

Florida High School for Accelerated
Learning – Metro Broward, Inc.
d/b/a Flagler High School
(A Component Unit of the School Board of
Broward County, Florida)

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2018

**Florida High School for Accelerated Learning –
Metro Broward, Inc. d/b/a Flagler High School**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida High School for Accelerated Learning – Metro Broward, Inc.
d/b/a Flagler High School
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Termination of Charter Agreement

As further discussed in Note 7, on June 28, 2018, the School notified the School Board of Broward County, Florida, that they will not be able to renew that charter agreement and it will be terminated pursuant to Florida Statutes.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School (the “School”), a component unit of the School Board of Broward County, Florida, we offer readers of the School’s basic financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2018 with certain comparative information for 2017.

Management’s discussion and analysis is included at the beginning of the School’s basic financial statements to provide, in layman’s terms, the past and current position of the School’s financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplementary information.

Financial Highlights

Our basic financial statements provide these insights into the results of this year’s operations.

- The School’s total assets exceeded its liabilities by \$ 10,334 (net position). This amount includes net investment in capital assets of \$ 613, restricted and unrestricted net position of \$ 9,721.
- The School’s total revenues were \$ 1,276,825 including \$ 709,677 from Florida Education Finance Program (FEFP) revenue, \$ 101,369 from program revenues and \$ 465,779 from miscellaneous revenues, which includes financial support in the form of a contribution from Accelerated Learning Solutions, Inc. of \$ 458,523. The School’s expenses for this year were \$ 1,360,739.

Overview of the Financial Statements

This 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 basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the School’s assets, liabilities, and deferred inflows/outflows of resources, 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 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 (e.g. uncollected revenues and services rendered but unpaid).

The government-wide basic financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Basic 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.

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

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic 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 change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances. The General Fund and Capital Project Fund are considered to be the School’s major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 9 through 15 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to basic financial statements can be found on pages 16 through 22 of this report.

Government-Wide Financial Analysis

The School’s net position was \$ 10,334 at June 30, 2018 and \$ 94,248 at June 30, 2017. Our analysis in the table below focuses on the net position of the School’s governmental activities as follows:

Florida High School for Accelerated Learning –
 Metro Broward, Inc. d/b/a Flagler High School
 Statements of Net Position

	June 30, 2018	June 30, 2017
Assets:		
Current and other assets	\$ 9,721	\$ 165,640
Capital assets, net of depreciation	613	4,298
Total assets	10,334	169,938

**Florida High School for Accelerated Learning –
Metro Broward, Inc. d/b/a Flagler High School
Management’s Discussion and Analysis
June 30, 2018**

Florida High School for Accelerated Learning –
Metro Broward, Inc. d/b/a Flagler High School
Statements of Net Position
(continued)

	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Liabilities:	-	75,690
Net Position:		
Net investment in capital assets	613	4,298
Restricted	-	11,230
Unrestricted	<u>9,721</u>	<u>78,720</u>
Total net position	\$ <u><u>10,334</u></u>	\$ <u><u>94,248</u></u>

A portion of the School’s net position reflects its investment in capital assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Resources that are subject to external restrictions on how they may be used are classified as restricted net position. At June 30, 2018, the School had no restricted net position \$ 11,230 in restricted net position at June 30, 2017.

Governmental Activities: The results of this year’s operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School’s revenues and expenses for the year ended June 30, 2018 and June 30, 2017:

Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a/ Flagler High School
Statements of Changes in Net Position

	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Revenues:		
General revenues	\$ 1,175,456	\$ 1,552,418
Program revenues	<u>101,369</u>	<u>84,181</u>
Total revenues	<u>1,276,825</u>	<u>1,636,599</u>
Expenses:		
Instructional	344,526	451,403
Pupil services	118,413	145,219
Administrative	489,736	557,715
Transportation services	32,640	58,490
Operation of non-instructional services	<u>375,424</u>	<u>412,726</u>
Total expenses	<u>1,360,739</u>	<u>1,625,553</u>
Change in net position	\$ <u><u>(83,914)</u></u>	\$ <u><u>11,046</u></u>

**Florida High School for Accelerated Learning –
Metro Broward, Inc. d/b/a Flagler High School
Management’s Discussion and Analysis
June 30, 2018**

Governmental Fund Expenditures: In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

<u>Functions/Programs</u>	2018		2017	
	<u>Expenditures</u>	<u>Percent</u>	<u>Expenditures</u>	<u>Percent</u>
Governmental expenditures:				
Instructional expenditures	\$ 340,841	25.1%	\$ 445,850	27.5%
Pupil services	118,413	8.7%	145,219	9.0%
Administrative services	489,736	36.1%	557,715	34.4%
Transportation services	32,640	2.4%	58,490	3.6%
Other non instructional support services	375,424	27.7%	412,726	25.5%
Total governmental expenditures	<u>\$ 1,357,054</u>	<u>100%</u>	<u>\$ 1,620,000</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: The School’s investment capital assets at June 30, 2018 were \$ 613 net of accumulated depreciation compared to \$ 4,298 at June 30, 2017.

