

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
ORANGE COUNTY, FLORIDA**

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

**JUNE 30, 2018**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Legends Academy (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section. The School operates as part of Nap Ford Community School, Inc. with one other charter school.

### FINANCIAL HIGHLIGHTS

- The School's total net position decreased as compared to the prior year.
- For the fiscal year ended June 30, 2018, the School's expenses exceeded revenues by \$1,623, which is an increase from the prior year when expenses exceeded revenues by \$290,054.
- Overall, revenues increased by approximately \$150,000, which was a 6% increase from the prior year.
- Overall, expenses decreased by approximately \$138,000, which was a 5% decrease from the prior year.
- Total assets and deferred outflows of resources were \$1,317,150, and total liabilities and deferred inflows of resources were \$1,311,339, resulting in net position of \$5,811 as of June 30, 2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

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

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

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

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

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

The School has one type of fund:

- Governmental Funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

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

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

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

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Current and other assets	\$ 213,681	\$ 57,577	271%
Capital assets, net	295,840	363,539	-19%
Deferred outflows of resources	807,629	761,120	6%
Total assets and deferred outflows	<u>1,317,150</u>	<u>1,182,236</u>	<u>11%</u>
Current and other liabilities	44,597	108,846	-59%
Long-term liabilities	1,204,414	950,245	27%
Deferred inflows of resources	62,328	115,711	-46%
Total liabilities and deferred inflows	<u>1,311,339</u>	<u>1,174,802</u>	<u>12%</u>
Net position:			
Net investment in capital assets	295,840	363,539	-19%
Unrestricted	<u>(290,029)</u>	<u>(356,105)</u>	<u>19%</u>
Total net position	<u>\$ 5,811</u>	<u>\$ 7,434</u>	<u>-22%</u>

Current and other assets increased due to the timing of receivable and payable transactions near year-end. Capital assets decreased from the prior year due to depreciation expense in excess of current year additions. The decrease in current and other liabilities was due to a decrease in payables to Nap Ford Community School, a related party, for expenses paid on the School's behalf. The changes in deferred outflows of resources, deferred inflows of resources and long-term liabilities are all related to the re-measurement of the net pension liability for fiscal 2018. The change in total net position was due to the current year operating deficit and the activity noted above.

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

**Change in Net Position**

The School's total revenues increased by 6% to \$2,645,751, and the total cost of all programs and services decreased by 5% to \$2,647,374 – see table below.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
Federal sources passed through local school district	\$ 312,272	\$ 478,297	-35%
State and local sources	2,073,249	1,771,865	17%
Contributions and other revenue	260,230	245,513	6%
<b>Total revenues</b>	<b>2,645,751</b>	<b>2,495,675</b>	<b>6%</b>
<b>Expenses:</b>			
Instruction	1,797,998	2,100,768	-14%
Instruction-related technology	72,772	78,965	-8%
Board	15,099	11,185	35%
General administration	96,178	88,376	9%
School administration	133,446	122,096	9%
Fiscal services	80,232	63,004	27%
Food services	50,577	38,430	32%
Operation of plant	389,540	282,905	38%
Community services	11,532	-	100%
<b>Total expenses</b>	<b>2,647,374</b>	<b>2,785,729</b>	<b>-5%</b>
<b>Change in net position</b>	<b>\$ (1,623)</b>	<b>\$ (290,054)</b>	<b>99%</b>

Federal sources passed through local school district decreased due to the School no longer being eligible to receive the Public Charter School Grant for start-ups in the current year, which was partially offset by an increase in Title I funding. State and local sources increased due to an increase in enrollment and the receipt of a classroom supply grant which was not received in the prior year.

Instruction and instruction-related services decreased due to the resignation of employees in the current year, the decreased purchase of supplies due to no start-up grant funds in the current year and changes in the amount of pension expense allocated to the School. Operation of plant increased due to an increase in repairs and maintenance expense for the use of the facility and due to an upgrade in the School's internet service.

Certain reclassifications were made in the 2017 amounts to conform to their classifications in fiscal year 2018.

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

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the year, its governmental funds reported a combined fund balance of \$169,084. Overall, revenues and expenditures changed for the same reasons described above.

**General Fund Budgetary Highlights**

For the year ended June 30, 2018, actual general fund revenues were approximately \$111,000 greater than budgeted amounts, which represents a budget variance of 5%. The variance was due to higher than expected enrollment.

For the year ended June 30, 2018, actual general fund expenditures were approximately \$109,000 below budgeted amounts, which represents a 5% budget variance. The variance was due to less spending than expected to meet the needs of an increased student body.

