

IMAGINE - LEON COUNTY, LLC
(A COMPONENT UNIT OF THE SCHOOL BOARD OF
LEON COUNTY FLORIDA)
FINANCIAL STATEMENTS
JUNE 30, 2017

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JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Imagine - Leon County, LLC

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 Imagine - Leon County, LLC (a component unit of the School Board of Leon County, Florida) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Imagine - Leon County, LLC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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 Imagine - Leon County, LLC, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

In April 2017, the Board of Directors of Imagine - Leon County, LLC requested the charter with the School Board of Leon County, Florida ("Sponsor") be terminated. The request to terminate the charter was accepted by the Sponsor in May 2017. During July of 2017, Imagine - Leon County, LLC was closed and ceased operations as described in Note III (H). 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 as listed in the table of contents 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 July 31, 2017, on our consideration of Imagine - Leon County, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imagine - Leon County, LLC's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
July 31, 2017

**IMAGINE – LEON COUNTY, LLC
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of Imagine - Leon County, LLC, we offer readers of Imagine - Leon County, LLC's financial statements this narrative overview and analysis of the financial activities of Imagine - Leon County, LLC for the fiscal year ended June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Imagine - Leon County, LLC's basic financial statements. Imagine - Leon County, LLC'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 Imagine - Leon County, LLC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Imagine - Leon County, LLC'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 Imagine - Leon County, LLC is improving or deteriorating.

The *statement of activities* presents information showing how Imagine - Leon County, LLC'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.

Both of the government-wide financial statements distinguish various functions of Imagine - Leon County, LLC. The governmental activities of the Imagine - Leon County, LLC include instruction and instruction related services, school administration, fiscal services, food services, pupil transportation services, operation of plant, and maintenance of plant.

The government-wide financial statements can be found on pages 7 – 8 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. Imagine - Leon County, LLC, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Imagine - Leon County, LLC are governmental funds.

Governmental funds. *Governmental 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 school's near-term financing requirements.

**IMAGINE – LEON COUNTY, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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 school'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*.

Imagine - Leon County, LLC maintains four governmental funds. Information is presented 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 capital project fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9 – 10 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 11 – 19 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Imagine - Leon County, LLC's budgetary information. Required supplementary information can be found on pages 20 – 23 of this report.

Government-wide Financial Analysis

In April 2017, the Board of Directors of Imagine - Leon County, LLC requested the charter with the Sponsor be terminated. The request to terminate the charter was accepted by the Sponsor in May 2017. Imagine - Leon County, LLC was closed as of June 30, 2017. Certain assets were reverted to the Sponsor with remaining assets used to extinguish remaining liabilities. As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of Imagine - Leon County, LLC, assets equaled liabilities as of June 30, 2017 and there was no remaining net position.

**IMAGINE – LEON COUNTY, LLC
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 158,090	\$ 106,221
Capital assets	-	40,609
Total assets	<u>158,090</u>	<u>146,830</u>
Other liabilities	<u>158,090</u>	<u>103,646</u>
Total liabilities	<u>158,090</u>	<u>103,646</u>
Net position:		
Net investments in capital assets	-	40,609
Unrestricted	-	2,575
Total net position, as restated	<u>\$ -</u>	<u>\$ 43,184</u>

Governmental activities. During the current fiscal year, net position for governmental activities increased \$139,365 from the prior fiscal year ending with \$0 net position as of June 30, 2017 as Imagine - Leon County, LLC ceased operations.

Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 37,122	\$ 21,334
Operating grants and contributions	102,734	155,846
Capital grants and contributions	49,815	34,629
General revenues:		
Grants and contributions not restricted to specific programs	<u>3,030,098</u>	<u>3,203,895</u>
Total revenues	<u>3,219,769</u>	<u>3,415,704</u>
Expenses:		
Basic instruction	770,715	857,947
Exceptional instruction	2,662	58,153
Health services	77	298
Health Services	1,438	
General administration	405,968	510,839
School administration	334,231	482,266
Food services	114,292	129,132
Transportation	33,664	21,835
Plant	1,248,876	1,274,707
Maintenance of plant	115,007	119,148
Before/after care	26,670	31,407
Loss on disposal	26,804	-
Total expenses	<u>3,080,404</u>	<u>3,485,732</u>
Decrease in net position	139,365	(70,028)
Net position, beginning of year, as restated	<u>(139,365)</u>	<u>113,212</u>
Net position, end of year	<u>\$ -</u>	<u>\$ 43,184</u>

**IMAGINE – LEON COUNTY, LLC
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Financial Analysis of the Government's Funds

As noted earlier, Imagine - Leon County, LLC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Imagine - Leon County, LLC’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Imagine - Leon County, LLC’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a school's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, Imagine - Leon County, LLC itself, or a group or individual that has been delegated authority to assign resources for use for a particular purposes by Imagine - Leon County, LLC’s board.

