

**GREAT OAKS CHARTER SCHOOL -
WILMINGTON**
(A COMPONENT UNIT OF THE STATE OF DELAWARE)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2017
(With Comparative Totals for 2016)

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
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Independent Auditors' Report

To the Board of Directors
Great Oaks Charter School - Wilmington

We have audited the accompanying financial statements of the governmental activities and the major fund of the Great Oaks Charter School - Wilmington (a component unit of the State of Delaware) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Great Oaks Charter School - Wilmington'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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

To the Board of Directors
Great Oaks Charter School - Wilmington

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Great Oaks Charter School - Wilmington, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Great Oaks Charter School - Wilmington's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, and the major fund in our report dated September 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 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 management's discussion and analysis (pages 5 through 13), budgetary comparison information (pages 38 and 39), and schedules of Great Oaks Charter School - Wilmington's proportionate share of net pension liability and school contributions (pages 40 and 41) 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.

To the Board of Directors
Great Oaks Charter School - Wilmington

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 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.

Belfint, Lyons & Shuman, P.A.

September 28, 2017
Wilmington, Delaware

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017

The Board of Directors of Great Oaks Charter School - Wilmington (School) are pleased to present to readers of the financial statements of the School this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

Governmental Activities - As of June 30, 2017, the School's net position reflects a positive balance of \$423,939. Program revenues accounted for \$359,610, or 7%, of total revenue, and general revenues accounted for \$5,119,397, or 93%, of total revenue.

As of June 30, 2016, the School's net position reflected a positive balance of \$146,339. Program revenues accounted for \$746,594, or 22%, of total revenue, and general revenues accounted for \$2,573,073, or 78%, of total revenue. Certain accounts in the prior year statement of activities were reclassified to conform with the presentation in the current year financial statements.

The School has restated its previously issued 2016 financial statements for a correction of the accounting for the Deferred Outflow of Resources - Deferred Amounts on Pensions. Previously, deferred amounts on pensions had been recorded as \$161,241 as of June 30, 2016. This amount has been restated to the correct amount of \$81,687. The restatement decreased unrestricted net position as previously reported as of June 30, 2016 by \$79,554.

Fund Level - For the year ended June 30, 2017, the Governmental Fund reported a positive change in fund balance in the amount of \$274,650.

For the year ended June 30, 2016, the Governmental Fund reported a negative change in fund balance in the amount of \$178,022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the School's basic financial statements. The School's financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The Statement of Net Position (page 15) presents information on all the School's assets, liabilities, and deferred inflow of resources, with the difference between the two reported as net position. Over time, the increases or

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements - Continued - decreases in net position may serve as useful indicators as to whether the financial position of the School is improving or deteriorating.

The Statement of Activities (page 16) presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow in future fiscal periods.

Fund Financial Statements - The fund financial statements begin on page 18 and provide detailed information about the General Fund. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts that the School uses to keep track of specific sources of funding and spending for a particular purpose. The General Fund falls into the governmental category.

Governmental Funds - The School's basic services are reported in a Governmental Fund, which focuses on how cash flows into and out of the fund and the balances left at year-end that are available for future spending. The Governmental Fund financial statements provide a detailed, short-term view of the School's operations and the services it provides. Governmental Fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the long-term focus of the government-wide statements, reconciliations are provided (page 19) to explain the differences between the Governmental Fund Balance Sheet and the Statement of Net Position and between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities (page 20). These funds are reported using the modified accrual basis of accounting, which primarily measures cash and other financial assets available to satisfy current liabilities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the School's actual revenues and expenses compared to its budget, as well as the School's proportionate share of the net pension liability. The required supplementary information can be found on pages 38 through 41.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's overall financial position. In the case of the School, assets exceeded liabilities by \$423,939 at the close of fiscal year 2017 and \$146,339 at the close of fiscal year 2016, resulting in a positive net position in both years.

The School's net position analysis of fiscal years 2017 and 2016 follows:

GOVERNMENTAL ACTIVITIES

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets	\$ 474,112	\$ 120,085
Noncurrent Assets	278,863	242,674
Deferred Outflows of Resources	672,751	81,687
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,425,726	\$ 444,446
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities	\$ 377,482	\$ 298,107
Noncurrent Liabilities	610,904	-
Deferred Inflows of Resources	13,400	-
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,001,786	298,107
NET POSITION		
Unrestricted	423,940	146,339
TOTAL LIABILITIES AND NET POSITION	\$ 1,425,726	\$ 444,446

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS - CONTINUED

The Statement of Activities below reflects the cost of program services and the net cost of those services after taking into account the program revenue for governmental activities. Certain amounts in the prior year statement of activities were reclassified to conform with the presentation in the current year financial statements.

