

ESCAMBIA CHARTER SCHOOL, INC.

**A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2017

**ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Escambia Charter School, Inc. (the "School") (a component unit of the Escambia County District School Board), 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 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.

Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

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 each major fund of the School, as of June 30, 2017, 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.

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School has suffered recurring losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plan regarding this matter is described in Note 2. The financial statements do not include any adjustments that result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 25 through 26 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 August 11, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Pensacola, Florida
August 11, 2017

**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
Escambia Charter School, Inc.
Pensacola, 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 and each major fund of Escambia Charter School, Inc. (the "School") (a component unit of the Escambia County District School Board) 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 August 11, 2017. As described in the independent auditor's report and the accompanying financial statements, there is substantial doubt about the School's ability to continue as a going concern.

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.

Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

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 entity'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.



Pensacola, Florida
August 11, 2017

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

As management of Escambia Charter School, Inc., (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, and (d) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 9 through 24.

FINANCIAL HIGHLIGHTS

- As of June 30, 2017, the School's governmental funds reported combined ending fund balances of \$26,922, a decrease of \$76,491 in comparison with prior year.
- At June 30, 2017, restricted fund balance for the general fund was \$101,114, unrestricted fund deficit for the general fund was \$148,974, and assigned fund balance for the capital projects fund was \$74,782.

As a result of reduced Florida Education Finance Program funding due to lower student enrollment, the School has incurred operating losses and the unrestricted fund balance has decreased approximately \$77,000 from year ended June 30, 2016. The School has \$21,485 in available cash and has approximately \$6,000 available on the line of credit. The continuation of the School as a going concern is dependent on reducing and/or eliminating expenditures, enrolling more students, and obtaining grant funding.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities 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 flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Continued)

Both of the government-wide financial statements distinguish functions of the School that are principally supported by the Escambia County District School Board (the "District"), and state funding (governmental activities). The governmental activities of the School include instruction, pupil personnel services, board, school administration, facilities acquisition and construction, fiscal services, central services, pupil transportation services, operation of plant, and maintenance of plant.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Government funds - Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

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 on pages 15 through 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed financial information - As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Continued)

	2017	2016
Total assets, excluding capital assets	\$ 195,022	\$ 237,132
Capital assets	<u>128,351</u>	<u>156,690</u>
Total assets	<u><u>\$ 323,373</u></u>	<u><u>\$ 393,822</u></u>
Total liabilities, excluding long-term liabilities	\$ 168,100	\$ 133,719
Long-term liabilities	<u>21,584</u>	<u>31,646</u>
Total liabilities	<u>189,684</u>	<u>165,365</u>
Net investment in capital assets	117,714	141,735
Unrestricted net position (deficit)	(85,139)	-
Restricted net position	<u>101,114</u>	<u>86,722</u>
Total net position	<u>133,689</u>	<u>228,457</u>
Total liabilities and net position	<u><u>\$ 323,373</u></u>	<u><u>\$ 393,822</u></u>
Program revenues:		
District	\$ 134,309	\$ 115,579
General revenues:		
District	539,986	577,481
Other	<u>1,773</u>	<u>4,038</u>
Total revenues	<u>676,068</u>	<u>697,098</u>
Program expenses:		
Instruction	305,000	332,726
Pupil personnel services	40,891	39,575
Board	428	401
School administration	3,324	3,587
Facilities acquisition and construction	23,935	24,043
Fiscal services	140,543	153,920
Central services	49,755	69,417
Pupil transportation services	127,490	130,508
Operation of plant	65,381	85,421
Maintenance of plant	14,089	16,601
Interest on long-term debt	-	23
Total expenses	<u>770,836</u>	<u>856,222</u>
Change in net position	<u><u>\$ (94,768)</u></u>	<u><u>\$ (159,124)</u></u>

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017
(Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2017, the School's governmental funds reported combined ending fund balances of \$26,922.

