

Mavericks High School at Palm Springs

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

Mavericks High School at Palm Springs

Table of Contents

| | |
|---|-------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | |
| Management's Discussion and Analysis (Not Covered by Independent Auditor's Report) | 3-6 |
| Basic Financial Statements | |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 7 |
| Statement of Activities | 8 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 9 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 11 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities | 12 |
| Notes to Basic Financial Statements | 13-19 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 20 |
| Budgetary Comparison Schedule – Special Revenue Fund | 21 |
| Other Auditor's Reports | |
| 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 <i>Government Auditing Standards</i> | 22-23 |
| Independent Auditor's Report to the Board of Directors | 24-25 |
| Schedule of Findings and Questioned Costs | 26 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mavericks High School at Palm Springs
Palm Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Mavericks High School at Palm Springs (the "School"), a division of New Alternative Education High School of Palm Beach County, Inc., 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, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities and each major fund of New Alternative Education High School of Palm Beach County, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of New Alternative Education High School of Palm Beach County, Inc. as of June 30, 2018 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2018 in conformity 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 3 through 6 and budgetary comparisons for the General Fund and Special Revenue Fund on pages 20 and 21, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Mavericks High School at Palm Springs' (the "School") financial performance provides an overview of the School's financial activities for the years ended June 30, 2018 and 2017. Please read it in conjunction with the School's financial statements, which immediately follow this discussion.

Financial Highlights

The following are the highlights of financial activity for the year ended June 30, 2018:

- The School's total assets exceeded its liabilities at June 30, 2018 by \$ 1,233,445 (net position).
- The School's total revenues were \$ 3,063,724, \$ 2,769,133 from FTE revenues, \$ 287,901 from operating grants and contributions and \$ 6,690 from miscellaneous revenues. The School's expenses for the year were \$ 3,179,026.

Overview of the Financial Statements

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

Government-wide financial statements:

The government-wide financial statements, which consist of the following two 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 the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.
- The statement of activities presents information showing how the School's net position changed during the 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.

The government-wide 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 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 only has one category of funds - governmental funds.

Fund financial statements (continued):

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the 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 financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. The General Fund and Special Revenue Fund are considered to be the School's major funds.

A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budgets.

The governmental fund financial statements can be found on pages 9 through 12 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 financial statements. The notes to basic financial statements can be found on pages 13 through 19 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's General Fund and Special Revenue Fund adopted budgets to actual results. Required supplementary information can be found on pages 20 and 21 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statements of net position as of June 30, 2018 and 2017:

| Mavericks High School at Palm Springs Statements of Net Position | | | |
|---|----|-------------------------|----------------------------|
| | | <u>2018</u> | <u>2017</u> |
| Current Assets | \$ | 1,048,435 | \$ 1,104,900 |
| Noncurrent Assets | | <u>238,478</u> | <u>317,369</u> |
| Total assets | | <u>1,286,913</u> | <u>1,422,269</u> |
| Liabilities | | <u>53,468</u> | <u>73,522</u> |
| Net Position: | | | |
| Net investment in capital assets | | 80,422 | 159,313 |
| Unrestricted | | <u>1,153,023</u> | <u>1,189,434</u> |
| Total net position | \$ | <u><u>1,233,445</u></u> | <u><u>\$ 1,348,747</u></u> |

Government-Wide Financial Statements (continued):

A portion of the School's net position reflect its investment in capital assets, less any related outstanding debt used to acquire those assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt (if any), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2018, the School had no restricted assets.