	<u>2017</u>	<u>2016</u>
REVENUES		
Charges to School Districts	\$ 1,437,585	\$ 795,214
State Aid	2,368,758	1,311,351
Contributed Services - Tutor Salaries	814,663	-
Federal Aid	493,719	465,814
Earnings on Cash and Investments	4,672	694
Program Revenues		
Transportation	283,791	167,603
Contributions and School Programs	75,819	578,991
TOTAL REVENUES	<u>5,479,007</u>	<u>3,319,667</u>
EXPENSES		
Instructional Services	3,922,046	2,436,700
Support Services		
Operation and Maintenance of Facilities	991,292	548,001
Transportation	288,068	188,627
TOTAL EXPENSES	<u>5,201,406</u>	<u>3,173,328</u>
CHANGE IN NET POSITION	277,601	146,339
NET POSITION AT BEGINNING OF YEAR	<u>146,339</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 423,940</u>	<u>\$ 146,339</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

THE SCHOOL'S FUND

The School's Governmental Fund reported a surplus in the amount of \$274,652 for the year ended June 30, 2017 as compared to a deficit of \$178,022 for the year ended June 30, 2016.

Governmental Fund - The Statement of Revenues, Expenditures, and Changes in Fund Balance that follow assist in illustrating the financial activities of the General Fund.

	2017	2016
REVENUES		
Charges to School Districts	\$ 1,437,585	\$ 795,214
State Aid	2,368,758	1,311,351
Contributed Services- Tutor Salaries	814,663	-
Contributions - Foundation	-	400,000
Transportation	283,791	167,603
Federal Aid	493,719	465,814
Earnings on Cash and Investments	4,672	694
School Programs	75,819	178,991
TOTAL REVENUES	5,479,007	3,319,667
EXPENDITURES		
Instructional Services	3,816,749	2,470,776
Operation and Maintenance of Facilities	991,292	548,001
Transportation	288,068	188,627
Capital Outlays	108,246	290,285
TOTAL EXPENDITURES	5,204,355	3,497,689
NET CHANGE IN FUND BALANCE	\$ 274,652	\$ (178,022)

The majority of the School's total revenue (75% in fiscal year 2017 and 69% in fiscal year 2016) comes from state sources and local school district contributions. State revenue is contingent upon the School's total enrollment population and the students' residential districts. The School received an in-kind contribution from the Great Oaks Foundation related to tutor salaries which represents 15% of revenue in fiscal year 2017. The School received cash contributions from the Great Oaks Foundation related to the start-up of the School in fiscal year 2016. The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding which accounted for 9% and 14% of total revenue in fiscal years 2017 and 2016, respectively. The reliance on this revenue is to support programs and facility expenditures that are not allotted for in federal, state, and local funds.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

THE SCHOOL'S FUND - CONTINUED

General Fund Budget Information - The School budget is prepared in accordance with the modified accrual basis of accounting.

Appropriate adjustments are made to the budget based on unanticipated revenue increases or shortfalls due to federal, state, and Delaware Department of Education requirements and/or legislation, lack of contributions, etc. Some appropriations required changes in functional categories due to spending patterns.

The School adopted a preliminary fiscal year 2017 budget at the onset of the fiscal year. A final budget was adopted after the student enrollment count was certified by the Delaware Department of Education. The final budget contained revenues of \$4,814,492 and expenditures of \$4,737,713. The budget is prepared on a cash basis, the annual financial statements are prepared on a modified accrual basis. Variances of budget to actuals are outlined as follows:

Revenues

Charges to School Districts - The unfavorable variance of \$5,061 is immaterial.

State Aid (Including Transportation) - The favorable variance of \$42,685 is due to an increase in the number of students over the number in the budget.

Federal Aid - The unfavorable variance of \$172,793 is due to the timing of revenue recognition for funding under the CSP grant to be recognized in fiscal year 2018.

Earnings on Cash and Investments - The favorable variance of \$4,672 is due to larger than expected cash balances on deposit with the State Treasurer during the year.

Contributions - The favorable variance of \$754,663 is due to the contribution of tutor stipends and associated payroll taxes.

School Programs - The favorable variance of \$40,349 is due to the receipt of the 21st Century grant received in June 2017.

Expenditures

Salaries - The unfavorable variance of \$858,064 is due to the value of in-kind contribution of tutor stipends and associated payroll taxes.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

THE SCHOOL'S FUND - CONTINUED

Expenditures - Continued

Employment Costs - The favorable variance of \$12,662 is immaterial.

Travel - The unfavorable variance of \$3,917 is immaterial.

Contractual Services - The favorable variance of \$499,228 is due to tutor stipends and budgeted as contractual services but expenditure of these donated services classified as salaries.