BUDGETARY HIGHLIGHTS

The School made various amendments to the original budget during the year based on changes in expected funding sources and expenditures. The most significant budgetary amendments were to decrease the amount budgeted for revenues and facilities acquisition and construction expenses as well as increase the amount budgeted for pupil transportation expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The School's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$128,351 (net of accumulated depreciation). This investment in capital assets includes buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, computer software, property under capital lease and building improvements.

Debt - The School's long-term debt consists of \$10,637 due under capital lease obligations and \$10,947 for compensated absences due to employees. These amount are payable with future financial resources and are therefore shown as reconciling items from governmental funds balance sheet to the statement of net position.

ECONOMIC FACTORS

Funding from the District according to the number of students enrolled primarily supports the School.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Escambia Charter School, Inc., P.O. Box 1147, Gonzalez, Florida 32560.

BASIC FINANCIAL STATEMENTS

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 35,047
Cash equivalents, restricted	101,114
Certificate of deposit	50,374
Due from primary government	2,224
Prepaid expenditures	6,263
Capital assets, net of accumulated depreciation of \$999,209	128,351
	<hr/>
Total Assets	\$ 323,373
	<hr/> <hr/>

LIABILITIES AND NET POSITION

Liabilities:	
Accounts payable	\$ 10,669
Accrued liabilities	13,859
Borrowings under bank line of credit	143,572
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligation	4,460
Compensated absences	4,267
Portion due or payable after one year:	
Capital lease obligation	6,177
Compensated absences	6,680
Total liabilities	189,684
	<hr/>
Net Position:	
Net investment in capital assets	117,714
Unrestricted (deficit)	(85,139)
Restricted	101,114
Total net position	133,689
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Total Liabilities and Net Position	\$ 323,373
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The accompanying notes are an integral
part of these financial statements.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense)
		Operating	Capital	Revenue and
		Grants and	Grants and	Change in
	Expenses	Contributions	Contributions	Net Position
Functions:				
Governmental activities:				
Instruction	\$ 305,000	\$ 100,980	\$	\$ (204,020)
Pupil personnel services	40,891			(40,891)
Board	428			(428)
School administration	3,324			(3,324)
Facilities acquisition and construction	23,935			(23,935)
Fiscal services	140,543			(140,543)
Central services	49,755			(49,755)
Pupil transportation services	127,490	33,329		(94,161)
Operation of plant	65,381			(65,381)
Maintenance of plant	14,089			(14,089)
Total governmental activities	<u>\$ 770,836</u>	<u>\$ 134,309</u>	<u>\$ -</u>	<u>(636,527)</u>
General revenues:				
State aid -				
Formula grants				508,342
Capital outlay funds				31,644
Miscellaneous local sources				869
Interest income				<u>904</u>
Total general revenues				<u>541,759</u>
Change in Net Position				<u>(94,768)</u>
Net Position at July 1, 2016				<u>228,457</u>
Net Position at June 30, 2017				<u><u>\$ 133,689</u></u>

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

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	\$ 14,419	\$ 20,628	\$ 35,047
Cash equivalents, restricted	101,114		101,114
Certificate of deposit		50,374	50,374
Due from primary government		2,224	2,224
Prepaid expenditures	4,707	1,556	6,263
Total Assets	<u>\$ 120,240</u>	<u>\$ 74,782</u>	<u>\$ 195,022</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 10,669	\$	\$ 10,669
Accrued liabilities	13,859		13,859
Borrowings under bank line of credit	143,572		143,572
Total liabilities	<u>168,100</u>	<u>-</u>	<u>168,100</u>
Fund Balances (Deficit):			
Unrestricted:			
Unassigned	(148,974)		(148,974)
Assigned		74,782	74,782
Restricted	101,114		101,114
Total fund balances (deficit)	<u>(47,860)</u>	<u>74,782</u>	<u>26,922</u>
Total Liabilities and Fund Balances	<u>\$ 120,240</u>	<u>\$ 74,782</u>	<u>\$ 195,022</u>

