Capital Projects Fund and General Fund. The information that follows assists in illustrating the financial activities and balance of the governmental funds.

| | 2013 | 2012 |
|---------------------------------------|---------------------|---------------------|
| REVENUES: | | |
| Charges to school districts | \$ 1,097,677 | \$ 1,127,297 |
| State aid | 5,346,675 | 5,034,955 |
| Federal aid | 194,700 | 346,101 |
| Earnings on cash and investments | 19,797 | 20,787 |
| Contributions and other local sources | 1,107,603 | 293,825 |
| Charges for services | 163,231 | 168,831 |
| TOTAL | <u>\$ 7,929,683</u> | <u>\$ 6,991,796</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 | |
|-----------------------------|---------------------|---------------------|
| | 2013 | 2012 |
| EXPENDITURES BY OBJECT: | | |
| Salaries | \$ 3,151,325 | \$ 3,218,069 |
| Employment costs | 1,505,616 | 1,482,780 |
| Travel | 3,271 | 15,015 |
| Contractual service | 139,008 | 136,231 |
| Professional development | 29,003 | 36,970 |
| Public utilities services | 113,260 | 113,382 |
| Insurance | 23,134 | 21,757 |
| Transportation - buses | 543,436 | 559,522 |
| Land/building/facilities | 93,859 | 76,916 |
| Supplies and materials | 124,843 | 126,427 |
| Related services | 164,136 | 160,309 |
| Student activities | 36,037 | 40,130 |
| Capital outlays - equipment | 45,107 | 72,680 |
| Capital outlays - property | 538,989 | 2,941,341 |
| Debt service - principal | 88,080 | 112,948 |
| Debt service - interest | 227,256 | 145,822 |
| TOTAL | <u>\$ 6,826,360</u> | <u>\$ 9,260,299</u> |

Revenues exceeded expenditures 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 School did not amend its budget during the year.

The following are explanations for the more significant variances between budget versus actual revenues and expenditures as shown on page 29.

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.
2. State Revenues are higher than expected because:
 - a. There were changes in staff composition.
 - b. Funding provided through the Education Sustainment Grant.
 - c. Funding provided through the Performance Plus Grant.
 - d. Funding provided for Odyssey of the Mind teams that qualified for nationals.

MOT CHARTER SCHOOL

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

3. Federal Revenues are larger 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. Capital campaign contributions which were not anticipated, including the receipt of grants related to the high school expansion project.
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. Utilities
 - a. Higher than budget mainly due to increased electricity, water/sewer and heat costs.
3. Insurance
 - a. Higher than budget due to an increase in rates.
4. Transportation
 - a. Lower than budget due to negotiation of a less expensive contract due to reductions in the state reimbursement rates for transportation.
5. Supplies and Materials
 - a. Lower than budget due to deferred curriculum purchases in light of Common Core standards.
6. Related Services
 - a. Higher than budget due to increased marketing costs associated with the high school expansion project.
7. Capital Outlays - Equipment
 - a. Higher than budget due to the purchase of STEM furniture and cafeteria equipment.
8. Capital Outlays - Property
 - a. Final expenses related to the gymnasium project as well as some expenses related to the new high school expansion project, not included in the adopted budget.
9. Debt Service - Interest
 - a. Under budget due to the lower than projected interest-only payment for the new loan.

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

MOT CHARTER SCHOOL

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

CAPITAL ASSETS

The School has \$8,503,043 invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Acquisitions totaled \$584,096. These acquisitions were for computers, equipment, final construction costs related to the new gym, and initial 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 \$6,039,105. 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 2013 was the eleventh 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, 2013 AND 2012**