As reflected below, the net position is showing a change of \$ (115,302) for the year ended June 30, 2018 and change of \$ (31,395) for the year ended June 30, 2017 as summarized in the following table:

Mavericks High School at Palm Springs
Statements of Changes in Net Position
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| Revenues: | | |
| General revenues | \$ 2,775,823 | \$ 2,614,683 |
| Program revenues | 287,901 | 210,228 |
| Total revenues | 3,063,724 | 2,824,911 |
| Expenses: | | |
| Instruction | 772,586 | 937,338 |
| Instructional support services | 1,434,960 | 1,329,801 |
| Operation of non-instructional services | 971,480 | 589,167 |
| Total expenses | 3,179,026 | 2,856,306 |
| Change in net position | \$ (115,302) | \$ (31,395) |

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance, if any, may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

General Fund Budgetary Highlights

The 2017-2018 budget was amended at the end of the fiscal year to agree with the actual results of operations.

Capital Assets and Debt Administration

Capital assets: The School's investment in capital assets at June 30, 2018 amounted to \$ 80,422 net of accumulated depreciation, compared to \$ 159,313 at June 30, 2017. This investment in capital assets is composed of furniture and equipment and leasehold improvements. A more detailed analysis is provided in Note 6 to the financial statements.

Long-term debt: At June 30, 2018, the School had no outstanding debt.

Economic Factors for 2018-2019

The student population for next year is expected to increase. This will increase FTE revenues and this increased revenue will more than offset the expected decrease in other revenue to the school leaving overall revenue ahead of last year by approximately 2%.

Certain extraordinary expenses incurred during the current year will not repeat in the future and any increased costs will not exceed the increase in revenue.

Requests for Information

This financial report is designed to provide a general overview of Mavericks High School at Palm Springs' finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to EdisonLearning, Inc.; One Broward Boulevard, Suite 1111, Fort Lauderdale, FL 33301.

BASIC FINANCIAL STATEMENTS

Mavericks High School at Palm Springs
Statement of Net Position
June 30, 2018

Current Assets:

| | | |
|------------------------------|----|------------------|
| Cash | \$ | 427,597 |
| Due from government agencies | | 8,390 |
| Due from other | | 82,066 |
| Due from management company | | <u>530,382</u> |
| Total current assets | | <u>1,048,435</u> |

Noncurrent Assets:

| | | |
|---|--|------------------|
| Capital assets, net of accumulated depreciation | | 80,422 |
| Deposits and other assets | | <u>158,056</u> |
| Total noncurrent assets | | <u>238,478</u> |
| Total assets | | <u>1,286,913</u> |

Current Liabilities:

| | | |
|---------------------------|--|---------------|
| Accounts payable | | 4,735 |
| Accrued liabilities | | 43,967 |
| Unearned revenue | | <u>4,766</u> |
| Total current liabilities | | <u>53,468</u> |

Net Position:

| | | |
|----------------------------------|----|-------------------------|
| Net investment in capital assets | | 80,422 |
| Unrestricted | | <u>1,153,023</u> |
| Total net position | \$ | <u><u>1,233,445</u></u> |

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

Mavericks High School at Palm Springs
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 Revenues (Expenses) and Change in Net Position</u> |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Regular instruction | \$ 772,586 | \$ - | \$ 9,498 | \$ - | \$ (763,088) |
| Administrative services | 239,110 | - | - | - | (239,110) |
| Instructional support services | 226,586 | - | - | - | (226,586) |
| Plant operations and maintenance | 911,426 | - | - | 278,403 | (633,023) |
| Student transportation | 57,838 | - | - | - | (57,838) |
| Operation of non- instructional services: | | | | | |
| Fiscal services | <u>971,480</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(971,480)</u> |
| Total governmental activities | \$ <u>3,179,026</u> | \$ <u>-</u> | \$ <u>9,498</u> | \$ <u>278,403</u> | <u>(2,891,125)</u> |
| General revenues: | | | | | |
| FTE nonspecific revenues | | | | | 2,769,133 |
| Miscellaneous revenues | | | | | <u>6,690</u> |
| Total general revenues | | | | | <u>2,775,823</u> |
| Change in net position | | | | | (115,302) |
| Net position, July 1, 2017 | | | | | <u>1,348,747</u> |
| Net position, June 30, 2018 | | | | | \$ <u><u>1,233,445</u></u> |