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

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total Fund Balances - Governmental Funds	\$ 26,922
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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 funds. The cost of the assets is \$1,127,560 and the accumulated depreciation is \$999,209.	128,351
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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 funds.	<u>(21,584)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 133,689</u></u>
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The accompanying notes are an integral
part of these financial statements.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Intergovernmental:			
Escambia County District School Board	\$ 626,913	\$ 31,644	\$ 658,557
Title I teacher funding	15,738		15,738
Other	1,472	301	1,773
	<u>644,123</u>	<u>31,945</u>	<u>676,068</u>
Total revenues			676,068
Expenditures:			
Current - Education:			
Instruction	298,384	4,575	302,959
Pupil personnel services	40,891		40,891
Board	428		428
School administration	3,324		3,324
Facilities acquisition and construction		6,000	6,000
Fiscal services	140,543		140,543
Central services	36,638	1,328	37,966
Pupil transportation services	117,802	1,700	119,502
Operation of plant	61,643	774	62,417
Maintenance of plant	4,722	3,222	7,944
Capital Outlay:			
Pupil transportation services	4,838	16,363	21,201
Operation of plant		5,066	5,066
Debt Service:			
Principal	4,318		4,318
	<u>713,531</u>	<u>39,028</u>	<u>752,559</u>
Total expenditures			752,559
Deficiency of revenues under expenditures	(69,408)	(7,083)	(76,491)
Other Financing Sources (Uses):			
Transfers in		29,985	29,985
Transfers out	(29,985)		(29,985)
	<u>(29,985)</u>	<u>29,985</u>	<u>-</u>
Total other financing sources (uses)			-
Net Change in Fund Balances	(99,393)	22,902	(76,491)
Fund Balance at July 1, 2016	51,533	51,880	103,413
Fund Balance (Deficit) at June 30, 2017	<u>\$ (47,860)</u>	<u>\$ 74,782</u>	<u>\$ 26,922</u>

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

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net Change In Fund Balance (Deficit) - Governmental Funds	\$	(76,491)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which current year depreciation expense (\$54,606) exceeds capital asset additions (\$26,267).		(28,339)
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In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		5,744
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Principal payments on long-term debt are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net position.		4,318
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Change in Net Position - Governmental Activities	\$	<u><u>(94,768)</u></u>
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**ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity:

Escambia Charter 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 Board of Directors. The governing body of the School is the Board of Directors.

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 Escambia County District School Board. The current charter is effective until June 30, 2019. The School is considered a component unit of the Escambia County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the School’s financial statements are identified and described in the Governmental Accounting Standards Board’s (“GASB”) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide 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 financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to individuals who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

**ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Financial Statement Presentation:

The accompanying financial statements of the School have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

The government-wide financial statements are prepared 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.

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the School. Program revenues reduce the cost of the function to be financed from the School's general revenues.

FUND FINANCIAL STATEMENTS (FFS) - GOVERNMENTAL FUNDS

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant 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. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenues are recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The School reports the following major governmental funds:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the School. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the General Fund.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. Within the unrestricted category, committed resources are used first, then assigned resources, if any, followed by unassigned resources as needed.

Assigned Fund Balance:

The Florida Commissioner of Education allocates capital outlay funds to eligible charter schools, and those funds are assigned to the School's Capital Projects Fund. Capital outlay funds are to be used for the following purposes: purchase of real property, construction of school facilities, purchase, lease-purchase, or lease of permanent or relocatable school facilities, purchase of vehicles to transport students, or renovation, repair, and maintenance of school facilities that a charter school owns or is purchasing through a lease-purchase or long-term lease.