| | Governmental Activities | |
|---|-------------------------|----------------------|
| | 2013 | 2012 |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,841,103 | \$ 3,371,493 |
| Due from other governments | 9,024 | - |
| Total Current Assets | 4,850,127 | 3,371,493 |
| Noncurrent Assets: | | |
| Land | 75,000 | 75,000 |
| Construction-in-progress | 89,857 | 3,386,196 |
| Capital assets, net of depreciation | 8,338,186 | 4,788,854 |
| Total Noncurrent Assets | 8,503,043 | 8,250,050 |
| TOTAL ASSETS | \$ 13,353,170 | \$ 11,621,543 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities: | | |
| Accounts payable | \$ 47,559 | \$ 75,027 |
| Accrued salaries and related costs | 519,468 | 528,977 |
| Interest payable | 73,392 | 44,718 |
| Due to State of Delaware - pension costs | 99,791 | 97,907 |
| Notes payable | 114,941 | 88,080 |
| Total Current Liabilities | 855,151 | 834,709 |
| Noncurrent Liabilities: | | |
| Compensated absences | 76,577 | 69,299 |
| Notes payable | 5,924,164 | 5,628,701 |
| Total Noncurrent Liabilities | 6,000,741 | 5,698,000 |
| TOTAL LIABILITIES | 6,855,892 | 6,532,709 |
| NET POSITION: | | |
| Net investment in capital assets | 2,463,938 | 2,727,309 |
| Restricted | 3,278,937 | 1,745,733 |
| Unrestricted | 754,403 | 615,792 |
| TOTAL NET POSITION | 6,497,278 | 5,088,834 |
| TOTAL LIABILITIES AND NET POSITION | \$ 13,353,170 | \$ 11,621,543 |

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

**MOT CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

| | Expenses | Program Revenues | | Capital Grants and Contributions | Net (Expense), Revenues and Changes in Net Position |
|---|-----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | | Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instructional services | \$ (3,989,220) | \$ - | \$ 197,113 | \$ 1,035,133 | \$ (2,756,974) |
| Support services: | | | | | |
| Operation and maintenance of facilities | (721,624) | - | - | - | (721,624) |
| Administrative services | (757,902) | - | - | - | (757,902) |
| Transportation | (543,436) | - | - | - | (543,436) |
| Food service | (253,126) | 133,609 | 29,621 | - | (89,896) |
| Interest on long-term debt | (255,930) | - | - | - | (255,930) |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>\$ (6,521,238)</u> | <u>\$ 133,609</u> | <u>\$ 226,734</u> | <u>\$ 1,035,133</u> | <u>(5,125,762)</u> |
| GENERAL REVENUES | | | | | |
| Charges to school districts | | | | | 1,097,677 |
| State aid not restricted to specific purposes | | | | | 5,346,675 |
| Earnings on cash and investments | | | | | 19,797 |
| Other local sources | | | | | 70,057 |
| TOTAL GENERAL REVENUES | | | | | <u>6,534,206</u> |
| CHANGE IN NET POSITION | | | | | 1,408,444 |
| NET POSITION, BEGINNING OF YEAR | | | | | <u>5,088,834</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ 6,497,278</u> |

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

**MOT CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense), Revenues and Changes in Net Position Total |
|---|-----------------------|-------------------------|--|--|---|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instructional services | \$ (4,055,103) | - | \$ 352,410 | \$ 193,151 | \$ (3,509,542) |
| Support services: | | | | | |
| Operation and maintenance of facilities | (617,962) | - | - | - | (617,962) |
| Administrative services | (748,104) | - | - | - | (748,104) |
| Transportation | (559,424) | - | - | - | (559,424) |
| Food service | (258,404) | 135,572 | 33,259 | - | (89,573) |
| Interest on long-term debt | (155,728) | - | - | - | (155,728) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ (6,394,725) | \$ 135,572 | \$ 385,669 | \$ 193,151 | (5,680,333) |
| GENERAL REVENUES | | | | | |
| Charges to school districts | | | | | 1,127,297 |
| State aid not restricted to specific purposes | | | | | 5,034,955 |
| Earnings on cash and investments | | | | | 20,787 |
| Other local sources | | | | | 94,365 |
| TOTAL GENERAL REVENUES | | | | | 6,277,404 |
| CHANGE IN NET POSITION | | | | | 597,071 |
| NET POSITION, BEGINNING OF YEAR | | | | | 4,491,763 |
| NET POSITION, END OF YEAR | | | | | \$ 5,088,834 |

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

**MOT CHARTER SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

(With Summarized Comparative Data for June 30, 2012)