Debt administration: At June 30, 2018, the School had no outstanding debt.

General Fund Budgetary Highlights

The original budget was amended due to budgeting for additional expenditures relating to the closing of the School, as further discussed in Note 7 of the financial statements.

Total revenues were lower than the budget by approximately \$ 379,000. The School reported 190 unweighted FTE in both the original and final budget, compared to the final FTE count of 107, which resulted in unfavorable FEFP revenues of approximately \$ 491,000. The unfavorable FEFP revenues were partially offset by favorable local revenues of approximately \$ 114,000.

Total expenditures were under budget by approximately \$ 377,000 mainly due to lower administrative and instruction costs. See page 13 for budget to actual comparisons detail.

Economic Factors

As discussed in Note 7, on June 28, 2018 the School notified the School Board of Broward County, Florida of its inability to meet certain requirements of the Charter School contract and therefore would not be able to renew the agreement.

Requests for Information

If you have any questions about this report or need additional information, please write to Accelerated Learning Solutions, Inc. at 2636 Elm Hill Pike, Suite 500 Nashville, TN 37214.

BASIC FINANCIAL STATEMENTS

Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Net Position
June 30, 2018

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 7,241
Due from governmental agencies	<u>2,480</u>
Total current assets	<u>9,721</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>613</u>
Total assets	\$ <u><u>10,334</u></u>
Current Liabilities:	\$ <u>-</u>
Total current liabilities	<u>-</u>
Net Position:	
Net investment in capital assets	613
Unrestricted	<u>9,721</u>
Total net position	<u>10,334</u>
Total liabilities and net position	\$ <u><u>10,334</u></u>

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

Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Activities
For the Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction:					
Regular instruction	\$ 344,526	\$ -	\$ 20,003	\$ -	\$ (324,523)
Instructional support services:					
Pupil services	118,413	-	-	-	(118,413)
Administrative services	489,736	-	-	-	(489,736)
Plant operations and maintenance	352,988	-	32,502	48,864	(271,622)
Transportation services	32,640	-	-	-	(32,640)
Operation of non-instructional services:					
Fiscal services	6,710	-	-	-	(6,710)
Board expenses	15,726	-	-	-	(15,726)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	\$ <u>1,360,739</u>	\$ <u>-</u>	\$ <u>52,505</u>	\$ <u>48,864</u>	<u>(1,259,370)</u>
General revenues:					
Florida Education Finance Program					709,677
Contribution from management company					458,523
Miscellaneous revenues					<u>7,256</u>
Total general revenues					<u>1,175,456</u>
Change in net position					(83,914)
Net position, July 1, 2017					<u>94,248</u>
Net position, June 30, 2018					\$ <u><u>10,334</u></u>

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

Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 7,241	\$ -	\$ 7,241
Due from governmental agencies	-	2,480	2,480
Due from capital projects fund	<u>2,480</u>	<u>-</u>	<u>2,480</u>
Total assets	<u>\$ 9,721</u>	<u>\$ 2,480</u>	<u>\$ 12,201</u>
Liabilities:			
Due to general fund	<u>\$ -</u>	<u>\$ 2,480</u>	<u>\$ 2,480</u>
Total liabilities	<u>-</u>	<u>2,480</u>	<u>2,480</u>
Fund Balances:			
Unassigned	<u>9,721</u>	<u>-</u>	<u>9,721</u>
Total fund balances	<u>9,721</u>	<u>-</u>	<u>9,721</u>
Total liabilities and fund balances	<u>\$ 9,721</u>	<u>\$ 2,480</u>	<u>\$ 12,201</u>

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

**Florida High School for Accelerated Learning -
 Metro Broward, Inc. d/b/a Flagler High School
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2018**

Governmental Fund Balances \$ 9,721

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 in
 the fund:

Cost of capital assets	\$ 175,113	
Accumulated depreciation	<u>(174,500)</u>	<u>613</u>