Use of Estimates:

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

Income Taxes:

The organization is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

Elimination and Reclassifications:

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets:

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is used based on the following estimated useful lives:

Buildings and fixed equipment	20 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Motor vehicles	4 - 10 years
Computer software	5 - 10 years
Property under capital lease	5 - 10 years
Building improvements	7 - 40 years

Long-Term Debt and Compensated Absences:

All long-term debt is recorded as liabilities in the GWFS when incurred. Principal and interest payments are recorded as expenditures in the General Fund or Capital Fund Projects Fund in the FFS, with a corresponding reduction in the liability in the GWFS for the amount of the principal payment. Compensated absences are recorded as expenditures when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave.

Revenue Sources:

The School's primary revenue source is the Escambia County District School Board (the "District"). Pursuant to the provision of the School's charter and Section 1002.33, Florida Statutes, the School reports full time equivalents ("FTEs") to the District. The District, under Section 1011.62, Florida Statutes, then reports the number of FTEs to the Florida Department of Education for funding under the Florida Education Finance Program. The District retains an administration charge from the total FTE funding attributed to the School, therefore actual revenue recorded by the School represents the remainder of FTE funding after the administrative charge. School revenue is adjusted during the year to reflect changes in the number of FTEs.

**ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources (Continued):

The School also receives Federal and State awards for the enhancement of various educational programs and facilities. Federal and State awards are generally received based on applications submitted to and approved by various granting agencies.

The School receives funding under the provisions of Section 1013.62, Florida Statutes, which provides capital outlay funding for charter schools. This amount is recorded as deferred revenue rather than as revenue until the School incurs and requests reimbursement for qualifying capital outlay expenditures. Awards received from the capital outlay program are made from funds appropriated by Legislature and may be used for any lawful capital outlay purpose that is directly related to the functioning of the charter school.

Budgetary Data:

The School utilizes the following procedures in establishing budgetary data:

The president submits to the Board of Directors the proposed annual budgets for the General Fund and the Capital Projects Fund for the fiscal year commencing the next July 1. The Board of Directors legally enacts the budget through adoption, and the budget is revised periodically throughout the school year, when deemed appropriate. Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the total expenditures level.

Risk Management Programs:

Automobile liability, general liability, property, employee bond, and workers' compensation coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage for the last three years.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - UNCERTAINTY REGARDING GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis as the School has suffered recurring losses from operations resulting in unrestricted fund balance decreasing \$77,095 from year ended June 30, 2016. In the past two fiscal years, the School's Florida Education Finance Program (FEFP) funding from the District has averaged approximately \$622,000 while expenses have averaged \$785,000. As described in Note 1, the FEFP funding is the School's primary source of revenue. During fiscal year ended June 30, 2016, the School obtained a \$150,000 line of credit to offset the funding shortfall. As mentioned in Note 5, at June 30, 2017 outstanding borrowings under the line of credit were \$143,572. These factors have created substantial doubt about the School's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

Management has evaluated these conditions and identified ways to mitigate the uncertainty of the School's ability to continue as a going concern. Management has identified expenditures that can be reduced or eliminated. In addition, since FEFP funding is dependent on student enrollment, management is working with the District to allow general education students to attend the School to increase their FTEs. Currently, the School provides dropout prevention/alternative programs of education for students who are considered at-risk of academic failure. The School is also seeking opportunities to obtain grant funding. The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