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> | |
|--|-------------------------|--------------------------------------|---------------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,510,300 | \$ 1,330,803 | \$ 4,841,103 | \$ 3,371,493 |
| Due from other governments | 9,024 | - | 9,024 | - |
| TOTAL ASSETS | <u>\$ 3,519,324</u> | <u>\$ 1,330,803</u> | <u>\$ 4,850,127</u> | <u>\$ 3,371,493</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 47,559 | - | \$ 47,559 | \$ 75,027 |
| Accrued salaries and related costs | 519,468 | - | 519,468 | 528,977 |
| Due to State of Delaware - pension costs | 99,791 | - | 99,791 | 97,907 |
| TOTAL LIABILITIES | <u>666,818</u> | <u>-</u> | <u>666,818</u> | <u>701,911</u> |
| FUND BALANCES: | | | | |
| Restricted | - | 412,239 | 412,239 | 412,239 |
| Committed | 1,948,134 | - | 1,948,134 | 1,150,458 |
| Assigned | - | 918,564 | 918,564 | 183,036 |
| Unassigned | 904,372 | - | 904,372 | 923,849 |
| TOTAL FUND BALANCES | <u>2,852,506</u> | <u>1,330,803</u> | <u>4,183,309</u> | <u>2,669,582</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 3,519,324</u> | <u>\$ 1,330,803</u> | <u>\$ 4,850,127</u> | <u>\$ 3,371,493</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, 2013**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,183,309

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. 8,503,043

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 | \$ (73,392) | |
| Compensated absences | (76,577) | |
| Notes payable | <u>(6,039,105)</u> | <u>(6,189,074)</u> |

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,497,278

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, 2013
(With Summarized Comparative Data for the Year Ended June 30, 2012)

| | General Fund | Capital Projects Fund | Total Governmental Funds | |
|--|---------------------|-----------------------------|--------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| REVENUES | | | | |
| Charges to school districts | \$ 1,097,677 | - | \$ 1,097,677 | \$ 1,127,297 |
| Charges for services | 163,231 | - | 163,231 | 168,831 |
| State aid | 5,346,675 | - | 5,346,675 | 5,034,955 |
| Federal aid | 194,700 | - | 194,700 | 346,101 |
| Earnings on cash and investments | 19,797 | - | 19,797 | 20,787 |
| Contributions | 2,413 | 1,035,133 | 1,037,546 | 199,460 |
| Other local sources | 70,057 | - | 70,057 | 94,365 |
| TOTAL REVENUES | <u>6,894,550</u> | <u>1,035,133</u> | <u>7,929,683</u> | <u>6,991,796</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services | 3,898,988 | - | 3,898,988 | 3,955,882 |
| Operation and maintenance of facilities | 473,475 | - | 473,475 | 465,694 |
| Administrative services | 757,235 | 667 | 757,902 | 748,104 |
| Transportation | 543,436 | - | 543,436 | 559,424 |
| Food services | 253,126 | - | 253,126 | 258,404 |
| Capital outlays: | | | | |
| Equipment | 45,108 | - | 45,108 | 72,680 |
| Property | 70,837 | 468,152 | 538,989 | 2,941,341 |
| Debt service: | | | | |
| Principal | 88,080 | - | 88,080 | 112,948 |
| Interest | 227,256 | - | 227,256 | 145,822 |
| TOTAL EXPENDITURES | <u>6,357,541</u> | <u>468,819</u> | <u>6,826,360</u> | <u>9,260,299</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 537,009 | 566,314 | 1,103,323 | (2,268,503) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | - | 410,404 | 410,404 | 5,111,738 |
| Payment to refund debt | - | - | - | (2,547,142) |
| Transfers in | 241,190 | - | 241,190 | - |
| Transfers out | - | (241,190) | (241,190) | - |
| TOTAL OTHER FINANCING SOURCES | <u>241,190</u> | <u>169,214</u> | <u>410,404</u> | <u>2,564,596</u> |
| NET CHANGES IN FUND BALANCES | 778,199 | 735,528 | 1,513,727 | 296,093 |
| FUND BALANCES, BEGINNING OF YEAR | <u>2,074,307</u> | <u>595,275</u> | <u>2,669,582</u> | <u>2,373,489</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 2,852,506</u> | <u>\$ 1,330,803</u> | <u>\$ 4,183,309</u> | <u>\$ 2,669,582</u> |

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

**MOT CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,513,727

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 | \$ 584,096 | |
| Depreciation expense | <u>(331,103)</u> | 252,993 |

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

| | | |
|---------------------------|-----------------|-----------|
| Note issuance | \$ (410,404) | |
| Payment of note principal | 88,080 | |
| Accrued interest | <u>(28,674)</u> | (350,998) |

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>(7,278)</u> |
|----------------------|----------------|