Net Position of Governmental Activities \$ 10,334

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

**Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:			
State and federal sources:			
Florida Education Finance Program	\$ 685,311	\$ -	\$ 685,311
Capital outlay	-	48,864	48,864
School recognition award	19,196	-	19,196
Teacher's lead program	807	-	807
Transportation revenue	24,366	-	24,366
E-Rate revenue	32,502	-	32,502
Other miscellaneous revenue	465,779	-	465,779
	<u>1,227,961</u>	<u>48,864</u>	<u>1,276,825</u>
Total revenues			
Expenditures:			
Current:			
Instruction:			
Regular instruction	340,841	-	340,841
Instructional support services:			
Pupil services	118,413	-	118,413
Administrative services	489,736	-	489,736
Plant operations and maintenance	304,124	48,864	352,988
Pupil transportation services	32,640	-	32,640
Operation of non-instructional services:			
Fiscal services	6,710	-	6,710
Board expenditures	15,726	-	15,726
	<u>1,308,190</u>	<u>48,864</u>	<u>1,357,054</u>
Total expenditures			
Net changes in fund balances	(80,229)	-	(80,229)
Fund Balances, July 1, 2017	<u>89,950</u>	<u>-</u>	<u>89,950</u>
Fund Balances, June 30, 2018	<u>\$ 9,721</u>	<u>\$ -</u>	<u>\$ 9,721</u>

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

**Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Reconciliation of the Statement of Revenues,
Expenditures and Change in Fund Balances –
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

Net Change in Fund Balances - Governmental Funds \$ (80,229)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:

Current year provision for depreciation (3,685)

Change in Net Position of Governmental Activities \$ (83,914)

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

Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Revenues, Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:				
State sources	\$ 1,221,112	\$ 1,221,112	\$ 729,680	\$ (491,432)
Federal sources	33,500	33,500	32,502	(998)
Local sources	<u>352,017</u>	<u>352,017</u>	<u>465,779</u>	<u>113,762</u>
Total revenues	<u>1,606,629</u>	<u>1,606,629</u>	<u>1,227,961</u>	<u>(378,668)</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	476,742	476,742	340,841	135,901
Instructional support services:				
Pupil services	109,329	109,329	118,413	(9,084)
Administrative services	625,880	700,543	489,736	210,807
Plant operations and maintenance	305,863	305,863	304,124	1,739
Pupil transportation services	60,013	60,013	32,640	27,373
Operation of non-instructional services:				
Fiscal services	14,000	14,000	6,710	7,290
Board expenditures	<u>19,000</u>	<u>19,000</u>	<u>15,726</u>	<u>3,274</u>
Total expenditures	<u>1,610,827</u>	<u>1,685,490</u>	<u>1,308,190</u>	<u>377,300</u>
Net change in fund balance	<u>\$ (4,198)</u>	<u>\$ (78,861)</u>	<u>\$ (80,229)</u>	<u>\$ (1,368)</u>

**Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Expenditures - Governmental Funds
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Expenditures:			
Regular instruction:			
Salaries	\$ 184,058	\$ -	\$ 184,058
Repairs and maintenance	47,315	-	47,315
Rentals	29,050	-	29,050
Group insurance	28,841	-	28,841
Supplies	19,908	-	19,908
Other purchased services	19,401	-	19,401
Payroll taxes	12,268	-	12,268
	<u>340,841</u>	<u>-</u>	<u>340,841</u>
Total regular instruction			
Pupil services:			
Salaries	101,066	-	101,066
Group insurance	8,955	-	8,955
Payroll taxes	6,985	-	6,985
Training	1,149	-	1,149
Travel	258	-	258
	<u>118,413</u>	<u>-</u>	<u>118,413</u>
Total pupil services			
Plant operations and maintenance:			
Other purchased services	134,078	-	134,078
Rentals	70,704	48,864	119,568
Communication	44,547	-	44,547
Repairs and maintenance	37,042	-	37,042
Electricity	17,125	-	17,125
Supplies	628	-	628
	<u>304,124</u>	<u>48,864</u>	<u>352,988</u>
Total plant operations and maintenance			

**Florida High School for Accelerated Learning -
Metro Broward, Inc. d/b/a Flagler High School
Statement of Expenditures - Governmental Funds
(continued)
For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Administrative services:			
Other purchased services	157,756	-	157,756
Salaries	139,865	-	139,865
School closing services	74,663	-	74,663
District administration fee	35,459	-	35,459
Insurance premium	19,337	-	19,337
Group insurance	18,762	-	18,762
Professional and technical services	16,463	-	16,463
Supplies	12,843	-	12,843
Payroll taxes	8,509	-	8,509
Rental	2,633	-	2,633
Miscellaneous	1,698	-	1,698
Travel	1,592	-	1,592
Communications	156	-	156
Total administrative services	<u>489,736</u>	<u>-</u>	<u>489,736</u>
Pupil transportation services:			
Other purchased services	<u>32,640</u>	<u>-</u>	<u>32,640</u>
Total pupil transportation services	<u>32,640</u>	<u>-</u>	<u>32,640</u>
Fiscal services:			
Outside accountant	<u>6,710</u>	<u>-</u>	<u>6,710</u>
Total fiscal services:	<u>6,710</u>	<u>-</u>	<u>6,710</u>
Board expenditures:			
Professional fees	10,205	-	10,205
Insurance	4,932	-	4,932
Supplies	589	-	589
Total board expenditures	<u>15,726</u>	<u>-</u>	<u>15,726</u>
Total expenditures	<u>\$ 1,308,190</u>	<u>\$ 48,864</u>	<u>1,357,054</u>