NOTE 3 - CASH AND INVESTMENTS

The School's cash and investments consist of petty cash, demand deposits, and a certificate of deposit. At year end, the carrying amount of the School's deposits was \$186,535 and the bank balance was \$192,258, all of which was held by qualified public depositories under Chapter 280, Florida Statutes. Accordingly, all of the deposits are considered to be fully insured.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Buildings and fixed equipment	\$ 192,407	\$ 5,065	\$	\$ 197,472
Furniture, fixtures and equipment	317,251			317,251
Motor vehicles	348,238	21,202		369,440
Computer software	37,926			37,926
Property under capital lease	32,511			32,511
Building improvements	172,960			172,960
Totals at historical cost	<u>1,101,293</u>	<u>26,267</u>	<u>-</u>	<u>1,127,560</u>
Less accumulated depreciation:				
Buildings and fixed equipment	155,499	18,113		173,612
Furniture, fixtures and equipment	279,391	13,258		292,649
Motor vehicles	327,509	7,988		335,497
Computer software	36,103	1,167		37,270
Property under capital lease	17,816	4,381		22,197
Building improvements	128,285	9,699		137,984
Total accumulated depreciation	<u>944,603</u>	<u>54,606</u>	<u>-</u>	<u>999,209</u>
Capital assets, net	<u>\$ 156,690</u>	<u>\$ (28,339)</u>	<u>\$ -</u>	<u>\$ 128,351</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 7,785
Facilities acquisition and construction	17,935
Central services	11,789
Pupil transportation services	7,988
Operation of plant	2,964
Maintenance of plant	6,145
	<u>\$ 54,606</u>

**ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - LINE OF CREDIT

The Company has a revolving line of credit with a bank in the amount of \$150,000 which matures on March 1, 2018. Borrowings under the line of credit accrue interest at a fixed rate of 2.6% which is payable monthly. The line is secured by the certificate of deposit and the money market account that are held at the bank. The School may not transfer or withdraw any funds from the money market account without express written consent from the bank. As such, the money market account is considered restricted. At June 30, 2017, outstanding borrowings under the line of credit were \$143,572. Interest paid for the year ended June 30, 2017 was \$2,277.

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities were as follows:

	Balance			Balance	Amounts
	July 1, 2016	Additions	Reductions	June 30, 2017	Due Within One Year
Capital lease obligation	\$ 14,955	\$	\$ (4,318)	\$ 10,637	\$ 4,460
Compensated absences	16,691		(5,744)	10,947	4,267
Total	<u>\$ 31,646</u>	<u>\$ -</u>	<u>\$ (10,062)</u>	<u>\$ 21,584</u>	<u>\$ 8,727</u>

The School has entered into a capital lease for two copy machines, which is payable in monthly installments of \$395 through October 2019.

Compensated absences records relate only to hours earned, used, and available; therefore, the net change in compensated absences payable is reflected in the above schedule.

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Maturities of the capital lease obligation is as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 4,460	\$ 280	\$ 4,740
2019	4,607	133	4,740
2020	1,570	11	1,581
	<u>\$ 10,637</u>	<u>\$ 424</u>	<u>\$ 11,061</u>

NOTE 7 - DEFICIT FUND BALANCE

A deficit unassigned fund balance of \$148,974 exists in the general fund. The deficit results from the School's reoccurring operating losses. Note 2 further discusses the School's uncertain ability to continue as a going concern.

NOTE 8 - SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

Sources	General Fund	Capital Projects Fund
Escambia County District School Board:		
Florida Education Finance Program	\$ 626,913	\$
Capital outlay		31,644
Title I teacher funding	15,738	
Miscellaneous local sources	869	
Interest income	603	301
	<u>\$ 644,123</u>	<u>\$ 31,945</u>
Total	<u>\$ 644,123</u>	<u>\$ 31,945</u>

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9 - INTERFUND TRANSFER

During the year ended June 30, 2017, the School made one transfer to the Capital Projects Fund totaling \$29,985 to eliminate the interfund receivables and payables as the interfund liability was not expected to be settled within the next fiscal year.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The School has a 401(k) retirement plan covering substantially all employees who have completed one year of service with the School. Through February 2017, the plan included provisions for an employer match of 25% of employee contributions up to 6% of the employee's salary. During March 2017, the plan was amended to include provisions for an employer match of 100% of employee contributions up to 3% of the employee's salary. The School contributions to the Plan amounted to \$1,791 during the year ended June 30, 2017.