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,408,444

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

**MOT CHARTER SCHOOL
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUND
JUNE 30, 2013 AND 2012**

| | Student Activities Fund | |
|---|-------------------------|-----------|
| | 2013 | 2012 |
| ASSETS | | |
| Cash and cash equivalents | \$ 21,064 | \$ 23,409 |
| LIABILITIES | | |
| Due to student groups | \$ 21,064 | \$ 23,409 |
| NET POSITION | | |
| Unrestricted | - | - |
| TOTAL LIABILITIES AND NET POSITION | \$ 21,064 | \$ 23,409 |

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

Entity-wide and Fund Financial Statements

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

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

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, early retirement and post-employment healthcare benefits, 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, 2013, 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 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.

MOT CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

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 \$76,577 and \$69,299 at June 30, 2013 and 2012, 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.

Early Implementation of GASB Statements

During the current year, the School implemented the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The objective of this statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this new Statement did not have an effect on the School's current year financial statements.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

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, 2012 basic financial statements to be comparative with the current year preparation.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2013, the School has a cash equivalent balance of \$4,862,167. Of that amount, \$3,801,275 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, 2013, the reported amount of the School's deposits not held with the State Treasurer's Office was \$40,892 and the bank balance was \$40,985. All of the balance was covered by federal depository insurance.

At June 30, 2013, the School had \$1,020,000 of cash on hand, which represented grant checks received for capital improvements that could not be deposited before the end of the year. These funds were deposited shortly after year end.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 3 **CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 is as follows:

| | <u>Balances</u> <u>7/01/12</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balances</u> <u>6/30/13</u> |
|---|-----------------------------------|--------------------|--------------------|-----------------------------------|
| Governmental Activities: | | | | |
| General capital assets not being depreciated: | | | | |
| Land | \$ 75,000 | \$ - | \$ - | \$ 75,000 |
| Construction-in-progress | <u>3,386,196</u> | <u>538,989</u> | <u>3,835,328</u> | <u>89,857</u> |
| Total general capital assets not being depreciated | <u>3,461,196</u> | <u>538,989</u> | <u>3,835,328</u> | <u>164,857</u> |
| General capital assets being depreciated: | | | | |
| Buildings and improvements | 6,090,714 | 3,835,328 | - | 9,926,042 |
| Equipment | 979,887 | 33,612 | - | 1,013,499 |
| Furniture and fixtures | <u>216,542</u> | <u>11,495</u> | <u>-</u> | <u>228,037</u> |
| Total general capital assets being depreciated | 7,287,143 | 3,880,435 | - | 11,167,578 |
| Accumulated depreciation | <u>(2,498,289)</u> | <u>(331,103)</u> | <u>-</u> | <u>(2,829,392)</u> |
| Total general capital assets being depreciated, net | <u>4,788,854</u> | <u>3,549,332)</u> | <u>-</u> | <u>8,338,186</u> |
| Governmental Activities, Net | <u>\$ 8,250,050</u> | <u>\$4,088,321</u> | <u>\$3,835,328</u> | <u>\$ 8,503,043</u> |

Depreciation expense was charged to the following activities:

| | |
|---|-------------------|
| Governmental activities: | |
| Instructional activities | \$ 82,952 |
| Operation and maintenance of facilities | <u>248,151</u> |
| | <u>\$ 331,103</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, 2013, 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 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

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 4 LONG-TERM DEBT (cont'd)

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, 2013, 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> |
|-----------------------------|---------------------|---------------------|
| 2014 | \$ 114,941 | \$ 324,344 |
| 2015 | 133,727 | 255,184 |
| 2016 | 139,992 | 244,509 |
| 2017 | 147,235 | 237,266 |
| 2018 | 154,150 | 230,351 |
| 2019-2023 | 891,798 | 1,036,735 |
| 2024-2028 | 653,806 | 868,271 |
| 2029-2033 | 814,743 | 709,737 |
| 2034-2038 | 1,011,484 | 512,996 |
| 2039-2043 | 952,774 | 280,409 |
| 2044-2048 | 588,977 | 143,803 |
| 2049-2053 | 465,478 | 30,403 |
| | <u>\$ 6,039,105</u> | <u>\$ 4,874,008</u> |

Interest expense was \$255,930 and \$155,728 for the years ended June 30, 2013 and 2012, respectively.