Communications - The unfavorable variance of \$3,676 is immaterial.

Insurance - The unfavorable variance of \$4,522 is immaterial.

Facility Costs - The unfavorable variance of \$262,762 is due to the accelerated purchase of furniture and equipment under the CSP grant.

Transportation - The unfavorable variance of \$13,068 is due to the costs associated with transporting homeless students not in the budget.

Supplies and Materials - The favorable variance of \$170,428 is due to misclassifying the cost of capital items in this budget line.

The School adopted a preliminary fiscal year 2016 budget at the onset of the fiscal year. A final budget was adopted after the student enrollment count was certified by the Delaware Department of Education. The final budget contained revenues of \$3,454,072 and expenditures of \$3,381,304. The budget is prepared on a cash basis, the annual financial statements are prepared on a modified accrual basis. Variances of budget to actuals are outlined as follows:

Revenues

Charges to School Districts - The unfavorable variance of \$203 is due to an immaterial difference between the budget and actual receipts.

Federal Aid - The unfavorable variance of \$4,827 is due to receiving less Title I than originally planned.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

THE SCHOOL'S FUND - CONTINUED

Revenues - Continued

Earnings on Cash and Investments - The favorable variance of \$694 is due to interest earned on cash balances that is not in the original budget.

School Programs - The unfavorable variance of \$130,069 is due to a timing difference in draws on the Charter School Program federal grant. This amount has been drawn and received in fiscal year 2017.

Expenditures

Salaries - The unfavorable variance of \$50,771 is due to additional costs incurred to staff the school in year one.

Employment Costs - The favorable variance of \$4,394 is immaterial.

Travel - The unfavorable variance of \$11,755 is due to additional staff travel related to professional development.

Contractual Services - The unfavorable variance of \$51,392 is due to fees paid to The University of Delaware for Public Allies who provide tutorial services to the School.

Communications - The favorable variance of \$2,436 is due to savings achieved through the CEB.

Insurance - The favorable variance of \$8,032 is due to favorable rates received for property, general liability, and directors' and officers' policies.

Facility Costs - The unfavorable variance of \$52,508 is due to additional furniture and equipment purchased during the first year of operations.

Transportation - The unfavorable variance of \$6,627 is due to additional costs incurred for busing of students over original plan.

Supplies and Materials - The favorable variance of \$42,067 is due to reclassification of expenses to fixed assets.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
YEAR ENDED JUNE 30, 2017

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School opened in August 2015 enrolling sixth grade. The seventh grade was added in August 2016. The School plans to grow enrollment in upcoming years to its authorized chartered enrollment. Management anticipates that revenue and expenses will increase as a result of the enrollment growth and has developed a budget to support the identified growth. The School has identified a continued need to provide students with additional support services and educational programs. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state, and local level could impact the School's financial resources to meet the State of Delaware's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances to its various stakeholders and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Rick Iandoli, Chief Financial Officer, (516) 978-7132.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF NET POSITION
JUNE 30, 2017
(With Comparative Totals for 2016)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 454,348	\$ 95,447
Deposits	19,764	15,309
Other Receivables	-	9,329
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	474,112	120,085
NONCURRENT ASSETS		
Capital Assets, Net	<hr/> 278,863	<hr/> 242,674
	<hr/>	<hr/>
TOTAL ASSETS	752,975	362,759
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Pensions	<hr/> 672,751	<hr/> 81,687
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,425,726</u>	<u>\$ 444,446</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES		
Accounts Payable	\$ 56,586	\$ 166,101
Accrued Salaries and Related Costs	184,774	125,681
Deferred Grant Revenue	129,797	-
Due to State of Delaware - Pension Costs	<hr/> 6,325	<hr/> 6,325
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	377,482	298,107
NONCURRENT LIABILITIES		
Net Pension Liability	610,904	-
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Pensions	13,400	-
NET POSITION		
Unrestricted	<hr/> 423,940	<hr/> 146,339
	<hr/>	<hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 1,425,726</u>	<u>\$ 444,446</u>

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Program Services			Net (Expenses) Revenues and Changes in Net Position Totals
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses	2017	2016	2016	2016
GOVERNMENTAL ACTIVITIES				
Instructional Services	\$ 3,922,046	\$ 75,819	\$ -	\$ (3,846,227) \$ (1,857,709)
Support Services				
Operational and Maintenance of Facilities	991,292	-	-	(991,292) (548,001)
Transportation	288,068	283,791	-	(4,277) (21,024)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,201,406</u>	<u>\$ 359,610</u>	<u>\$ -</u>	<u>(4,841,796) (2,426,734)</u>
GENERAL REVENUES				
Charges to School Districts				1,437,585 795,214
Contributed Services - Tutor Salaries				814,663 -
State Aid				2,368,758 1,311,351
Federal Aid				493,719 465,814
Earnings on Cash and Investments				4,672 694
TOTAL GENERAL REVENUES	<u>5,119,397</u>			<u>2,573,073</u>
CHANGE IN NET POSITION				277,601 146,339
NET POSITION - Beginning of Year (As Restated)				146,339 -
NET POSITION - End of Year	<u>\$ 423,940</u>			<u>\$ 146,339</u>