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

**Mavericks High School at Palm Springs
Balance Sheet - Governmental Funds
June 30, 2018**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|--|-------------------------|-------------------------------------|--------------------------------------|---------------------|
| Assets: | | | | |
| Cash | \$ 427,597 | \$ - | \$ - | \$ 427,597 |
| Due from government agencies | - | - | 8,390 | 8,390 |
| Due from other | 82,066 | - | - | 82,066 |
| Due from other funds | 4,961 | - | - | 4,961 |
| Due from management company | 530,382 | - | - | 530,382 |
| Deposits and other assets | <u>158,056</u> | <u>-</u> | <u>-</u> | <u>158,056</u> |
| Total assets | <u>\$ 1,203,062</u> | <u>\$ -</u> | <u>\$ 8,390</u> | <u>\$ 1,211,452</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 4,735 | \$ - | \$ - | \$ 4,735 |
| Accrued liabilities | 43,967 | - | - | 43,967 |
| Unearned revenue | 1,337 | - | 3,429 | 4,766 |
| Due to other funds | <u>-</u> | <u>-</u> | <u>4,961</u> | <u>4,961</u> |
| Total liabilities | <u>50,039</u> | <u>-</u> | <u>8,390</u> | <u>58,429</u> |
| Fund Balances: | | | | |
| Nonspendable for deposits and other assets | 158,056 | - | - | 158,056 |
| Unassigned | <u>994,967</u> | <u>-</u> | <u>-</u> | <u>994,967</u> |
| Total fund balances | <u>1,153,023</u> | <u>-</u> | <u>-</u> | <u>1,153,023</u> |
| Total liabilities and fund balances | <u>\$ 1,203,062</u> | <u>\$ -</u> | <u>\$ 8,390</u> | <u>\$ 1,211,452</u> |

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

**Mavericks High School at Palm Springs
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2018**

**Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position:**

Governmental fund balances: \$ 1,153,023

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 governmental funds.

| | | |
|--------------------------|------------------|---------------|
| Cost of capital assets | \$ 946,626 | |
| Accumulated depreciation | <u>(866,204)</u> | <u>80,422</u> |

Net Position of Governmental Activities \$ 1,233,445

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

**Mavericks High School at Palm Springs
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Capital Projects Fund</u> | <u>Total</u> |
|-------------------------------------|-------------------------|-------------------------------------|--------------------------------------|---------------------|
| Revenues: | | | | |
| Federal sources | \$ - | \$ 9,498 | \$ - | \$ 9,498 |
| State sources | 2,769,133 | - | 278,403 | 3,047,536 |
| Local sources | 6,690 | - | - | 6,690 |
| | <u>2,775,823</u> | <u>9,498</u> | <u>278,403</u> | <u>3,063,724</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 763,088 | 9,498 | - | 772,586 |
| Instructional support services | 155,988 | - | - | 155,988 |
| Student transportation services | 57,838 | - | - | 57,838 |
| Fiscal services | 971,480 | - | - | 971,480 |
| Plant operations and maintenance | 621,190 | - | 278,403 | 899,593 |
| Administrative services | 239,110 | - | - | 239,110 |
| Capital outlay: | | | | |
| Equipment and improvements | 3,540 | - | - | 3,540 |
| | <u>2,812,234</u> | <u>9,498</u> | <u>278,403</u> | <u>3,100,135</u> |
| Net change in fund balances | (36,411) | - | - | (36,411) |
| Fund Balances, July 1, 2017 | <u>1,189,434</u> | <u>-</u> | <u>-</u> | <u>1,189,434</u> |
| Fund Balances, June 30, 2018 | <u>\$ 1,153,023</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,153,023</u> |

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

**Mavericks High School at Palm Springs
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018**

Net Change in Fund Balances - Governmental Funds \$ (36,411)

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

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as a provision for depreciation.

| | | | |
|---------------------------------|-----------------|--|-----------------|
| Expenditures for capital assets | \$ 3,540 | | |
| Provision for depreciation | <u>(82,431)</u> | | <u>(78,891)</u> |