A schedule of changes in debt is as follows:

| | <u>Outstanding</u> <u>7/01/2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Outstanding</u> <u>6/30/2013</u> | <u>Amounts</u> <u>Due within</u> <u>One Year</u> |
|-------------------------------|--|-------------------|--------------------|--|--|
| Governmental activities: | | | | | |
| Notes payable | \$ 5,716,781 | \$ 410,404 | \$ 88,080 | \$ 6,039,105 | \$ 114,941 |
| Compensated absences | 69,299 | 7,278 | - | 76,577 | - |
| Total Governmental Activities | <u>\$ 5,786,080</u> | <u>\$ 417,682</u> | <u>\$ 88,080</u> | <u>\$ 6,115,682</u> | <u>\$ 114,941</u> |

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.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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

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, 2011, 2012 and 2013 was \$499,415, \$561,402 and \$594,397, respectively.

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.

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

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, 2013, anticipated construction commitments are as follows:

| <u>Name</u> | <u>Contract Amount</u> | <u>Completed through 6/30/2013</u> | <u>Remaining Amount</u> |
|-----------------------------|----------------------------|--|-----------------------------|
| Fearn Clendaniel Architects | \$ 327,000 | \$ 65,785 | \$ 261,215 |
| Woodin & Associates | <u>70,000</u> | <u>24,072</u> | <u>45,928</u> |
| Totals | <u>\$ 397,000</u> | <u>\$ 89,857</u> | <u>\$ 307,143</u> |

NOTE 8 **FUND BALANCES**

As of June 30, 2013, fund balances are composed of the following:

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--------------------------|-------------------------|--------------------------------------|---|
| Restricted: | | | |
| USDA | \$ - | \$ 194,040 | \$ 194,040 |
| Capital campaign - donor | - | 218,199 | 218,199 |
| Committed: | | | |
| Capital improvements | 1,948,134 | - | 1,948,134 |
| Assigned: | | | |
| Capital improvements | - | 918,564 | 918,564 |
| Unassigned | <u>904,372</u> | <u>-</u> | <u>904,372</u> |
| Total fund balances | <u>\$ 2,852,506</u> | <u>\$ 1,330,803</u> | <u>\$ 4,183,309</u> |

MOT CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS

NOTE 9 **INTERFUND TRANSFERS**

Interfund transfers were as follows for the year ended June 30, 2013:

| Transfer In: | Transfer Out: | |
|--------------|-----------------------|------------|
| General Fund | Capital Projects Fund | \$ 241,190 |

Transfers represent funds transferred from the capital projects fund to the general fund for repayment of capital expenditures paid for in prior years by the general fund.

NOTE 10 **EXCESS EXPENDITURES OVER APPROPRIATIONS**

The School overspent budgetary appropriations in the following categories:

| | |
|----------------------------|------------|
| Salaries | \$ 9,090 |
| Public utilities service | \$ 10,180 |
| Insurance | \$ 1,924 |
| Land/building/facilities | \$ 8,789 |
| Related services | \$ 11,602 |
| Capital outlay - equipment | \$ 12,108 |
| Capital outlay - property | \$ 538,989 |
| Debt service - principal | \$ 1,357 |

The excess expenditures were covered by the School's proceeds from long-term debt and revenues in excess of budget.