Note 1 - Organization and Operations

Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School (the “School”), (a component unit of the School Board of Broward County, Florida) is part of the Florida system of public education under the general direction of the Florida Department of Education (“FDOE”). The School was incorporated as a Florida not-for-profit corporation in July 2011 and commenced operations as a charter school in July 2013. The School was granted a charter to operate a high school, including grades nine to twelve, by the School Board of Broward County, Florida (the “School Board”) in April 2013. For the year ended June 30, 2018, 107 students were enrolled in the school.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the School Board. The current charter was effective until June 30, 2018, but was terminated on June 28, 2018, due to the closing of the School (Note 7). The School is considered a component unit of the School Board of Broward County, Florida.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable, which would require inclusion in the School's basic financial statements.

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants and provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School reports the following major governmental funds:

- **General Fund** – This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.
- **Capital Projects Fund** – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

Measurement focus and basis of accounting: The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide basic financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within sixty days after year end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Due to/from other funds and transfers in/out: Interfund receivables and payables arise from interfund transactions and are recorded by all funds in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transaction are recorded in the accounting system, and payments between funds are made. Transfers are made from the General Fund to the Capital Projects Fund to allocate the rebate on the district administrative fee that is to be used for capital outlay, if any.

Due from governmental agencies: Amounts due to the School from governmental agencies are for grants or programs under which the services have been provided by the School. At June 30, 2018, amounts due from governmental agencies represents amounts due from Florida Department of Education for capital outlay funding.

Note 2 - Summary of Significant Accounting Policies (continued)

Capital assets: Capital assets purchased or acquired with an original cost of \$ 1,000 or more are capitalized at historical cost or estimated historical cost and are reported in the government-wide financial statement. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is provided on the straight-line basis over the respective useful lives ranging from 4 to 5 years.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial basic statements. The School Board retains a 5% administration fee for enrollment up to and including 250 students. The administration fee is reduced to 3% for the portion of the administration fee representing student population in excess of 250. The difference between the total administrative fee calculation (5%) on total enrollment and the amount of administrative fee withheld (3%) may only be used for capital outlay purposes. This funding is received on a pro-rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted net position - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that will need to be funded by future operations.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund balance: The School has implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by external providers (such as grantors, creditors, etc.) or imposed by law through constitutional provisions, or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by formal action of the Board itself, using its highest level of decision making authority (i.e., the Board Members) through resolution or ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the Board Members take the same highest level action (i.e., resolution or ordinance) to remove or change the constraint.
- *Assigned fund balance* – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the Board.
- *Unassigned fund balance* – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. Positive amounts are only reported in the General Fund.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed fund balance, followed by assigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Budgets: Operating budgets are adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the financial statements.

Income taxes: The School qualifies as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Date of management review: Subsequent events were evaluated by management through September 11, 2018, which is the date the financial statements were available for issuance.

Note 3 – Cash and Cash Equivalents

At June 30, 2018, the carrying amount and bank balance of the deposits and cash on hand totaled \$7,241.

State statutes require, and it is the School’s policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity’s funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School’s deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2018.

Note 4 – Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets, depreciable:				
Computers and software	\$ 156,690	\$ -	\$ -	\$ 156,690
Furniture and fixtures	18,423	-	-	18,423
Total capital assets, depreciable	<u>175,113</u>	<u>-</u>	<u>-</u>	<u>175,113</u>
Accumulated depreciation:				
Computers and software	156,690	-	-	156,690
Furniture and fixtures	14,125	3,685	-	17,810
Total accumulated depreciation	<u>170,815</u>	<u>3,685</u>	<u>-</u>	<u>174,500</u>
Net capital assets	<u>\$ 4,298</u>	<u>\$ (3,685)</u>	<u>\$ -</u>	<u>\$ 613</u>

The provision for depreciation for the year ended June 30, 2018 amounted to \$ 3,685. The School allocated 100% of the depreciation to instruction.