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

FUND FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2017
(With Comparative Totals for 2016)

	General Fund	Total Governmental Fund	
		2017	2016
ASSETS			
Cash and Pooled Cash	\$ 454,348	\$ 454,348	\$ 95,447
Deposits	19,764	19,764	15,309
Other Receivables	-	-	9,329
TOTAL ASSETS	\$ 474,112	\$ 474,112	\$ 120,085
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 56,586	\$ 56,586	\$ 166,101
Accrued Salaries and Related Costs	184,774	184,774	125,681
Deferred Grant Revenue	129,797	129,797	-
Due to State of Delaware, Pension Cost	6,325	6,325	6,325
TOTAL LIABILITIES	377,482	377,482	298,107
FUND BALANCE			
Unassigned	96,630	96,630	(178,022)
TOTAL LIABILITIES AND FUND BALANCE	\$ 474,112	\$ 474,112	\$ 120,085

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	2016
TOTAL GOVERNMENTAL FUND BALANCE	\$ 96,630	\$ (178,022)
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the 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 statement of net position.	278,863	242,674
Deferred outflows related to the School's net pension liability are based on pension contributions made after the measurement date of the net pension liability. This amount will be amortized over the estimated remaining average service life of the employees.		
Deferred Inflows on Pensions	672,751	81,687
Deferred Outflows on Pensions	(13,400)	-
Long-term liabilities applicable to the governmental activities are not reported as fund liabilities.		
Net Pension Liability	(610,904)	-
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 423,940	\$ 146,339

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	<u>General Fund</u>	<u>Total</u>	
		<u>2017</u>	<u>2016</u>
REVENUES			
Charges to School Districts	\$ 1,437,585	\$ 1,437,585	\$ 795,214
State Aid	2,368,758	2,368,758	1,311,351
Contributed Services - Tutor Salaries	814,663	814,663	-
Transportation	283,791	283,791	167,603
Federal Aid	493,719	493,719	465,814
Contributions	-	-	400,000
School Programs	75,819	75,819	178,991
Earnings on Cash and Investments	4,672	4,672	694
TOTAL REVENUES	<u>5,479,007</u>	<u>5,479,007</u>	<u>3,319,667</u>
EXPENDITURES			
Current			
Instruction	3,816,749	3,816,749	2,470,776
Operation and Maintenance of Facilities	991,292	991,292	548,001
Transportation	288,068	288,068	188,627
Capital Outlays			
Furniture and Equipment	108,246	108,246	290,285
TOTAL EXPENDITURES	<u>5,204,355</u>	<u>5,204,355</u>	<u>3,497,689</u>
NET CHANGE IN FUND BALANCE	274,652	274,652	(178,022)
FUND BALANCE - Beginning of Year	<u>(178,022)</u>	<u>(178,022)</u>	<u>-</u>
FUND BALANCE - End of Year	<u>\$ 96,630</u>	<u>\$ 96,630</u>	<u>\$ (178,022)</u>

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

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	2017	2016
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 274,652	\$ (178,022)
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 \$2,500 are capitalized, and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlays	108,246	290,285
Depreciation Expense	<u>(72,056)</u>	<u>(47,611)</u>
	<u>36,190</u>	<u>242,674</u>
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.		
	<u>(33,241)</u>	<u>81,687</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 277,601</u>	<u>\$ 146,339</u>

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

NOTES TO FINANCIAL STATEMENTS

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School - Great Oaks Charter School - Wilmington 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. Great Oaks Charter School - Wilmington's initial charter was granted for a four-year period, renewable every five years thereafter. Great Oaks Charter School - Wilmington's first full year of school started August 2015. The initial charter expires on June 30, 2019.

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 charter schools receive local, state, and federal funds, they may not charge tuition.

The financial statements of Great Oaks Charter School - Wilmington 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 Great Oaks Charter School - Wilmington (School) are described below.

Reporting Entity - The School 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.

Government-Wide and Fund Financial Statements - The government-wide financial statements (statement of net position and statement of activities) report information on all of the activities of the School.

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. The sole major individual governmental fund is reported as a separate column in the fund financial statements.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statements Presentation - Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 districts 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.