NOTE 11 **SUBSEQUENT EVENTS**

The School has evaluated all subsequent events through September 20, 2013, 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, 2013**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES | | | | |
| Charges to school districts | \$ 1,144,040 | \$ 1,144,040 | \$ 1,097,677 | \$ (46,363) |
| Charges for services | 161,652 | 161,652 | 163,231 | 1,579 |
| State aid | 4,997,315 | 4,997,315 | 5,346,675 | 349,360 |
| Federal aid | 105,868 | 105,868 | 194,700 | 88,832 |
| Earnings on cash and investments | 19,210 | 19,210 | 19,797 | 587 |
| Contributions | - | - | 1,037,546 | 1,037,546 |
| Other local sources | 65,695 | 65,695 | 70,057 | 4,362 |
| TOTAL REVENUES | <u>6,493,780</u> | <u>6,493,780</u> | <u>7,929,683</u> | <u>1,435,903</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries | 3,142,235 | 3,142,235 | 3,151,325 | (9,090) |
| Employment costs | 1,531,680 | 1,531,680 | 1,505,616 | 26,064 |
| Travel | 4,850 | 4,850 | 3,271 | 1,579 |
| Contractual services | 144,874 | 144,874 | 139,008 | 5,866 |
| Professional development | 29,181 | 29,181 | 29,003 | 178 |
| Public utilities service | 103,080 | 103,080 | 113,260 | (10,180) |
| Insurance | 21,210 | 21,210 | 23,134 | (1,924) |
| Transportation - buses | 556,120 | 556,120 | 543,436 | 12,684 |
| Land/building/facilities | 85,070 | 85,070 | 93,859 | (8,789) |
| Supplies and materials | 162,075 | 162,075 | 124,843 | 37,232 |
| Related services | 152,534 | 152,534 | 164,136 | (11,602) |
| Student activities | 53,310 | 53,310 | 36,036 | 17,274 |
| Capital outlays: | | | | |
| Equipment | 33,000 | 33,000 | 45,108 | (12,108) |
| Property | - | - | 538,989 | (538,989) |
| Debt service: | | | | |
| Principal | 86,723 | 86,723 | 88,080 | (1,357) |
| Interest | 262,893 | 262,893 | 227,256 | 35,637 |
| TOTAL EXPENDITURES | <u>6,368,835</u> | <u>6,368,835</u> | <u>6,826,360</u> | <u>(457,525)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>124,945</u> | <u>124,945</u> | <u>1,103,323</u> | <u>978,378</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | - | - | 410,404 | 410,404 |
| Transfers in | - | - | 241,190 | 241,190 |
| Transfers out | - | - | (241,190) | (241,190) |
| TOTAL OTHER FINANCING SOURCES | <u>-</u> | <u>-</u> | <u>410,404</u> | <u>410,404</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ 124,945</u> | <u>\$ 124,945</u> | 1,513,727 | <u>\$ 1,388,782</u> |
| FUND BALANCES, BEGINNING OF YEAR | | | <u>2,669,582</u> | |
| FUND BALANCES, END OF YEAR | | | <u>\$ 4,183,309</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, 2013**

| | <u>State Allocation</u> | <u>Local Funding</u> | <u>Federal Funding</u> | <u>Totals</u> |
|--|-----------------------------|--------------------------|----------------------------|---------------------|
| ASSETS | | | | |
| Cash and investments | \$ 19,831 | \$ 3,490,469 | - | \$ 3,510,300 |
| Due from other governments | - | 9,024 | - | 9,024 |
| TOTAL ASSETS | <u>\$ 19,831</u> | <u>\$ 3,499,493</u> | <u>-</u> | <u>\$ 3,519,324</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ - | \$ 47,559 | - | \$ 47,559 |
| Accrued salaries | - | 519,468 | - | 519,468 |
| Due to State of Delaware - pension costs | - | 99,791 | - | 99,791 |
| TOTAL LIABILITIES | <u>-</u> | <u>666,818</u> | <u>-</u> | <u>666,818</u> |
| FUND BALANCES: | | | | |
| Committed | - | 1,948,134 | - | 1,948,134 |
| Unassigned | 19,831 | 884,541 | - | 904,372 |
| TOTAL FUND BALANCES | <u>19,831</u> | <u>2,832,675</u> | <u>-</u> | <u>2,852,506</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 19,831</u> | <u>\$ 3,499,493</u> | <u>-</u> | <u>\$ 3,519,324</u> |

