

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2018



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Altoona School, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses by \$8,267, which is an increase from the prior year when expenses exceeded revenues by \$95,345.
- Overall, revenues increased by approximately \$121,000, which was a 6% increase from the prior year.
- Overall, expenses increased by approximately \$17,000, which was a 1% increase from the prior year.
- Total assets were \$889,550 and total liabilities were \$319,489, resulting in net position of \$570,061 as of June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
 - The *fiduciary fund* financial statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has two types of funds:

- Governmental Funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one 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 additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

- **Fiduciary Funds** – The School is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2018 and 2017 is summarized as follows – see table below.

	Governmental Activities		Increase (Decrease)
	2018	2017	
Current and other assets	\$ 140,586	\$ 96,342	46%
Capital assets, net	748,964	696,824	7%
Total assets	<u>889,550</u>	<u>793,166</u>	<u>12%</u>
Current and other liabilities	106,711	96,429	11%
Long-term liabilities	<u>212,778</u>	<u>134,943</u>	<u>58%</u>
Total liabilities	<u>319,489</u>	<u>231,372</u>	<u>38%</u>
Net position:			
Net investment in capital assets	598,030	617,106	-3%
Unrestricted	<u>(27,969)</u>	<u>(55,312)</u>	<u>49%</u>
Total net position	<u><u>\$ 570,061</u></u>	<u><u>\$ 561,794</u></u>	<u><u>1%</u></u>

Current and other assets of the School increased primarily due to the timing of cash receipts and disbursements at year-end, as well as the current year operating surplus. Capital assets, net increased due to capital asset additions in excess of current year depreciation expense. Current and other liabilities increased primarily due to an increase in the amounts accrued at year-end for salaries and related expenses. The increase in long-term liabilities is due to the School financing the purchase of a new bus and additional draws on the existing revolving line of credit. The fluctuation in total net position from the prior fiscal year was due to the current year operating surplus and the activity noted above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

Change in Net Position

The School's total revenues increased by 6% to \$2,019,639, and the total cost of all programs and services increased by 1% to \$2,011,372 – see table below.

	Governmental Activities		Increase (Decrease)
	2018	2017	
Revenues:			
State and local sources	\$ 1,960,741	\$ 1,857,809	6%
Contributions and other revenue	58,898	40,827	44%
Total revenues	2,019,639	1,898,636	6%
Expenses:			
Instruction and instruction-related services	1,332,796	1,312,614	2%
Board	10,900	15,313	-29%
General administration	85,825	85,277	1%
School administration	215,724	207,101	4%
Fiscal services	15,860	15,652	1%
Food services	19,597	19,806	-1%
Student transportation services	52,546	56,746	-7%
Operation of plant	224,559	243,380	-8%
Maintenance of plant	-	500	-100%
Community services	44,928	31,752	41%
Interest	8,637	5,840	48%
Total expenses	2,011,372	1,993,981	1%
Change in net position	\$ 8,267	\$ (95,345)	109%

Contributions and other revenue increased due to more amounts received from sponsors during the fiscal year. Board expenses decreased due to timing of invoices for audit fees. Student transportation services decreased due to a decrease in transportation costs, primarily bus monitors and related payroll costs. Operation of plant decreased primarily due to a decrease in support staff and other occupancy costs. Community services increased due to an increase in support personnel. The increase in interest was primarily due to additional long-term liabilities to finance the purchase of a new bus and a higher outstanding line of credit balance in the current year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a fund balance of \$33,875. Both revenues and expenditures changed for the same reasons described above.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