Amounts reported as program revenues include (1) charges to students for 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.

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, 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 fund:

- *General Fund* - The General Fund is the School's primary operating fund. It accounts for all financial resources of the School.

Budgetary Data - General Fund budgets are presented on the modified accrual basis of accounting. Annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve.

Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand and demand deposits.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Capital assets are reported in the entity-wide financial statements. The School defines capital assets as assets with an initial, individual cost of more than \$2,500 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 costs incurred during construction are capitalized.

Capital assets 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	5-10 years
Equipment	5 years

Compensated Absences - Vacation pay plus related payroll taxes are accrued when incurred in the entity-wide financial statements. The 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. The School does not permit for carryover of vacation or sick leave. As a result, the School does not recognize a liability for compensated absences.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report 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 (expense/expenditure) until then. The School reports deferred outflow related to pension activity in the government-wide statement of net position. The deferred outflow related to pension activity is the result of the difference between the School's proportionate share of total contribution and actual contributions subsequent to the measurement date. The School's deferred outflows are \$672,751 as of June 30, 2017.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The School's deferred inflows are \$13,400 as of June 30, 2017.

Fund Balance - In the fund financial statements, the Governmental Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance - Continued - purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

The classifications used in the Governmental Fund financial statements are as follows:

- *Nonspendable* - This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2017.
- *Restricted* - This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School has classified unspent grant monies as being restricted because their use is restricted by donors. The School did not have any restricted resources as of June 30, 2017.
- *Committed* - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal vote of the Board of Directors (the highest level of decision-making authority of the School). These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (formal vote of the Board of Directors) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2017.
- *Assigned* - This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the Executive Director. The School did not have any assigned resources as of June 30, 2017.
- *Unassigned* - This classification includes the residual fund balance for the General Fund. The unassigned classification would also include negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When both restricted and nonrestricted resources are available for use, it is the School's policy to use restricted resources first and then unrestricted resources as they are needed.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The School believes it has appropriate support for any tax positions taken and, thus, does not have any uncertain tax positions that are material to the financial statements. The School's federal Return of Organization Exempt from Income Tax (Form 990) for tax year 2015 is subject to examination by authorities, generally for three years after it was filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

As of June 30, 2017, the School had a cash and cash equivalent balance of \$454,348, the entirety of which was part of an investment pool controlled by the State of Delaware Treasurer's Office in Dover, Delaware. All investment decisions are made by the State of Delaware Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash and 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.

NOTE 3: FAIR VALUE MEASUREMENTS

The School follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 establishes a fair value hierarchy per inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the School has the ability to access. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 3: FAIR VALUE MEASUREMENTS - CONTINUED

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The School participates, with other state organizations, in a cash and investment pool controlled by the State of Delaware Treasurer's Office (Note 2). The pool is invested in a combination of cash and fixed income instruments with maturities of up to five years. The State reports that investments are stated at their quoted market prices, except investment securities with a remaining maturity of one year or less at the time of purchase which are stated at cost or amortized cost. These investments would normally be considered level 1 and level 2 inputs on the fair value hierarchy; however, the existence of pooled allocations in determining the School's share of the pool is considered to be a level 2 input. The fair value for pooled cash and investments categorized as level 2 as of June 30, 2017 was \$454,348.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government Activities				
Capital Assets Being Depreciated				
Computer Equipment	\$ 80,757	\$ 73,730	\$ -	\$ 154,487
Furniture and Equipment	209,528	34,516	-	244,044
Total Capital Assets Being Depreciated	<u>290,285</u>	<u>108,246</u>	<u>-</u>	<u>398,531</u>
Accumulated Depreciation				
Computer Equipment	-	60,021	-	60,021
Furniture and Equipment	47,612	12,035	-	59,647
Total Accumulated Depreciation	<u>47,612</u>	<u>72,056</u>	<u>-</u>	<u>119,668</u>
Total Capital Assets Being Depreciated, Net	<u>242,673</u>	<u>36,190</u>	<u>-</u>	<u>278,863</u>
Government Activities				
Capital Assets, Net	<u>\$ 242,673</u>	<u>\$ 36,190</u>	<u>\$ -</u>	<u>\$ 278,863</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 4: CAPITAL ASSETS - CONTINUED

Depreciation expense was \$72,056 for the year ended June 30, 2017, which is included in instructional services on the statement of activities.

NOTE 5: PENSION PLAN

Summary of Significant Accounting Policies

The School's employees are considered state employees and are covered under the State of Delaware Public Employees' Retirement System (DPERS) - State Employee's Pension Plan (Plan). Tutors working in the School's programs are employees of the Great Oaks Foundation and are not included in the Plan.