Note 5 - Commitments and Contingencies

Management contract: The School has entered into a contractual agreement with Accelerated Learning Solutions, Inc., a Tennessee Corporation (the “Company”), to provide for most of the School’s resources and services. The agreement began upon the commencement of the School in July 2013 and continues through June 2018, at which time the contract was terminated due to the closing of the School (Note 7). Under the terms of the agreement, the School is charged fees for services of ninety-seven (97%) of the Schools’ qualified gross revenues as defined by the agreement. The fee for services adjusts to ninety-five (95%) for the fourth and fifth years of agreement. Qualified gross revenues include various federal, state and local source revenues with certain exceptions. The qualified gross revenues do not include any federal or state awards that are intended to be a reimbursement of expenditures on a dollar for dollar basis. The Company is also entitled to all grants and contributions not defined by the agreement within the terms of qualified gross revenues. During the year, the Company contributed \$ 458,523 to the School in support. This amount is included in miscellaneous revenues in the accompanying financial statements. The School also paid \$ 74,663 to the Company which included the return of \$ 6,644 of ALS donated scholarship funds and the costs associated with the closing of the School as discussed in Note 7.

Note 5 - Commitments and Contingencies (continued)

In return for the above fees, the Company shall be responsible for providing salaries for all personnel, costs for curriculum materials, textbooks, library books, facilities, computers and other equipment, software, supplies, maintenance and capital improvements of the School.

The contract may be terminated by the School for non-renewal of the charter with the School Board and for breaches of contract terms which have not been cured within ninety days of written notice at the time of the contract breach. The contract may be terminated by the Company for fiscal year operating deficits (excluding the first year of operations), failure to pay fees due to the Company, material changes in federal or state funding, damages to the school facility that make School operations unfeasible, uneconomical or impractical as long as such notification comes sixty days after the occurrence that caused such a situation.

Upon termination of the agreement, the School has the right to have all real and personal property leases related to the School assigned to and assumed by the School as long as the lease permits assignment, purchase all personal property owned by the Company and used exclusively or primarily in connection with School operations at the asset's "remaining cost basis" which shall be calculated based on the straight-line method of providing for depreciation. Assets with an approximate net book value of \$ 401,000 as of June 30, 2018 have been identified by the Company to be used exclusively or primarily in connection with School operations. The depreciation for these assets is categorized in regular instruction and plant operations and maintenance.

Lease agreement: The School has previously entered into a lease agreement for the facilities which expires in January 2018 and requires monthly payments of approximately \$ 9,500. This lease was not renewed and was paid on a month-to-month basis beginning in February 2018. Total rent expense in connection with this lease amounted to approximately \$ 119,600 for the year ended June 30, 2018.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees. All employees are employees of the management company and benefits are their sole responsibility.

Note 6 - Risk Financing

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies. Claims have not exceeded this commercial coverage since the School's inception.

Note 7 - Financial Condition/Liquidation

On June 28, 2018 the School notified the School Board of Broward County Florida, of its inability to meet the minimum enrollment requirements under Section 4(a) of the Charter School Agreements with School Board of Broward County, Florida and therefore the School's contract was unable to be renewed. The School is in the process of discussing details of the proposed termination with the School Board of Broward County Florida in an attempt to minimize impact to the students and make a smooth transition to an alternate educational institution and facility. In this regard, the date of the actual close and transition of the students has not yet been determined.

Note 7 - Financial Condition/Liquidation (continued)

Additionally, the School has been notified that any unencumbered funds, district school board property and improvements, furnishings, and other equipment purchased with public funds, records pertaining to the School, shall not be removed, altered, sold and/or disposed. The School has also been informed that it shall not expend more than \$ 10,000 per expenditure without prior written approval from the School Board of Broward County, Florida unless such expenditure was included within the annual budget submitted to the School Board.

OTHER REPORTS OF
INDEPENDENT AUDITORS

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
Florida High School for Accelerated Learning – Metro Broward, Inc.
d/b/a Flagler High School
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School (a component unit of the School Board of Broward County, Florida), (the "School"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 11, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 11, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Florida High School for Accelerated Learning – Metro Broward, Inc.
d/b/a Flagler High School
Broward County, Florida

Report on the Financial Statements

We have audited the financial statements of Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School (the “School”), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 11, 2018.

Auditor's 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 Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 11, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding 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 Florida High School for Accelerated Learning – Metro Broward, Inc. d/b/a Flagler High School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific 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 financial information provided by same. The financial condition of the School is discussed in Note 7 to the financial statements.

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

Transparency

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

Additional Matters

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

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 11, 2018