At June 30, 2017, Imagine - Leon County, LLC’s governmental funds reported combined fund balances of \$0, as Imagine - Leon County, LLC closed operations.

General Fund Budgetary Highlights

Original budget compared to final budget. The major differences between the original budget and the final amended budget were due to the following:

- An increase in the amount of contribution from Imagine School Non-Profit, Inc.
- An adjustment to reconcile to related party caused an increase to General and Administration expenses.
- An adjustment to reconcile to related party caused an decrease in Plant expenses.

Capital Asset Administration

Capital assets. Imagine - Leon County, LLC’s investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$0. The School ceased operations as of June 30, 2017, with all remaining capital assets reverting to the Sponsor.

Additional information on Imagine - Leon County, LLC’s capital assets can be found in Note II. B. on page 18 of this report.

Economic Factors and Next Year's Budgets and Rates

- The School ceased operations as of June 30, 2017.

Requests for Information

This financial report is designed to provide a general overview of Imagine - Leon County, LLC’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 Imagine Schools, 1005 North Glebe Road, Suite 610., Arlington, VA 22201.

IMAGINE - LEON COUNTY, LLC
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 83,571
Receivable from governmental agencies	23,071
Receivable Imagine Corporate	51,448
Total assets	\$ 158,090
<u>LIABILITIES</u>	
Accounts payable and accrued expenses	\$ 158,090
<u>NET POSITION</u>	
Net investment in capital assets	\$ -
Unrestricted	-
Total net position	\$ -

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

**IMAGINE - LEON COUNTY, LLC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Basic instruction	\$ 770,715	\$ -	\$ 102,734	\$ (667,981)
Exceptional instruction	2,662	-	-	(2,662)
Health services	77	-	-	(77)
Media	1,438	-	-	(1,438)
General administration	405,968	-	-	(405,968)
School administration	334,231	-	-	(334,231)
Food services	114,292	402	113,890	-
Transportation	33,664	-	-	(33,664)
Plant	1,248,876	-	-	(1,199,061)
Maintenance of plant	115,007	-	-	(115,007)
Before/after care	26,670	36,720	-	10,050
Loss on disposal	26,804	-	-	(26,804)
Total governmental activities	\$ 3,080,404	\$ 37,122	\$ 216,624	\$ (2,776,843)
			\$ 49,815	
				2,916,208
				139,365
				(139,365)
				\$ -

General revenues:
Grants and contributions not restricted to specific purposes

Change in net position

Net position, beginning of year, as restated

Net position, end of year

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

**IMAGINE - LEON COUNTY, LLC
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 83,571
Receivable from governmental agencies	23,071
Receivable from Imagine Corporate	51,448
Total Assets	\$ 158,090
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 158,090
Total liabilities	158,090
Fund Balance:	
Unassigned	-
Total fund balance	-
Amounts reported for governmental activities in the statement of net position that are different:	-
Net position of governmental activities	\$ -