Pensions - For purposes of measuring the School's allocation of net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the DPERS and additions to/deductions from its fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (Board).

The following are brief descriptions of the Plan in effect as of June 30, 2016. 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, Delaware 19904; by calling 1-800-722-7300; or by visiting the DPERS website at www.delawarepensions.com.

General Information about the Pension Plan

Plan Description - DPERS is a cost-sharing multiple employer defined benefit pension plan that provides retirement benefits to virtually all full-time or regular part-time employees of the State of Delaware, including employees of other affiliated entities. There are two tiers within the plan: (1) employees hired prior to January 1, 2012 (pre-2012), and (2) Employees hired on or after January 1, 2012 (post-2011).

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5: PENSION PLAN - CONTINUED

General Information about the Pension Plan - Continued

Service Benefits - Service benefits are calculated by taking the final average monthly compensation (employees hired on or after January 1, 2012 may not include overtime in pension compensation) multiplied by 2.0% and multiplied by years of credited service prior to January 1, 1997, plus final average monthly compensation multiplied by 1.85% 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 3 periods of 12 consecutive months of compensation.

Vesting and Benefits Provided - DPERS provides retirement, disability and death benefits. Pre-2012 members vest after 5 years of credited service. Post 2011 members vest after 10 years of credited service. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 5 years of credited service; (b) age 60 with 15 years of credited service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 10 years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after 5 years of credited service. In lieu of disability pension benefits, over 90% of the members in this Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least 5 years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 67.7% with 2% reduction of benefit, 75% with a 3% reduction of benefit, or 100% with a 6% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

Contributions

Members' Contributions - Pre-2012 members contribute at 3% of earnings in excess of \$6,000. Post-2011 members contribute at 5% of earnings in excess of \$6,000.

Employer Contributions - Employer contributions are determined by the Board. Employer contributions were set by the Board at 10.69% of earnings for fiscal year 2016. Contributions to the Plan from the School were \$127,269 for the year ended June 30, 2017.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5: PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the School reported a liability of \$610,904 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by rolling forward DPERS' total pension liability as of June 30, 2015 to June 30, 2016. The School's proportion of the net pension liability was calculated utilizing the employer's contribution as it relates to the total reported contributions. As of June 30, 2017, the School's proportion was .0405%.

For the year ended June 30, 2017, the School recognized pension expense of \$160,509. As of June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Plan Investments	\$ 190,406	\$ -
Changes of Assumptions	56,571	-
Changes in the Proportion	298,505	-
Differences Between Expected and Actual Experience in the Measurement of the Total Pension Liability	-	13,400
Contributions Made After the Measurement Date	<u>127,269</u>	<u>-</u>
	<u>\$ 672,751</u>	<u>\$ 13,400</u>

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5: PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

The School's share of net deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2018	\$ 82,026
2019	82,026
2020	141,274
2021	117,434
2022	58,135
Thereafter	<u>50,960</u>
	<u>\$ 531,855</u>

Actuarial Assumptions - The collective DPERS total pension liability as of June 30, 2016, was determined by rolling forward the DPERS' total pension liability as of the June 30, 2015 actuarial valuation with updated procedures used to roll forward the total pension liability to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return/Discount Rate - 7.2%, including inflation at 2.50%

Projected Salary Increases - 2.50% plus merit with no COLA's.

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.

The total pension liabilities are measured based on assumptions pertaining to the 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 experience deviates, the larger the impact on future financial statements.

The long-term expected rate of return on 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 plan investment expense and

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 5: PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

Actuarial Assumptions - Continued - inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 DPERs' current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic Equity	5.7%	34.0%
International Equity	5.7%	14.7%
Fixed Income	2.0%	25.0%
Alternative Investments	7.8%	20.9%
Cash and Equivalents	0.0%	5.4%

Discount Rate - The discount rate used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, 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 7.2%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.2%) or one percentage point higher (8.2%) than the current rate:

	<u>1% Decrease 6.2%</u>	<u>Current Discount Rate 7.2%</u>	<u>1% Increase 8.2%</u>
School's Proportionate Share of the Net Pension Liability	\$ 1,061,827	\$ 610,904	\$ 231,799

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 6: RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft of, damage to, 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.

NOTE 7: ACADEMIC, TUTOR, AND BUSINESS SERVICES AGREEMENT

The School entered into an Academic, Tutor, and Business Services Agreement with Great Oaks Foundation, Inc. (GOF), a not-for-profit organization dedicated to helping start and run charter schools on March 21, 2016. The agreement provides academic, management, and other administrative support services to the School. Pursuant to the terms of the agreement, the School shall pay GOF a management fee equivalent to 10% for the current year. The agreement was renewed July 1, 2016. Under the terms of the renewed agreement, the management fee was revised to 7% of the Non-Competitive Public Revenue of the School.