General Fund Budgetary Highlights

Over the course of the fiscal year, the School revised its budget several times to account for changes in student enrollment and the resulting increases in appropriations. For the year ended June 30, 2018, actual revenues were approximately \$56,000 above the budgeted amounts, and actual expenditures were approximately \$378,000 above the budgeted amounts. Differences are primarily related to having a higher student count than anticipated and not budgeting for the general administrative fee paid to the School Board. Other financing sources were approximately \$112,000 above the budgeted amounts, as these amounts were not included in the original or final budgets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2018 amounts to \$748,964 (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Buildings and leasehold improvements	\$ 727,816	\$ 727,816	0%
Furniture, fixtures and equipment	169,630	152,527	11%
Motor vehicles	221,739	121,591	82%
Less accumulated depreciation	(370,221)	(305,110)	-21%
Total capital assets, net	<u>\$ 748,964</u>	<u>\$ 696,824</u>	<u>7%</u>

This year's major capital asset additions included the following:

- 2019 Thomas bus - \$104,648
- Security system software - \$12,017
- Copier - \$3,650
- Fire safe cabinet - \$1,436

This year's major capital asset disposal includes the following:

- 1988 Bus - \$4,500

More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

As of June 30, 2018, the School had \$212,778 in long-term debt outstanding, which is an increase of \$77,835 from the prior year. This increase is due to the School financing the purchase of a new bus and additional draws on the existing revolving line of credit reduced by scheduled payments. More detailed information about the School's long-term liabilities is presented in Note 4 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2019:

- Increase in student population
- Decrease in support staffing
- Decrease in supplies and purchased services

Amounts available for appropriation in the general fund are approximately \$2,175,000, an increase of approximately 11% from the 2018 actual of \$1,957,339. FEFP revenue is expected to increase due to an increase in the number of students.

Budgeted expenditures are expected to decrease 11% to approximately \$1,807,000 from the 2018 actual of \$2,035,025. Expenditures are expected to decrease due to a decrease in supplies, purchased services and maintenance costs as the School implements cost cutting measures. The School has added no major new programs to the fiscal 2019 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2019.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 42630 State Road 19, Altoona, Florida 32702.

Independent Auditor's Report on Basic Financial Statements and Supplementary Information

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 1 – 7 and the budgetary comparison information on page 27 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Winter Park, Florida
September 26, 2018

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 131,753
Other current assets	8,833
Capital assets:	
Buildings and building improvements	727,816
Furniture, fixtures and equipment	169,630
Motor vehicles	221,739
Less accumulated depreciation	(370,221)
Total capital assets, net	748,964
Total assets	\$ 889,550
LIABILITIES	
Accounts payable and accrued expenses	\$ 106,711
Long-term liabilities:	
Portion due or payable within one year:	
Obligation payable under line of credit	61,844
Note payable	36,067
Portion due or payable after one year:	
Note payable	114,867
Total liabilities	319,489
NET POSITION	
Net investment in capital assets	598,030
Unrestricted	(27,969)
Total net position	570,061
Total liabilities and net position	\$ 889,550

The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 1,303,277	\$ -	\$ -	\$ -	\$ (1,303,277)	\$ (1,303,277)
Student support services	29,519	-	-	-	(29,519)	(29,519)
Board	10,900	-	-	-	(10,900)	(10,900)
General administration	85,825	-	-	-	(85,825)	(85,825)
School administration	215,724	-	-	-	(215,724)	(215,724)
Fiscal services	15,860	-	-	-	(15,860)	(15,860)
Food services	19,597	3,612	-	-	(15,985)	(15,985)
Student transportation services	52,546	-	-	-	(52,546)	(52,546)
Operation of plant	224,559	-	-	-	(224,559)	(224,559)
Community services	44,928	16,372	-	-	(28,556)	(28,556)
Interest	8,637	-	-	-	(8,637)	(8,637)
Total primary government	<u>\$ 2,011,372</u>	<u>\$ 19,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,991,388)</u>	<u>(1,991,388)</u>
General revenues:						
State and local sources					1,960,741	1,960,741
Contributions and other revenue					38,914	38,914
Total general revenues					<u>1,999,655</u>	<u>1,999,655</u>
Change in net position					8,267	8,267
Net position at beginning of year					<u>561,794</u>	<u>561,794</u>
Net position at end of year					<u>\$ 570,061</u>	<u>\$ 570,061</u>