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

**IMAGINE - LEON COUNTY, LLC
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental				
Florida education finance program	\$ 1,174,123	\$ -	\$ -	\$ 1,174,123
Capital outlay funds	-	49,815	-	49,815
Federal through state	-	-	193,940	193,940
Federal through local	-	-	18,835	18,835
Local	128,560	-	401	128,961
Related party contribution	1,654,095	-	-	1,654,095
Total revenues	<u>2,956,778</u>	<u>49,815</u>	<u>213,176</u>	<u>3,219,769</u>
Expenditures				
Basic instruction	689,659	-	83,718	773,377
Health services	77	-	-	77
Media services	1,438	-	-	1,438
General administration	392,209	-	-	392,209
School administration	334,231	-	-	334,231
Food services	-	-	114,292	114,292
Transportation	31,214	-	-	31,214
Plant	1,199,061	49,815	-	1,248,876
Maintenance of plant	115,007	-	-	115,007
Before/after care	26,670	-	-	26,670
Capital outlay	2,404	-	-	2,404
Total expenditures	<u>2,791,970</u>	<u>49,815</u>	<u>198,010</u>	<u>3,039,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>164,808</u>	<u>-</u>	<u>15,166</u>	<u>179,974</u>
Other financing sources (uses)				
Transfers in	15,166	-	-	15,166
Transfers out	-	-	(15,166)	(15,166)
Total other financing sources (uses)	<u>15,166</u>	<u>-</u>	<u>(15,166)</u>	<u>-</u>
Net change in fund balances	<u>179,974</u>	<u>-</u>	<u>-</u>	<u>179,974</u>
Fund balances, beginning of year, as restated	<u>(179,974)</u>	<u>-</u>	<u>-</u>	<u>(179,974)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies:

The following is a summary of the more significant accounting policies of Imagine - Leon County, LLC (the "School"), which affect significant elements of the accompanying basic financial statements:

A. Description of government wide 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 primary government. Governmental activities are normally supported by intergovernmental revenues, and other nonexchange transactions.

B. Reporting entity

Imagine - Leon County, LLC was created on July 11, 2007, to operate a public charter school in Florida to serve educational and charitable purposes and qualify for derivative exempt status as a disregarded entity within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 or a related section of a successor statute (the "Code") by virtue of its relationship with its single member Imagine Schools Non-Profit, Inc., a Virginia nonstock corporation (the "Member"). The School also qualifies through its exempt status relationship derived from its Member as an educational organization for purposes of receiving deductible gifts and grants within the meaning of Section 170(b)(1)(A)(ii) of the Code, and to engage in any lawful act or activity for which limited liability companies may be organized under Florida law.

The School entered into a contract with the Sponsor to provide an educational program for elementary and middle school students in grades pre-kindergarten through eighth. The School receives a majority of its funding through the Sponsor based on a formula of student attendance which is identical to that of other Leon County, Florida public pre-kindergarten, elementary and middle schools. The current charter is effective until June 30, 2017 and automatically renews until June 30, 2018, based on academic performance, by mutual agreement between the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter, in which case the Sponsor 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 Sponsor may also terminate the charter if good cause is shown. Imagine - Leon County, LLC is considered a component unit of the School Board of Leon County, Florida. The charter was renewed; however the school decided to cease operations as of June 30, 2017.

C. Basis of presentation – government wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

General Fund—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and major maintenance projects.

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Leon County School Board, are reported as general revenues.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

E. Measurement focus and basis of accounting (Continued)

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

F. Budgetary information

The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School's governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities, and net position/fund balance

1. Deposits and investments

Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets are defined by the School as assets with an initial individual cost of \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Technology equipment	5
Furniture, fixtures and equipment	4 – 10
Transportation	5 – 10

4. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

5. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities, and net position/fund balance (Continued)

6. Net position flow assumption

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The School Board is the highest level of decision making authority for the School that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The School Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

I. Summary of Significant Accounting Policies: (Continued)

H. Revenues and expenditures/expenses

1. Revenue sources

Revenues for current operations are received primarily from the Leon County School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Leon County School Board. Under the provisions of Section 1011.62, Florida Statutes, the Leon County School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

The School may receive federal and state awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

In the government-wide financial statements, when both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. In governmental fund financial statements, restricted funds are used first as appropriate. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors has provided otherwise in its commitment or assignment actions.

II. Detailed Notes on All Funds:

A. Deposits

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned. At year end, the carrying amount of the School's deposits was \$83,571 and the bank balance was \$87,053. Of the bank balance, \$87,053 was covered by Federal depository insurance or by collateral held by the School's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The carrying amount of deposits consisted of the following as of September 30, 2017:

Cash and cash equivalents	<u>\$ 83,571</u>
---------------------------	------------------

**IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

II. Detailed Notes on All Funds: (Continued)

B. Capital Assets

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

	<u>Balance July 01, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets, being depreciated:				
Technology equipment	\$ 74,780	\$ -	\$ (74,780)	\$ -
Furniture, fixtures and equipment	132,766	2,404	(135,170)	-
Motor vehicles	29,554	-	(29,554)	-
Total capital assets, being depreciated	<u>237,100</u>	<u>2,404</u>	<u>(239,504)</u>	<u>-</u>
Less accumulated depreciation:				
Technology equipment	(74,870)	-	74,870	-
Furniture, fixtures and equipment	(97,258)	(13,759)	111,017	-
Motor vehicles	(24,453)	(2,449)	26,902	-
Total accumulated depreciation	<u>(196,581)</u>	<u>(16,208)</u>	<u>212,789</u>	<u>-</u>
Capital assets, being depreciated, net	<u>\$ 40,519</u>	<u>\$ (13,804)</u>	<u>\$ (26,715)</u>	<u>\$ -</u>

Capital assets are used by multiple functions within the School and depreciation expense of \$16,208 was charged to governmental functions as follows:

General administration	\$ 13,759
Transportation	2,449
	<u>\$ 16,208</u>

C. Transfers

The following is a summary of interfund transfers reported in the governmental fund financial statements:

	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 23,536	\$ -
Other governmental funds	-	23,536
Total	<u>\$ 23,536</u>	<u>\$ 23,536</u>

The transfers are used to move unrestricted revenues to finance various programs, capital outlay and debt service that must be accounted for in other funds.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

II. Detailed Notes on All Funds: (Continued)

D. Operating Lease

During the year, Imagine - Leon County, LLC leased building space under an operating lease agreement originally expiring in 2023. Rent expense related to the operating lease for the year ended June 30, 2017, amounted to \$1,192,115. A related party, Imagine Schools Non-Profit, Inc. made contributions towards the lease expense not paid by Imagine - Leon County, LLC during the year. As of June 30, 2017, Imagine - Leon County, LLC ceased operations and the lease has been terminated.

III. Other Information:

A. Concentrations

The School maintains cash deposits with one bank. The School has no policy requiring collateral to support its cash deposits, although accounts at the bank are insured by the Federal Deposit Insurance Corporation up to FDIC limits.

B. Significant Funding Source

The School receives a substantial amount of its funding from the Leon County School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

C Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Loss mitigation is provided through purchased commercial insurance. Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

D. Defined Contribution Plan

The School participates in a company sponsored retirement savings plan. Opportunities to invest tax-sheltered salary dollars are available through a variety of investment options in accordance with Internal Revenue Code 401(k). Full and part-time employees are eligible, as long as they meet the age requirements, and may contribute from 1% - 100% of their pay on a pre-tax basis to the allowable annual maximums. The Company provides a matching contribution up to 5%. School contributions to the retirement program for the year ending June 30, 2017, were \$ 9,994.

E. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally Federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

IMAGINE - LEON COUNTY, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

III. Other Information: (Continued)

F. Related Party Transactions:

Indirect Cost Allocation—The School has entered into an indirect cost allocation agreement, commencing on July 16, 2007 and amended July 1, 2009. Under the indirect cost allocation agreement, Imagine Schools Non-Profit, Inc. will provide on-going operational and financial support to the School. The indirect cost allocation is equal to 12% of the per-pupil funding provided by state and local governments during the fiscal year, plus a monthly administrative fee of two thousand five hundred and no/100 dollars (\$2,500) for the first two hundred forty (240) months of School operation. The indirect cost allocation shall be paid monthly. On or before August 31 of each year Imagine Schools Non-Profit, Inc. shall provide to the School a reconciliation of actual per-pupil funding provided by state and local governments for the immediately preceding fiscal year. Any shortfall of indirect cost allocation shall be immediately paid to the management company. Any overpayment of the indirect cost allocation for the immediately preceding fiscal year shall be applied first to re-payment of any operating capital advances made by the management company to the School and next to the indirect cost allocation due for the then current fiscal year. Current year indirect cost allocation charged under this agreement totaled \$176,562. Current year loss mitigation charged under this agreement totaled \$25,201. There were no payments made by the School to the management company under this agreement and the amount was covered by a contribution from Imagine Schools Non-Profit, Inc.

G. Income Taxes:

The School qualifies through its exempt status relationship derived from its Member as an educational organization for purposes of receiving deductible gifts and grants within the meaning of Section 170(b)(1)(A)(ii) of the Code.