Additionally, under the revised agreement, GOF receives a service fee from the School for the term in an amount representing the product of \$6,500 and the number of regular AmeriCorps tutors, plus \$12,700 each for the number of AmeriCorps staff that are retained at the School, plus \$11,750 each for the number of regular School tutors, plus \$17,150 each for the number of regular School staff.

The management fee and the service fee are payable in equal monthly installments.

The management fee expense for the year ended June 30, 2017, was \$279,481. The service fee expense for the year ended June 30, 2017 was \$427,197.

NOTE 8: CONTRIBUTED SERVICES

The School recognized contribution revenue for the year ended June 30, 2017 for contributed tutoring services. Tutors were provided to the School by the GOF without cost to the School. The tutors are AmeriCorps participants and are paid a stipend amount by the Foundation. Contribution revenue was measured based on the stipend amount which approximates the fair value of those services. The amount recognized for the year ended June 30, 2017 was \$814,663.

NOTE 9: LEASING ARRANGEMENT AS LESSEE

The School leases its facility from the Community Education Building (CEB) located at 1200 North French Street. Total annual lease payment is \$508,065. In addition, the School leases 29 residential apartment units located in

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 9: LEASING ARRANGEMENT AS LESSEE - CONTINUED

Wilmington, Delaware for use and occupancy by teachers employed by the School. The lease term for all units is one year. As of June 30, 2017, the minimum future rental payments having remaining terms in excess of one year are as follows:

Year Ending June 30	<u>Lease Payments</u>
2018	\$ 1,054,187
2019	<u>1,016,130</u>
	<u>\$ 2,070,317</u>

The School leases its copier equipment under operating leasing arrangements. Total rental expense for the year ended June 30, 2017 was \$48,214.

As of June 30, 2017, the minimum future rental payments under noncancelable leasing arrangements having remaining terms in excess of one year for the remaining years and in the aggregate are:

Year Ending June 30	<u>Lease Payments</u>
2018	\$ 45,604
2019	45,604
2020	39,206
2021	<u>37,996</u>
	<u>\$ 168,410</u>

NOTE 10: COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding 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 financial assistance from federal, state, and private 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 the respective local private agency. 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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2017

NOTE 11: ECONOMIC DEPENDENCY

School revenues that constitute an excess of 10% of total revenues are comprised of the following:

State Subsidy	52%
Charges to School Districts	28%

NOTE 12: EXCESS EXPENDITURES OVER APPROPRIATIONS

The School overspent budgetary appropriations in the following functions:

Salaries	\$ 824,826
Travel	3,917
Communications	3,676
Insurance	4,522
Facility Costs	298,952
Transportation - Buses	<u>13,068</u>
	<u><u>\$ 1,148,961</u></u>

NOTE 13: RECLASSIFICATIONS

Certain accounts in the prior year statement of activities have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on previously reported total expenses or change in net assets.

NOTE 14: RESTATEMENT OF 2016 FINANCIAL STATEMENTS

The School has restated its previously issued 2016 financial statements for a correction of the accounting for the Deferred Outflow of Resources - Deferred Amounts on Pensions. Previously, deferred amounts on pensions had been recorded as \$161,241 as of June 30, 2016. This amount has been restated to the correct amount of \$81,687. The restatement decreased unrestricted net position as previously reported as of June 30, 2016 by \$79,554. The restatement also decreased the change in net position previously reported for the year ended June 30, 2016 by \$79,554.

NOTE 15: SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 28, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Changes to School Districts	\$ 1,253,303	\$ 1,442,646	\$ 1,437,585	\$ (5,061)
State Aid (Including Transportation)	2,271,955	2,609,864	2,652,549	42,685
Federal Aid	648,792	666,512	493,719	(172,793)
Earnings on Cash and Investments	-	-	4,672	4,672
Contributions	300,000	60,000	814,663	754,663
School Programs	37,470	35,470	75,819	40,349
TOTAL REVENUES	4,511,520	4,814,492	5,479,007	664,515
EXPENDITURES				
Current				
Salaries	1,230,982	1,232,932	2,057,758	(824,826)
Employment Costs	592,636	592,636	579,974	12,662
Travel	-	-	3,917	(3,917)
Contractual Services	1,321,552	1,589,771	1,090,543	499,228
Communications	-	-	3,676	(3,676)
Insurance	38,000	38,000	42,522	(4,522)
Facility Costs (Including Capital Outlays)	773,565	758,065	1,057,017	(298,952)
Transportation - Buses	258,000	275,000	288,068	(13,068)
Supplies and Materials	273,619	251,309	80,880	170,429
TOTAL EXPENDITURES	4,488,354	4,737,713	5,204,355	(466,642)
EXCESS OF REVENUES OVER EXPENDITURES	\$ 23,166	\$ 76,779	\$ 274,652	\$ 197,873