The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2018

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 131,753
Other current assets	<u>8,833</u>
Total assets	<u><u>\$ 140,586</u></u>
 LIABILITIES	
Accounts payable and accrued expenditures	<u>\$ 106,711</u>
Total liabilities	<u>106,711</u>
 FUND BALANCE	
Nonspendable:	
Other current assets	8,833
Assigned to:	
Memorials	12,917
Unassigned	<u>12,125</u>
Total fund balance	<u>33,875</u>
Total liabilities and fund balance	<u><u>\$ 140,586</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total fund balance - governmental fund	\$	33,875
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$1,119,185, and the accumulated depreciation is \$370,221.		748,964
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:

Obligation payable under line of credit		(61,844)
Note payable		(150,934)

Total net position - governmental activities	\$	570,061
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The accompanying notes to financial statements are an integral part of this statement.

ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
State and local sources	\$ 1,898,441	\$ 62,300	\$ 1,960,741
Contributions and other revenue	58,898	-	58,898
Total revenues	<u>1,957,339</u>	<u>62,300</u>	<u>2,019,639</u>
EXPENDITURES			
Current:			
Instruction	1,247,588	-	1,247,588
Student support services	29,519	-	29,519
Board	10,900	-	10,900
General administration	85,825	-	85,825
School administration	205,978	-	205,978
Fiscal services	15,860	-	15,860
Food services	18,901	-	18,901
Student transportation services	51,154	-	51,154
Operation of plant	222,471	-	222,471
Community services	44,928	-	44,928
Debt service:			
Principal	33,813	-	33,813
Interest	8,637	-	8,637
Capital outlay	59,451	62,300	121,751
Total expenditures	<u>2,035,025</u>	<u>62,300</u>	<u>2,097,325</u>
Deficiency of revenues under expenditures	<u>(77,686)</u>	<u>-</u>	<u>(77,686)</u>
OTHER FINANCING SOURCES			
Proceeds from revolving line of credit	17,000	-	17,000
Proceeds from note payable	94,648	-	94,648
Total other financing sources	<u>111,648</u>	<u>-</u>	<u>111,648</u>
Net changes in fund balances	33,962	-	33,962
Fund balances (deficit) at beginning of year	<u>(87)</u>	<u>-</u>	<u>(87)</u>
Fund balances at end of year	<u>\$ 33,875</u>	<u>\$ -</u>	<u>\$ 33,875</u>

The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - total governmental funds	\$	33,962
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$121,751) exceed depreciation expense (\$69,611) in the current period.		52,140
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Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt.		33,813
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Proceeds from long-term debt are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in long-term liabilities in the statement of net assets. These amounts represent the current year borrowings under long-term liabilities:

Proceeds from revolving line of credit		(17,000)
Proceeds from note payable		(94,648)

Change in net position of governmental activities	\$	8,267
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The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 15,314
Total assets	<u>\$ 15,314</u>
LIABILITIES	
Due to others	\$ 15,314
Total liabilities	<u>\$ 15,314</u>

The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Altoona School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2019 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
(continued)

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds are considered major funds. There are no other governmental funds.

Fiduciary Fund:

- Agency Fund – to account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

Investments with an original maturity of three months or less at the time they are purchased are considered to cash equivalents. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and building improvements	7 - 39
Furniture, fixtures and equipment	5 - 10
Motor vehicles	5

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Information relative to changes in capital assets is described in Note 2.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 4.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The governing board shall review the amounts in the fund balances in conjunction with the annual budget approval and make adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to the restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Principal up to the amount of \$50,000.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements. This administrative fee is calculated on the FEFP revenue up to 250 students.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying financial statements.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental fund and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Subsequent Events

The School has evaluated subsequent events through September 26, 2018, the date these financial statements were available to be issued.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The new standard is effective for the fiscal year ending June 30, 2020. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