**Special Revenue Fund Budgetary Highlights**

For the year ended June 30, 2018, actual special revenue fund revenues and expenditures were approximately \$17,000 greater than budgeted amounts, which represents a budget variance of 6%. The variance was primarily due to receiving more federal awards than anticipated in the current year.

**CAPITAL ASSET ADMINISTRATION**

The School's investment in capital assets at the end of fiscal 2018 amounts to \$295,840 (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
Furniture, fixtures and equipment	\$ 253,955	\$ 229,623	11%
Leasehold improvements	264,732	223,902	18%
Less: accumulated depreciation	<u>(222,847)</u>	<u>(89,986)</u>	<u>-148%</u>
Total capital assets	<u>\$ 295,840</u>	<u>\$ 363,539</u>	<u>-19%</u>

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

- Network infrastructure equipment - \$24,332
- Security infrastructure upgrade - \$15,534
- Fencing - \$9,973
- Building renovations - \$15,323

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.



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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

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

- Projected increase in student population and fundraising revenue
- Projected salary increases

Amounts available for appropriation in the general fund are approximately \$2,397,000, an increase of 9% from 2018 actual revenues of \$2,201,662. The increase is primarily due to an anticipated increase in student population and in fundraising revenues.

Budgeted expenditures are expected to be approximately \$2,397,000, an increase of 21% from 2018 actual expenditures of \$1,981,309. The overall increase is due to an anticipated increase in student population.

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

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at P.O. Box 2031, Orlando, Florida 32802.

## **INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Directors of Nap Ford Community School, Inc. –  
Legends Academy, a Charter School and Component Unit of the District School  
Board of Orange County, Florida

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. - Legends Academy (the "School"), a charter school and component unit of the District School Board of Orange 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 Nap Ford Community School, Inc. - Legends Academy as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7, the budgetary comparison information on pages 30 – 31 and the pension information on pages 32 – 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*BKHM, P.A.*

Winter Park, Florida  
September 21, 2018

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 124,442
Accounts receivable	79,632
Other assets	9,607
Capital assets:	
Furniture, fixtures and equipment	253,955
Leasehold improvements	264,732
Less accumulated depreciation	<u>(222,847)</u>
Total capital assets, net	<u>295,840</u>
Total assets	<u>509,521</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	<u>807,629</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,317,150</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 28,391
Due to related party	16,206
Long-term liabilities:	
Portion due or payable after one year:	
Net pension liability	<u>1,204,414</u>
Total liabilities	<u>1,249,011</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	<u>62,328</u>
<b>NET POSITION</b>	
Net investment in capital assets	295,840
Unrestricted	<u>(290,029)</u>
Total net position	<u>5,811</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 1,317,150</u></u>

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

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 1,797,998	\$ -	\$ 294,984	\$ -	\$ (1,503,014)	\$ (1,503,014)
Instruction-related technology	72,772	-	-	-	(72,772)	(72,772)
Board	15,099	-	-	-	(15,099)	(15,099)
General administration	96,178	-	-	-	(96,178)	(96,178)
School administration	133,446	-	-	-	(133,446)	(133,446)
Fiscal services	80,232	-	-	-	(80,232)	(80,232)
Food services	50,577	-	17,288	-	(33,289)	(33,289)
Operation of plant	389,540	-	-	-	(389,540)	(389,540)
Community services	11,532	23,479	-	-	11,947	11,947
<b>Total primary government</b>	<b>\$ 2,647,374</b>	<b>\$ 23,479</b>	<b>\$ 312,272</b>	<b>\$ -</b>	<b>(2,311,623)</b>	<b>(2,311,623)</b>
General revenues:						
State and local sources				2,073,249	2,073,249	
Contributions and other revenue				236,751	236,751	
<b>Total general revenues</b>				<b>2,310,000</b>	<b>2,310,000</b>	
Change in net position				(1,623)	(1,623)	
Net position at beginning of year				7,434	7,434	
Net position at end of year				<b>\$ 5,811</b>	<b>\$ 5,811</b>	

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

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 124,442	\$ -	\$ -	\$ 124,442
Accounts receivable	49,000	25,519	5,113	79,632
Due from other funds	30,632	-	-	30,632
Other assets	9,607	-	-	9,607
Total assets	<b>\$ 213,681</b>	<b>\$ 25,519</b>	<b>\$ 5,113</b>	<b>\$ 244,313</b>
 <b>LIABILITIES</b>				
Accounts payable and accrued expenditures	\$ 28,391	\$ -	\$ -	\$ 28,391
Due to related party	16,206	-	-	16,206
Due to general fund	-	25,519	5,113	30,632
Total liabilities	44,597	25,519	5,113	75,229
 <b>FUND BALANCES</b>				
Nonspendable:				
Other assets	9,607	-	-	9,607
Unassigned	159,477	-	-	159,477
Total fund balances	169,084	-	-	169,084
Total liabilities and fund balances	<b>\$ 213,681</b>	<b>\$ 25,519</b>	<b>\$ 5,113</b>	<b>\$ 244,313</b>