**MOT CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

| | <u>State Allocation</u> | <u>Local Funding</u> | <u>Federal Funding</u> | <u>Totals</u> |
|---|-----------------------------|--------------------------|----------------------------|---------------------|
| REVENUES | | | | |
| Charges to school districts | \$ - | \$ 1,097,677 | - | \$ 1,097,677 |
| Charges for services | - | 163,231 | - | 163,231 |
| State aid | 5,346,675 | - | - | 5,346,675 |
| Federal aid | - | - | 194,700 | 194,700 |
| Earnings on cash and investments | - | 19,797 | - | 19,797 |
| Contributions | - | 2,413 | - | 2,413 |
| Other local sources | - | 70,057 | - | 70,057 |
| TOTAL REVENUES | <u>5,346,675</u> | <u>1,353,175</u> | <u>194,700</u> | <u>6,894,550</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional services | 3,264,268 | 477,333 | 157,387 | 3,898,988 |
| Operation and maintenance of facilities | 433,747 | 39,728 | - | 473,475 |
| Administrative services | 653,732 | 103,503 | - | 757,235 |
| Transportation | 539,339 | 4,097 | - | 543,436 |
| Food services | 82,263 | 141,242 | 29,621 | 253,126 |
| Capital outlays: | | | | |
| Equipment | 14,153 | 23,263 | 7,692 | 45,108 |
| Property | 43,835 | 27,002 | - | 70,837 |
| Debt service: | | | | |
| Principal | 88,080 | - | - | 88,080 |
| Interest | 227,256 | - | - | 227,256 |
| TOTAL EXPENDITURES | <u>5,346,673</u> | <u>816,168</u> | <u>194,700</u> | <u>6,357,541</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>2</u> | <u>537,007</u> | <u>-</u> | <u>537,009</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | - | 241,190 | - | 241,190 |
| TOTAL OTHER FINANCING SOURCES | <u>-</u> | <u>241,190</u> | <u>-</u> | <u>241,190</u> |
| NET CHANGE IN FUND BALANCES | <u>2</u> | <u>778,197</u> | <u>-</u> | <u>778,199</u> |
| FUND BALANCES, BEGINNING OF YEAR | <u>19,829</u> | <u>2,054,478</u> | <u>-</u> | <u>2,074,307</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 19,831</u> | <u>\$ 2,832,675</u> | <u>\$ -</u> | <u>\$ 2,852,506</u> |

**MOT CHARTER SCHOOL
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

EXPENDITURES

Current:

| | |
|--------------------------|--------------|
| Salaries | \$ 3,151,325 |
| Employment costs | 1,505,616 |
| Travel | 3,271 |
| Contractual services | 139,008 |
| Professional development | 29,003 |
| Public utility services | 113,260 |
| Insurance | 23,134 |
| Transportation - buses | 543,436 |
| Land/building/facilities | 93,859 |
| Supplies and materials | 124,843 |
| Related services | 164,136 |
| Student activities | 36,036 |

Capital outlays:

| | |
|-----------|---------|
| Equipment | 45,108 |
| Property | 538,989 |

Debt service:

| | |
|-----------|---------|
| Principal | 88,080 |
| Interest | 227,256 |

TOTAL EXPENDITURES

\$ 6,826,360

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 20, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of MOT Charter School ("School"), and have issued our report thereon dated September 20, 2013.

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 auditing 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 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 basic 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 intended for the information and use of the Board of Directors, management, the Department of Education, Office of the Governor, Office of the Controller General, Office of Attorney General, Office of Management and Budget, Office of Auditor of Accounts and the Department of Finance; and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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September 20, 2013

Board of Directors
MOT Charter School
Middletown, Delaware

Report on Compliance for Each Major Program

We have audited MOT Charter School's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on MOT Charter School's major federal program for the year ended June 30, 2013. MOT Charter School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for MOT Charter School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MOT Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Directors
MOT Charter School

Opinion on Each Major Federal Program

In our opinion, MOT Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

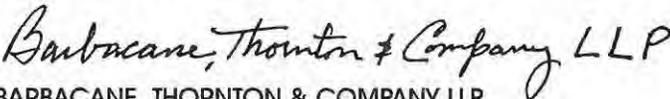
Report on Internal Control Over Compliance

Management of MOT Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MOT Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MOT Charter School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