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NOTES TO FINANCIAL STATEMENTS
(continued)

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The new standard is effective for the fiscal year ending June 30, 2021. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings and building improvements	\$ 727,816	\$ -	\$ -	\$ 727,816
Furniture, fixtures and equipment	152,527	17,103	-	169,630
Motor vehicles	121,591	104,648	(4,500)	221,739
Total capital assets at historical cost	<u>1,001,934</u>	<u>121,751</u>	<u>(4,500)</u>	<u>1,119,185</u>
Less accumulated depreciation for:				
Buildings and building improvements	(181,451)	(28,187)	-	(209,638)
Furniture, fixtures and equipment	(89,206)	(11,403)	-	(100,609)
Motor vehicles	(34,453)	(30,021)	4,500	(59,974)
Total accumulated depreciation	<u>(305,110)</u>	<u>(69,611)</u>	<u>4,500</u>	<u>(370,221)</u>
Governmental activities capital assets, net	<u>\$ 696,824</u>	<u>\$ 52,140</u>	<u>\$ -</u>	<u>\$ 748,964</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 55,689
School administration	9,746
Food services	696
Student transportation services	1,392
Operation of plant	2,088
Total governmental activities depreciation expense	<u>\$ 69,611</u>

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2018 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Risk Management Program

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

Salary Saving Plan

The School has adopted a SIMPLE IRA retirement program (the "Plan"), which covers all full time employees upon employment. Eligible employees may elect to contribute a portion of their earnings to the Plan. The School makes contributions to the Plan by matching 100% of employee contributions up to 3% of compensation. Employer contributions during fiscal 2018 totaled approximately \$15,000.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Operating Leases

The School leases cameras as part of its security system under a non-cancelable operating lease expiring in September 2019. The lease is payable in monthly installments of \$193. The aggregate remaining minimum rental payments as of June 30, 2018 under the lease are as follows:

Year Ending June 30,	Amounts
2019	\$ 2,316
2020	579
Total	\$ 2,895

Lease expense totaled approximately \$3,500 and is included in operation of plant in the accompanying financial statements.

4 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Obligation payable under revolving line of credit	\$ 55,225	\$ 17,000	\$ (10,381)	\$ 61,844	\$ 61,844
Notes payable	79,718	94,648	(23,432)	150,934	36,067
Governmental activities, long-term liabilities	\$ 134,943	\$ 111,648	\$ (33,813)	\$ 212,778	\$ 97,911

Obligation Payable Under Revolving Line Of Credit

Long-term liabilities as of June 30, 2018 include a revolving line of credit payable to a financial institution that is secured by property owned by the School. Outstanding borrowings under this line of credit were \$61,844 as of June 30, 2018. The line of credit has a total capacity of \$100,000 and a maturity date of December 2018. Interest is carried at the Wall Street Journal prime rate plus one percentage point (6.0% as of June 30, 2018). There is a minimum effective rate of interest of 5.5%. Unused borrowing capacity as of June 30, 2018 was \$38,156.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Notes Payable

Notes payable consisted of the following balances as of June 30, 2018:

Note payable to a finance company with principal and interest of \$1,751 due monthly at 4.49%; maturity date is August 2021; secured by a school bus.	\$ 61,920
Note payable to a finance company with principal and interest of \$1,775 due monthly at 4.75%; maturity date is February 2023; secured by a school bus.	<u>89,014</u>
Total notes payable	150,934
Less amount due or payable within one year	<u>(36,067)</u>
Amount due or payable after one year	<u><u>\$ 114,867</u></u>

Future debt service requirements related to the notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 36,067	\$ 6,249	\$ 42,316
2020	37,762	4,554	42,316
2021	39,549	2,767	42,316
2022	23,603	1,192	24,795
2023	13,953	251	14,204
	<u>\$ 150,934</u>	<u>\$ 15,013</u>	<u>\$ 165,947</u>