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

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

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

**JUNE 30, 2018**

<b>Total fund balances - total governmental funds</b>	\$ 169,084
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$518,687, and the accumulated depreciation is \$222,847.	295,840
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The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	807,629
Net pension liability	(1,204,414)
Pension related deferred inflows of resources	<u>(62,328)</u>

<b>Total net position - governmental activities</b>	<b>\$ <u>5,811</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
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THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 312,272	\$ -	\$ 312,272
State and local sources	1,951,405	-	121,844	2,073,249
Contributions and other revenue	250,257	-	-	250,257
	<b>2,201,662</b>	<b>312,272</b>	<b>121,844</b>	<b>2,635,778</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,226,744	294,984	-	1,521,728
Instruction-related technology	72,772	-	-	72,772
Board	15,099	-	-	15,099
General administration	96,178	-	-	96,178
School administration	122,578	-	-	122,578
Fiscal services	80,232	-	-	80,232
Food services	33,289	17,288	-	50,577
Operation of plant	272,809	-	116,731	389,540
Community services	11,532	-	-	11,532
Other capital outlay	50,076	-	5,113	55,189
	<b>1,981,309</b>	<b>312,272</b>	<b>121,844</b>	<b>2,415,425</b>
Net changes in fund balances	220,353	-	-	220,353
Fund balances (deficit) at beginning of year	(51,269)	-	-	(51,269)
Fund balances at end of year	<b>\$ 169,084</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 169,084</b>

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



**NAP FORD COMMUNITY SCHOOL, INC.  
 LEGENDS ACADEMY  
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

**Net changes in fund balances - total governmental funds** \$ 220,353

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

Governmental funds report capital outlays as expenditures. However, in the  
 statement of activities, the cost of those assets is allocated over their  
 estimated useful lives and reported as depreciation expense. This is the  
 amount by which depreciation expense (\$132,861) exceeds capital outlay  
 expenditures (\$65,162) in the current period. (67,699)

Governmental funds do not report gift-in-kind activity. Gift-in-kind revenues  
 and expenditures totaled \$9,973 in the current period. -

Pension income or expense resulting from GASB 68 included in the  
 statement of activities does not provide or require the use of current financial  
 resources and, therefore, is not reported as a net change in fund balances in  
 the governmental funds. (154,277)

**Change in net position of governmental activities** \$ (1,623)

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

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Nap Ford Community School, Inc. (the "Company") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. Legends Academy (the "School") operates as part of the Company with one other charter school. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Orange County, Florida (the "School Board"). The current charter is effective until June 30, 2020 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

**Basis of Presentation**

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

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

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

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

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

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

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

**Basis of Accounting**

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

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

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary Basis Accounting**

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

**Cash and Cash Equivalents**

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation (the "FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution. As of June 30, 2018, all cash balances were fully insured by the FDIC.

**Receivables**

Receivables consist of amounts due from contributors or from governmental agencies for various programs. Allowances are reported when management estimates that accounts may be uncollectible.

**Capital Assets and Depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation.

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Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Leasehold improvements	4 - 5
Furniture, fixtures and equipment	3

Information relative to changes in capital assets is described in Note 4.

**Fund Balance Spending Policy**

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Executive Director. There are no minimum fund balance requirements for any of the School's funds.

**Revenue Sources**

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

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

**Income Taxes**

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

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

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

**Use of Estimates**

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

**Subsequent Events**

The School has evaluated subsequent events through September 21, 2018, the date these financial statements were available to be issued.

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**Recently Issued Accounting Pronouncement**

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

**2 ACCOUNTS RECEIVABLE**

Accounts receivable in the accompanying financial statements include \$49,000 in contributions from a third-party and \$30,632 in amounts due from governmental agencies. Based on the collectibility of funds from these sources, the School believes that an allowance for doubtful accounts is not considered necessary.

**3 INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances as of June 30, 2018:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General fund	\$ 30,632	\$ -
Special revenue fund	-	25,519
Capital projects fund	-	5,113
Total interfund	\$ 30,632	\$ 30,632

The amounts payable by the special revenue fund and the capital projects fund to the general fund are to cover temporary cash shortages related to the timing of receipts.