The School files income tax returns in the U.S. Federal jurisdiction. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The School has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

H. Restatement of Net Assets

Subsequent to the issuance of the June 30, 2016 financial statements, management became aware of an understatement in operating expenses during the year-end June 30, 2016. The correction of the error increased operating expenses and decreased net position \$182,549 at June 30, 2016.

I. Subsequent Events

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 31, 2017, the date which the financial statements were available to be issued. In April 2017, the Board of Directors of Imagine - Leon County, LLC requested the charter with the Sponsor be terminated. The request to terminate the charter was accepted by the Sponsor in May 2017. During July of 2017, Imagine - Leon County, LLC was closed and ceased operations. Certain assets were reverted to the Sponsor with remaining assets used to extinguish remaining liabilities. This is the final annual financial report of Imagine - Leon County, LLC.

REQUIRED SUPPLEMENTARY INFORMATION

IMAGINE - LEON COUNTY, LLC
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Florida education finance program	\$ 1,610,043	\$ 1,174,123	\$ 1,174,123	\$ -
Local	86,922	128,560	128,560	-
Related party contribution	1,528,199	1,441,618	1,654,095	212,477
Total revenues	<u>3,225,164</u>	<u>2,744,301</u>	<u>2,956,778</u>	<u>212,477</u>
Expenditures				
Basic instruction	923,044	689,659	689,659	-
Health services	297	77	77	-
Media services	1,184	1,438	1,438	-
General administration	517,183	348,641	392,209	(43,568)
School administration	383,455	334,231	334,231	-
Transportation	18,977	31,214	31,214	-
Plant	1,170,563	1,221,070	1,199,061	22,009
Maintenance of plant	143,261	115,007	115,007	-
Before/after care	28,856	26,670	26,670	-
Capital outlay	-	2,404	2,404	-
Total expenditures	<u>3,186,820</u>	<u>2,770,411</u>	<u>2,791,970</u>	<u>(21,559)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>38,344</u>	<u>(26,110)</u>	<u>164,808</u>	<u>190,918</u>
Other financing uses				
Transfers in	-	-	15,166	15,166
Net change in fund balance	<u>38,344</u>	<u>(26,110)</u>	<u>179,974</u>	<u>206,084</u>
Fund balance, beginning of year	(179,974)	(179,974)	(179,974)	-
Fund balance, end of year	<u>\$ (141,630)</u>	<u>\$ (206,084)</u>	<u>\$ -</u>	<u>\$ 206,084</u>

The accompanying notes to required supplementary
information is an integral part of this schedule.

IMAGINE - LEON COUNTY, LLC
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET TO ACTUAL - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Federal through state	\$ 129,093	\$ 197,608	\$ 193,940	\$ (3,668)
Federal through local	-	23,537	18,835	(4,702)
Local	4,835	401	401	-
Total revenues	<u>133,928</u>	<u>221,546</u>	<u>213,176</u>	<u>(8,370)</u>
Expenditures				
Basic instruction	95,500	83,718	83,718	-
Food services	129,132	114,292	114,292	-
Total expenditures	<u>224,632</u>	<u>198,010</u>	<u>198,010</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,704)</u>	<u>23,536</u>	<u>15,166</u>	<u>(8,370)</u>
Other financing uses				
Transfers out	-	-	(15,166)	(15,166)
Net change in fund balance	<u>(90,704)</u>	<u>23,536</u>	<u>-</u>	<u>(23,536)</u>
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (90,704)</u>	<u>\$ 23,536</u>	<u>\$ -</u>	<u>\$ (23,536)</u>

The accompanying notes to required supplementary
information is an integral part of this schedule.

IMAGINE - LEON COUNTY, LLC
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual is presented using the School’s budget format for all major governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors. The budget presented for fiscal year ended June 30, 2017, has been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
Imagine - Leon County, LLC:

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 Imagine - Leon County, LLC, 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 July 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Imagine - Leon County, LLC'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 Imagine - Leon County, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Imagine - Leon County, LLC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weakness.

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. We consider the deficiency described below to be a material weakness.