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 1,213,645
Class size reduction	342,675
Discretionary local effort	96,850
Supplemental academic instruction	63,885
Capital outlay	62,300
ESE guaranteed allocation	51,249
Student transportation	41,790
Discretionary millage funds	37,319
Instructional materials	21,756
Reading allocation	12,125
Digital classrooms allocation	7,539
Safe schools	5,700
Teacher lead	3,430
Discretionary lottery funds	<u>478</u>
Total	<u><u>\$ 1,960,741</u></u>

The administration fee paid to the School Board during the year ended June 30, 2018 totaled approximately \$86,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

**ALTOONA SCHOOL, INC.
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 1,691,738	\$ 1,876,819	\$ 1,898,441	\$ 21,622
Contributions and other revenue	19,556	24,200	58,898	34,698
Total revenues	<u>1,711,294</u>	<u>1,901,019</u>	<u>1,957,339</u>	<u>56,320</u>
EXPENDITURES				
Current:				
Instruction	1,143,874	1,143,748	1,247,588	(103,840)
Student support services	17,000	17,000	29,519	(12,519)
Instructional media	1,000	1,000	-	1,000
Board	-	-	10,900	(10,900)
General administration	-	-	85,825	(85,825)
School administration	240,241	240,375	205,978	34,397
Fiscal services	-	-	15,860	(15,860)
Food services	41,894	41,916	18,901	23,015
Student transportation services	51,554	51,916	51,154	762
Operation of plant	129,148	129,657	222,471	(92,814)
Community services	21,384	27,338	44,928	(17,590)
Debt service:				
Principal	3,600	3,600	33,813	(30,213)
Interest	-	-	8,637	(8,637)
Capital outlay	-	-	59,451	(59,451)
Total expenditures	<u>1,649,695</u>	<u>1,656,550</u>	<u>2,035,025</u>	<u>(378,475)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,599</u>	<u>244,469</u>	<u>(77,686)</u>	<u>(322,155)</u>
OTHER FINANCING SOURCES				
Proceeds from revolving line of credit	-	-	17,000	17,000
Proceeds from note payable	-	-	94,648	94,648
Total other financing sources	<u>-</u>	<u>-</u>	<u>111,648</u>	<u>111,648</u>
Net change in fund balance	61,599	244,469	33,962	(210,507)
Fund balance (deficit) at beginning of year	(87)	(87)	(87)	-
Fund balance at end of year	<u>\$ 61,512</u>	<u>\$ 244,382</u>	<u>\$ 33,875</u>	<u>\$ (210,507)</u>

See independent auditor's report.

**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***

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the “School”), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2018, 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 26, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Winter Park, Florida
September 26, 2018

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the “School”), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 26, 2018.

AUDITOR’S RESPONSIBILITY

We conducted our audit 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 Chapter 10.850, Rules of the Auditor General.

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 26, 2018, should be considered in conjunction with this management letter.

PRIOR AUDIT FINDINGS

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The preceding annual financial audit report included the same recommendation noted below under the “Financial Condition and Management” section.

OFFICIAL TITLE

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Altoona School, Inc.

FINANCIAL CONDITION AND MANAGEMENT

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of the fiscal year-end.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our recommendation is as follows:

The School's transactions should be recorded and reported in accordance with the Florida Red Book ("Red Book") to enable effective monitoring of the School's financial condition. During our audit procedures, we identified several instances where transactions were not coded to the proper Red Book function. Multiple adjustments were required to present transactions in accordance with the Red Book. After we identified these errors, management recorded all necessary adjustments to correct the School's records. We recommend that the School improve its controls to ensure that transactions are recorded in accordance with the Red Book.

TRANSPARENCY

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

ADDITIONAL MATTERS

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

PURPOSE OF THIS LETTER

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Lake County, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 26, 2018

1560 Orange Avenue, Suite 600, Winter Park, Florida 32789 | 407.998.9000 | Fax 407.998.9010