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
NOTES TO BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

NOTE 1: BASIS OF ACCOUNTING

The School's budget is prepared on 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.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF SCHOOL'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

School's Proportion of the Net Pension Liability	0.0405%	(1)
School's Proportionate Share of the Net Pension Liability	\$ 610,904	(1)
School's Covered-Employee Payroll	\$ 893,283	(2)
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	68.4%	(1)
The Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	84.1%	(2)

Source: Delaware Public Employees' Retirement System, State Employees' Pension Plan as of June 30, 2016.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF SCHOOL CONTRIBUTIONS
YEAR ENDED JUNE 30, 2017

Contractually Required Contribution	\$ 127,269
Contributions in Relation to the Contractually Required Contribution	<u>127,269</u>
Contribution (Excess) Deficiency	<u><u>\$ -</u></u>
School's Covered-Employee Payroll	<u><u>\$ 893,283</u></u>
Contributions as a Percentage of Covered-Employee Payroll	<u><u>14.2%</u></u>



***Independent Auditors' 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***

To the Board of Directors
Great Oaks Charter School - Wilmington

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 and the major fund of Great Oaks Charter School - Wilmington (a component unit of the State of Delaware) (School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2017.

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, a misstatement 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.

To the Board of Directors
Great Oaks Charter School - Wilmington

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given this limitation during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a significant deficiency (2017-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

Great Oaks Charter School - Wilmington's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 result 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.

Belfint, Lyons & Shuman, P.A.

September 28, 2017
Wilmington, Delaware

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

Reference Number: 2017-001

Type of Finding: Significant Deficiency

Cash Disbursements

Condition: We noted that from a sample of 25 cash disbursements, there were 4 supporting invoices that could not be located and 2 vouchers which did not include a signature of approval.

Criteria: It is the School's policy that goods or services are purchased only with proper approval from authorized School officials.

Cause: The School did not have a strong internal control system over cash disbursements in fiscal year 2016, its first year of operation, or in the early part of fiscal year 2017.

Effect: Although the four disbursements whose supporting documents could not be located appear to have been valid, it cannot be determined with certainty that they were properly approved, adequately documented, and properly recorded at the time of disbursement of the funds. The two payment vouchers that had no approval signatures were approved after the fact but there is no evidence of their approval before disbursement, as required by the policy.

Recommendation: This is a repeat finding from the prior year. The exceptions noted above occurred in the first three months of the fiscal year. We noted no exceptions afterwards when (1) the fiscal year 2016 audit report was issued, (2) the practice of taking School documentation off-site was reduced, and (3) some new staff were hired. We recommend that the School follow its policy on properly approving and documenting cash disbursements.

Management's Response: The School became aware of the deficiency regarding the approval process during the first quarter of fiscal year 2017 at the conclusion of last year's financial audit. Immediately upon being notified, the School reiterated its policy on approving vouchers, which has been followed from that point forward.

GREAT OAKS CHARTER SCHOOL - WILMINGTON
(A COMPONENT UNIT OF THE STATE OF DELAWARE)
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED JUNE 30, 2017

CURRENT STATUS OF PRIOR YEAR FINDINGS

Reference Number: 2016-001

Type of Finding: Significant Deficiency

Financial Close Process

Condition: During the fiscal year 2016 audit fieldwork, we noted the need for adjusting journal entries to correct misstatements of general ledger balances that should have been made during the year-end financial close process. These had not yet been made by the School or were required as a result of our audit procedures.

Status: Cleared. Although we proposed several adjusting journal entries to fiscal year 2017's financial statements, the routine year-end close entries were made by management.

Reference Number: 2016-002

Type of Finding: Significant Deficiency

Cash Disbursements

Condition: During the fiscal year 2016 audit fieldwork, we noted instances where vouchers and transactions on credit cards were not accompanied by vendor invoices and/or supporting receipts and incomplete vouchers which included no date or authorization of approval; some approvals appeared to be documented after the invoice was paid. Additionally, the outside consultant input the vouchers into the State's system and authorized payment to the vendor without approval from school officials.

Status: Repeat finding. See Finding 2017-001.

Reference Number: 2016-003

Type of Finding: Significant Deficiency

Capitalization of Fixed Assets

Condition: During the fiscal year 2016 audit fieldwork, we noted the School did not capitalize and track property and equipment acquisitions during the year; instead, the expenditures were recorded in various expense accounts.

Status: Cleared. No similar finding noted in fiscal year 2017.