BARBACANE, THORNTON & COMPANY LLP

**MOT CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

| FEDERAL GRANTOR PROJECT TITLE | SOURCE CODE | FEDERAL CFDA NUMBER | PASS-THRU GRANTOR'S NUMBER | GRANT PERIOD BEGINNING / ENDING DATES | GRANT AMOUNT | TOTAL RECEIVED FOR YEAR | ACCRUED (DEFERRED) REVENUE 07/01/12 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE 06/30/13 |
|---------------------------------------|-------------|---------------------|--------------------------------|---------------------------------------|--------------|-------------------------|-------------------------------------|--------------------|--------------|-------------------------------------|
| U.S. Department of Education | | | | | | | | | | |
| Passed through DE Dept of Education | | | | | | | | | | |
| Title I | I | 84.010 | Title I 30-12 | 07/19/11 - 12/31/12 | \$ 19,672 | \$ 2,972 | \$ - | \$ 2,972 | \$ 2,972 | \$ - |
| Title I | I | 84.010 | Title I 30-13 | 07/13/12 - 11/01/14 | 21,620 | 19,972 | - | 19,972 | 19,972 | - |
| Total CFDA # 84.010 | | | | | | 22,944 | - | 22,944 | 22,944 | - |
| Title II | | | | | | | | | | |
| Title II | I | 84.367 | Title II TQ-30-12 | 07/19/11 - 12/31/12 | 17,713 | 5,736 | - | 5,736 | 5,736 | - |
| Totals CFDA # 84.367 | | | | | 17,008 | 15,363 | - | 15,363 | 15,363 | - |
| IDEA B | | | | | | | | | | |
| IDEA B | I | 84.027 | P/T(6-21) 30-11 | 08/18/10 - 12/31/11 | 85,144 | 4,713 | - | 4,713 | 4,713 | - |
| IDEA B | I | 84.027 | P/T(6-21) 30-12 | 07/19/11 - 12/31/12 | 82,578 | 10,380 | - | 10,380 | 10,380 | - |
| IDEA B | I | 84.027 | P/T(6-21) 30-12 | 07/13/12 - 08/01/14 | 97,240 | 96,822 | - | 96,822 | 96,822 | - |
| Total CFDA # 84.027 | | | | | | 111,915 | - | 111,915 | 111,915 | - |
| IDEA Preschool | | | | | | | | | | |
| Total IDEA Cluster | I | 84.173 | IDEA-B 619 P/T Preschool 17-13 | 07/13/12 - 11/01/14 | 546 | 546 | - | 546 | 546 | - |
| Perkins | | | | | | | | | | |
| Perkins | I | 84.048 | CT-P4-S-30-12 | 07/19/11 - 12/31/12 | 15,000 | 3,841 | - | 3,841 | 3,841 | - |
| Total CFDA # 84.048 | | | | | 5,933 | 4,734 | - | 4,734 | 4,734 | - |
| TOTAL DEPARTMENT OF EDUCATION | | | | | | | | | | |
| | | | | | | 165,079 | - | 165,079 | 165,079 | - |
| U.S. Department of Agriculture | | | | | | | | | | |
| Community Facilities Loans and Grants | | | | | | | | | | |
| Community Facilities Loans and Grants | D | 10.766 | Loan 97-03 | | 2,775,000 | 210,404 | - | 210,404 | 210,404 | - |
| | D | 10.766 | Loan 97-05 | | 200,000 | 200,000 | - | 200,000 | 200,000 | - |
| | | | | | | 410,404 | - | 410,404 | 410,404 | - |
| Passed through DE Dept of Education | | | | | | | | | | |
| National School Lunch Program | I | 10.555 | N/A | 07/01/12 - 06/30/13 | N/A | 29,621 | - | 29,621 | 29,621 | - |
| TOTAL DEPARTMENT OF AGRICULTURE | | | | | | | | | | |
| | | | | | | 440,025 | - | 440,025 | 440,025 | - |
| TOTAL FEDERAL AWARDS | | | | | | | | | | |
| | | | | | | \$ 605,104 | \$ - | \$ 605,104 | \$ 605,104 | \$ - |

Source Codes

- D - Direct Funding
- I - Indirect Funding

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards reflects all federal expenditures for all individual grants which were active during the fiscal year ended June 30, 2013 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

NOTE 2 FISCAL PERIOD AUDITED

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended June 30, 2013.

NOTE 3 LOAN BALANCES INVOLVING FEDERAL FUNDS

During fiscal year ended June 30, 2012, MOT Charter School was awarded \$2,775,000 in loan proceeds from the U.S. Department of Agriculture for construction of a 19,000 square foot addition consisting of a gymnasium and classroom space. The loan bears interest at a rate of 3.75 percent and will mature in October 2051. At June 30, 2012 the School had drawn down \$2,564,596 of loan proceeds. In fiscal year ended June 30, 2013 the School drew down the remaining \$210,404, which is reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2013 was \$2,775,000.

In September 2012, MOT Charter School was awarded \$200,000 in loan proceeds from the U.S. Department of Agriculture for change orders and overages related to the construction of a 19,000 square foot addition consisting of a gymnasium and classroom space. The loan bears interest at a rate of 3.375 percent and will mature in September 2052. The \$200,000 is reflected in the schedule of expenditures of federal awards. The loan balance at June 30, 2013 was \$200,000.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2013

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ Yes _____ X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

10.766

Community Facilities Loans and Grants

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

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes _____ X No

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2013

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.