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**4 CHANGES IN CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture, fixtures and equipment	\$ 229,623	\$ 24,332	\$ -	\$ 253,955
Leasehold improvements	223,902	40,830	-	264,732
Total capital assets being depreciated	<u>453,525</u>	<u>65,162</u>	<u>-</u>	<u>518,687</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(33,412)	(75,913)	-	(109,325)
Leashold improvements	<u>(56,574)</u>	<u>(56,948)</u>	<u>-</u>	<u>(113,522)</u>
Total accumulated depreciation	<u>(89,986)</u>	<u>(132,861)</u>	<u>-</u>	<u>(222,847)</u>
Governmental activities capital assets, net	<u>\$ 363,539</u>	<u>\$ (67,699)</u>	<u>\$ -</u>	<u>\$ 295,840</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 121,993
School administration	<u>10,868</u>
Total governmental activities depreciation expense	<u>\$ 132,861</u>

**5 CONTINGENT LIABILITIES**

**Grants**

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



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**Legal Matters**

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

**Risk Management Program**

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

**6 PENSION PLANS**

**Pension Plan Descriptions**

The Florida Department of Management Services, Division of Retirement ("Division"), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems ("System"). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited comprehensive annual financial report ("CAFR") on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division.

The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the

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state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School does not include these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer. Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	7.92%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

**Information about the Employer’s Proportionate Share of the Collective Net Pension Liability**

Assumptions and Other Inputs

Actuarial assumptions for both cost sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

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The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2017:

<b>School's Proportionate Share of FRS Net Pension Liability</b>			<b>School's Proportionate Share of HIS Net Pension Liability</b>		
<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$ 1,389,076	\$ 767,471	\$ 251,396	\$ 498,610	\$ 436,943	\$ 385,578

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The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2017, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 183,632,592	\$ 10,870,772
Plan fiduciary net position	<u>(154,053,263)</u>	<u>(178,311)</u>
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>
 Plan fiduciary net position as a percentage of the total pension liability	 83.89%	 1.64%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's valuation dated June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2016, and update procedures were used to determine liabilities as of June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

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

As of June 30, 2018, the School reported a liability of \$1,204,414 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, through June 30, 2017, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

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The School's proportions are as follows:

	<b>FRS</b>	<b>HIS</b>
June 30, 2017	0.0026%	0.0041%
June 30, 2016	0.0021%	0.0035%
Change	0.0005%	0.0006%

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2017, was 6.4 years for FRS and 7.2 years for HIS.

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For the year ended June 30, 2018, the School recognized pension expense of \$256,047. As of June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 70,435	\$ 5,162
Changes of assumptions	319,344	37,783
Net difference between projected and actual earnings on pension plan investments	242	19,020
Changes in proportion and differences between School contributions and proportionate share of contributions	329,453	363
School contributions subsequent to the measurement date	<u>88,155</u>	<u>-</u>
Total	<u>\$ 807,629</u>	<u>\$ 62,328</u>

Deferred outflows of resources related to the School's contributions paid subsequent to the measurement date and prior to the School's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<u>Reporting Period Ended June 30:</u>	<u>Amount</u>
2019	\$ 121,567
2020	220,638
2021	172,484
2022	68,505
2023	95,082
Thereafter	(21,130)

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**7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

For the year ended June 30, 2018, state and local revenues were received from the School Board as follows:

District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 1,118,462
Class size reduction	301,385
Supplemental academic instruction	156,514
Special millage	154,435
Capital outlay	121,844
Discretionary millage	110,867
ESE guaranteed allocation	38,369
Classroom supply grant	27,665
Instructional materials	19,952
Reading allocation	10,633
Compression adjustment	6,352
Safe schools	6,033
Discretionary lottery funds	440
Additional allocation	298
	<hr/>
Total	<u><u>\$ 2,073,249</u></u>

The administration fee paid to the School Board during the year ended June 30, 2018 totaled approximately \$96,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