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tlh@jmco.com

2017-01: Lack of Segregation of Duties

Imagine - Leon County, LLC had a key financial staff member leave during current fiscal year. Due to the reduction in personnel, it is not uncommon to find weaknesses in internal controls. For example, the Regional Finance Director reconciled bank statements, prepared journal entries, and posted transactions to the accounting system with no review. An ideal system of internal controls would segregate many of these duties. We recognize and understand that personnel may not always be available to permit such a separation; however, it is important that management is made aware of this condition.

Compliance and Other Matters

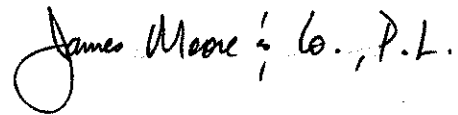
As part of obtaining reasonable assurance about whether Imagine - Leon County, LLC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

Imagine - Leon County, LLC's Response to Findings

Imagine - Leon County, LLC's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Imagine - Leon County, LLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

James Moore & Co., P.L.

Tallahassee, Florida
July 31, 2017

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850,
RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,
Imagine - Leon County, LLC:

Report on the Financial Statements

We have audited the financial statements of Imagine - Leon County, LLC, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated July 31, 2017.

Auditors' Responsibility

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; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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 July 31, 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. There were no findings and recommendations made in the preceding annual financial audit report.

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 Imagine - Leon County, LLC.

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Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Imagine - Leon County, LLC 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 Imagine - Leon County, LLC 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, require that we apply financial condition assessment procedures for Imagine - Leon County, LLC. It is management's responsibility to monitor the Imagine - Leon County, LLC'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. In April 2017, the Board of Directors of Imagine - Leon County, LLC requested the charter with the Sponsor be terminated. The request to terminate the charter was accepted by the Sponsor in May 2017. During July of 2017, Imagine - Leon County, LLC was closed and ceased operations. Certain assets were reverted to the Sponsor with remaining assets used to extinguish remaining liabilities. This is the final annual financial report of Imagine - Leon County, LLC.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Imagine - Leon County, LLC maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Imagine - Leon County, LLC did maintain all of the required information on its website as specified in Section 1002.33(9)(p), Florida Statutes.

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 which warrants the attention of those charged with governance. In connection with our audit, we noted items below.

2017-02: Missing Student File

During review of student files for the current audit period, Imagine - Leon County, LLC was unable to produce one of the files selected for review. Cumulative student files are required to be maintained and updated by the school.

2017-03: Fire Drills

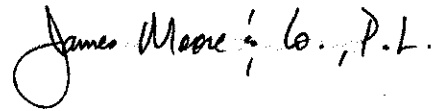
During the current audit period, we noted Imagine - Leon County, LLC did not comply with the required number of fire drills during the year. We noted 5 drills completed out of the required 10.

Imagine - Leon County, LLC's Response to Findings

Imagine - Leon County, LLC's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Imagine - Leon County, LLC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Leon County District School Board, 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large loop on the first letter 'J'.

Tallahassee, Florida
July 31, 2017

July 31st, 2017

Imagine Evening Rose Audit Findings

2017-01: Lack of Segregation of Duties

Imagine - Leon County, LLC had a key financial staff member leave during current fiscal year. Due to the reduction in personnel, it is not uncommon to find weaknesses in internal controls. For example, the Regional Finance Director reconciled bank statements, prepared journal entries, and posted transactions to the accounting system with no review. An ideal system of internal controls would segregate many of these duties. We recognize and understand that personnel may not always be available to permit such a separation; however, it is important that management is made aware of this condition.

Management's Response:

Due to the school closure, management cannot clear this finding. Management will review its closure protocol to include an additional staff member to comply with segregation of duties.

2017-02: Missing Student File

During review of student files for the current audit period, Imagine - Leon County, LLC was unable to produce one of the files selected for review. Cumulative student files are required to be maintained and updated by the school.

Management's Response:

Due to the school closure, management cannot clear this finding. Management will review its closure protocol so that a student records audit is performed prior to the release of the cumulative student files to the School District.

2017-03: Fire Drills

During the current audit period, we noted Imagine - Leon County, LLC did not comply with the required number of fire drills during the year. We noted 5 drills completed out of the required 10.

Management's Response:

Due to the school closure, management cannot clear this finding. Management will review its closure protocol to ensure that all compliance items are accounted for and completed in a timely manner.



Greg Young, Regional Finance Director