NOTE 11 - OPERATING LEASE

The School leases land and a building from Escambia County. The five-year lease, which began in 1998, is considered an operating lease and was renewed for an additional period to end May 15, 2018. The monthly lease payment was \$500 through June 30, 2017. The lease payments are included in current facilities acquisition and construction under the Capital Projects Fund. The lease is cancelable by either party with ninety days notice. The minimum future payments under the lease total \$5,500 for the year ending June 30, 2018.

NOTE 12 - CONTINGENCIES

As stated in Note 1, the School has received charter school capital outlay funding. The disbursement of funds received under this program is subject to review and audit by awarding agencies, and these funds are restricted to use for lawful capital outlay expenditures only. Any disbursements disallowed by the awarding agency could become liabilities of the School. In the event the School terminates operation, all unencumbered funds and all equipment and property purchased with capital outlay funds revert back to the ownership of the District.

REQUIRED SUPPLEMENTARY INFORMATION

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017
UNAUDITED

	Budgeted Amounts			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Intergovernmental:				
Escambia County District School Board	\$ 720,414	\$ 627,064	\$ 626,913	\$ (151)
Title I teacher funding	24,000	15,750	15,738	(12)
Other	1,240	1,240	1,472	232
Total revenues	745,654	644,054	644,123	69
Expenditures:				
Current - Education:				
Instruction	316,640	298,210	298,384	(174)
Pupil personnel services	49,076	40,576	40,891	(315)
Board	-	-	428	(428)
School administration	3,759	3,759	3,324	435
Fiscal services	149,240	141,340	140,543	797
Central services	35,492	34,642	36,638	(1,996)
Pupil transportation services	80,368	117,868	117,802	66
Operation of plant	85,620	61,995	61,643	352
Maintenance of plant	4,800	5,300	4,722	578
Debt Service:				
Principal	4,740	4,740	4,318	422
Capital Outlay:				
Instruction	1,000	-	-	-
Central services	1,200	-	-	-
Pupil transportation services	-	4,800	4,838	(38)
Total expenditures	731,935	713,230	713,531	(263)
Excess (deficiency) of revenues over (under) expenditures	13,719	(69,176)	(69,408)	332
Other Financing Uses:				
Transfers out	-	-	(29,985)	29,985
Net Change in Fund Balance	13,719	(69,176)	(99,393)	30,317
Fund Balance at July 1, 2016	51,533	51,533	51,533	-
Fund Balance (Deficit) at June 30, 2017	\$ 65,252	\$ (17,643)	\$ (47,860)	\$ (30,217)

ESCAMBIA CHARTER SCHOOL, INC.
A COMPONENT UNIT OF
THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017
UNAUDITED

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Intergovernmental:				
Escambia County District School Board	\$ 48,000	\$ 31,500	\$ 31,644	\$ 144
Other	120	120	301	181
 Total revenues	 48,120	 31,620	 31,945	 325
Expenditures:				
Current - Education:				
Instruction	7,000	4,500	4,575	(75)
Facilities acquisition and construction	6,000	6,000	6,000	-
Central services	-	1,300	1,328	(28)
Pupil transportation services	-	1,700	1,700	-
Operation of plant	300	750	774	(24)
Maintenance of plant	1,800	3,235	3,222	13
Capital Outlay:				
Instruction	6,000	-	-	-
Facilities acquisition and construction	17,250	-	-	-
Pupil transportation services	-	16,000	16,363	(363)
Operation of plant	3,000	5,000	5,066	(66)
Maintenance of plant	5,400	-	-	-
 Total expenditures	 46,750	 38,485	 39,028	 (543)
 Excess (deficiency) of revenues under expenditures	 1,370	 (6,865)	 (7,083)	 868
Other Financing Sources:				
Transfers in	-	-	29,985	(29,985)
 Net Change in Fund Balance	 1,370	 (6,865)	 22,902	 (29,117)
 Fund Balance at July 1, 2016	 51,880	 51,880	 51,880	 -
 Fund Balance at June 30, 2017	 \$ 53,250	 \$ 45,015	 \$ 74,782	 \$ 29,767

OTHER REPORTS

**INDEPENDENT ACCOUNTANT'S REPORT
ON COMPLIANCE WITH SECTION 218.45, FLORIDA STATUTES**

To the Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

We have examined Escambia Charter School, Inc.'s (the "School") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended June 30, 2017. The School's management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on the School's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School is in compliance with specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about the School's compliance with specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance with specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the School's compliance with specified requirements.