**8 RELATED PARTY TRANSACTIONS**

During the routine course of business, invoices and payroll, which apply to both the School and other related entities or schools, may be paid by a single entity. Also, schools with surplus funds may pay expenses on behalf of other related entities or schools. The School tracks these amounts due to or from each related entity or school separately. As of June 30, 2018, \$16,206 was due to Nap Ford Community School, a related party, for expenses paid on the School's behalf. The Company has entered into various lease agreements for facilities and equipment used by the School. The leases require monthly rent payments of approximately \$23,000. The School pays the monthly rent on behalf of the Company. Facilities and equipment lease rental expense for the year ended June 30, 2018 totaled approximately \$274,000 and is included in instruction, instruction-related technology, and operation of plant expense/expenditure in the accompanying financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u>	<u>Final Budget-</u>
			<u>Basis)</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
State and local sources	\$ 1,871,475	\$ 1,871,475	\$ 1,951,405	\$ 79,930
Contributions and other revenue	219,138	219,138	250,257	31,119
Total revenues	<u>2,090,613</u>	<u>2,090,613</u>	<u>2,201,662</u>	<u>111,049</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,357,937	1,357,937	1,226,744	131,193
Instruction-related technology	65,800	65,800	72,772	(6,972)
Board	14,250	14,250	15,099	(849)
General administration	92,048	92,048	96,178	(4,130)
School administration	109,371	109,371	122,578	(13,207)
Fiscal services	97,949	97,949	80,232	17,717
Food services	44,066	44,066	33,289	10,777
Operation of plant	306,200	306,200	272,809	33,391
Community services	2,992	2,992	11,532	(8,540)
Other capital outlay	-	-	50,076	(50,076)
Total expenditures	<u>2,090,613</u>	<u>2,090,613</u>	<u>1,981,309</u>	<u>109,304</u>
Net changes in fund balance	-	-	220,353	220,353
Fund balances at beginning of year	<u>(51,269)</u>	<u>(51,269)</u>	<u>(51,269)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (51,269)</u>	<u>\$ (51,269)</u>	<u>\$ 169,084</u>	<u>\$ 220,353</u>

See independent auditor's report.



**NAP FORD COMMUNITY SCHOOL, INC.  
 LEGENDS ACADEMY  
 A CHARTER SCHOOL AND COMPONENT UNIT OF  
 THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 294,838	\$ 294,838	\$ 312,272	\$ 17,434
Total revenues	<u>294,838</u>	<u>294,838</u>	<u>312,272</u>	<u>17,434</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	294,838	294,838	294,984	(146)
Food services	-	-	17,288	(17,288)
Total expenditures	<u>294,838</u>	<u>294,838</u>	<u>312,272</u>	<u>(17,434)</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Florida Retirement System (FRS) Pension Plan</b>										
School's proportion of the net pension liability (asset)	0.0026%	0.0021%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 767,471	\$ 542,211								
School's covered-employee payroll	\$ 1,241,573	\$ 998,649								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	62%	54%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	84%	85%								
<b>Retiree Health Insurance Subsidy (HIS) Program</b>										
School's proportion of the net pension liability (asset)	0.0041%	0.0035%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 436,943	\$ 408,034								
School's covered-employee payroll	\$ 1,241,573	\$ 998,649								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35%	41%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	2%	1%								

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.  
LEGENDS ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 68,299	\$ 64,426	\$ 50,849							
Contributions in relation to the contractually required contribution	68,299	64,426	50,849							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll										
	\$ 1,198,276	\$ 1,241,573	\$ 998,649							
Contributions as a percentage of covered-employee payroll	6%	5%	5%							
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 19,856	\$ 20,629	\$ 17,425							
Contributions in relation to the contractually required contribution	19,856	20,629	17,425							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll										
	\$ 1,198,276	\$ 1,241,573	\$ 998,649							
Contributions as a percentage of covered-employee payroll	2%	2%	2%							

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

**Independent Auditor’s Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Nap Ford Community School, Inc. –  
Legends Academy, a Charter School and Component Unit of the District School  
Board of Orange 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 Nap Ford Community School, Inc. - Legends Academy (the “School”), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated September 21, 2018.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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



## **COMPLIANCE AND OTHER MATTERS**

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

## **PURPOSE OF THIS REPORT**

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

*BKHM, P.A.*

Winter Park, Florida  
September 21, 2018

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

To the Board of Directors of Nap Ford Community School, Inc. –  
Legends Academy, a Charter School and Component Unit of the District School  
Board of Orange County, Florida

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. - Legends Academy (the “School”), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 21, 2018.

## **AUDITOR’S RESPONSIBILITY**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

## **OTHER REPORTING REQUIREMENTS**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 21, 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 findings or recommendations 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 be disclosed in this management letter. The official title of the entity is Nap Ford Community School, Inc. - Legends Academy.

## **FINANCIAL CONDITION AND MANAGEMENT**

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

To the Board of Directors of Nap Ford Community School, Inc. –  
Legends Academy, a Charter School and Component Unit of the District School  
Board of Orange County, Florida  
Page 2

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. 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 website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

### **ADDITIONAL MATTERS**

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

### **PURPOSE OF THIS LETTER**

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

*BKHM, P.A.*

Winter Park, Florida  
September 21, 2018