In our opinion, the School complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

This report is intended solely for the information and use of the School and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
August 11, 2017

MANAGEMENT LETTER

To the Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

Report on the Financial Statements

We have audited the financial statements of Escambia Charter School, Inc. (the “School”) (a component unit of the Escambia County District School Board), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 11, 2017.

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 Report

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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 11, 2017, 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. Corrective actions have not been taken to address the following findings and recommendations made in the preceding annual financial audit report: Finding 2016-1 and Finding 2016-2.

Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Escambia Charter School, Inc.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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 the financial information provided by same.

2016-1: Deteriorating Financial Conditions

Auditor's Comment:

In accordance with Sections 10.851(1)e6.a. and 10.855(12), Rules of Auditor General, we applied financial condition assessment procedures and determined the School appears to be operating in a state of deteriorating financial condition based on negative changes in fund balances for the past five years, in addition to unfavorable ratings on 77% of the applicable financial indicators assessed. If this trend continues, the School will be forced to either make significant cuts in expenses to continue to operate or find new funding sources or ways to increase full-time equivalent (FTE) counts. We recommend management and the Board develop and implement a plan aimed at improving the financial condition of the School.

Client's Corrective Action Plan:

We have discussed and continue to discuss several ways to increase our FTE counts, keep students in school, and reduce our student turnover rates. This continues to be an emphasis for the School, and the main way we can increase revenues. We have also discussed and continue to evaluate how we can raise additional funds or obtain new revenue streams via grants and/or fundraising events. We have re-evaluated expenses and have made various cuts in areas we feel will help the School continue operations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit and as described below, we determined that the School did not maintain on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

2016-2: School Website

Auditor's Comment:

According to Section 1002.33(9)(p), Florida Statutes, the School should maintain a website in accordance with certain requirements. Per review of the website, the School's annual budget, annual independent fiscal audit, listing of Board of Directors, and information regarding the School's academic performance were not posted as required. We recommend management include the missing information on the School's website to comply with Section 1002.33(9)(p), Florida Statutes.

Client's Corrective Action Plan:

In fiscal year 2017, there were changes made in the administration of the School. Specifically, our principal retiring and a new principal starting mid-year. In all of the confusion of the transition, the website maintenance requirement was missed. Going forward, we will make a point to have a monthly review of our website and add the required items for transparency such as Board members listing, School's academic performances, audit reports, etc., and bring any other items up to date as they are found.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 warrants the attention of those charged with governance. In connection with our audit and as described below, we determined that the School did not perform a physical inventory of all property as specified in Section 69I-73.006, Florida Administrative Code.

Board of Directors
Escambia Charter School, Inc.
Pensacola, Florida

2017-1: Annual Inventory

Auditor's Comment:

According to Section 69I-73.006, Florida Administrative Code, the Charter School is required to complete a physical inventory of all property annually. Per management and the accountant, an inventory was not performed during the fiscal year. We recommend management perform an annual inventory of the School's assets to be in compliance with Section 69I-73.006, Florida Administrative Code.

Client's Corrective Action Plan:

In fiscal year 2017, our maintenance supervisor retired and was not replaced due to cash flow challenges. Our accountant also moved out of state and no one was around to perform this task by year end. Going forward, we will make sure an annual inventory is taken by personnel who understands this process.

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, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
August 11, 2017