Change in Net Position on the Statement of Activities \$ (115,302)

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

Note 1 - Organization and Operations

Mavericks High School at Palm Springs (the "School"), is a division of New Alternative Education High School of Palm Beach County, Inc. (the "Entity"). The School commenced operations in July 2011 and offers classes for high school students in Palm Beach County, Florida. An average of approximately 409 students were enrolled in classes for the school year ended in June 2018.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of New Alternative Education High School of Palm Beach County, Inc. as of June 30, 2018, and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the School Board of Palm Beach County, Florida (the "School Board"). The charter is effective until June 30, 2021. 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 which case the School Board is required to notify the School in writing at least ninety 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.

Component units: 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 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 financial statements.

Basis of presentation: Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide – Not-for-Profit Organizations 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.
- **Special Revenue Fund** – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.
- **Capital Projects Fund** – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

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 (if any).
- 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.

Fund balance: The School has implemented the provisions of 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 – consists of amounts that are not in spendable form and of net position that are legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts 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.
- Committed fund balance – consists of amounts that can be used for specific purposes pursuant to constraints imposed by the government itself, using its highest level of decision making authority.
- Assigned fund balance – consists of amounts that are constrained by the government's intended use of resources but are neither restricted or committed.

Note 2 - Summary of Significant Accounting Policies (continued)

- Unassigned – consists of net resources in excess of what can be properly classified in one of the above categories.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the School's governing body or its delegated official or body has provided otherwise in its commitment or assignment actions. The details of the fund balances are included in the Balance Sheet – Governmental Funds on page 9.

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 government-wide statement uses the economic resources measurement focus.

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

The governmental fund 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 the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the current period is defined as sixty days.

Cash and cash equivalents: The School maintains its cash accounts with two financial institutions. The School's accounts at these institutions, 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.

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting period and are recorded as prepaid items.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected 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, transactions are recorded in the accounting system, and payments between funds are made.

Capital assets: Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with a cost of \$ 1,000 or more and a useful life of over one year. Donated capital assets are valued at their estimated fair market value as of the date received. Additions, improvements, and other expenditures 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 for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the capital assets estimated useful lives as follows:

| | |
|-------------------------|-----------|
| Furniture and equipment | 3-5 years |
| Leasehold improvements | 5 years |

Note 2 - Summary of Significant Accounting Policies (continued)

Compensated absences: The School's policy allows employees to carry over unused vacation time during the year. Unused sick leave benefits are not paid upon separation from service. No liability for compensated absences was recorded for the year ending June 30, 2018.

Unearned revenue: Unearned revenue arises when the School receives resources before it has legal claim to them.

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 District. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee, for the first 250 students, retained by the District. 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.

Grant and contract revenue: Grant and contract revenue is recognized when the allowable costs, as defined by the individual grant or contract, are incurred.

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 26, 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 of the deposits and cash on hand totaled \$ 427,597, with a bank balance of \$ 441,782.

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 the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should need arise. The School's deposits are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

Note 4 - Budgets

The School formally adopted budgets for the General, Special Revenue and Capital Projects Fund by function for the year ended June 30, 2018. The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund and Special Revenue Fund are presented as required supplementary information.

Note 5 - Due from Government Agencies

Due from government agencies at June 30, 2018 consists of amounts due from the District for capital outlay.

Note 6 - Due from Other

“Due from other” at June 30, 2018 represents federal funding due to the School for funds earned in the last fiscal year that were deposited in the former management company’s control account but not advanced to the School’s account. These funds have been received subsequent to year-end.

Note 7 - Capital Assets

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

| | Balance at July 1, 2017 | Additions | Retirements | Balance at June 30, 2018 |
|--------------------------------------|-------------------------------|--------------------|-------------|--------------------------------|
| Capital assets, depreciable: | | | | |
| Furniture and equipment | \$ 688,091 | \$ - | \$ - | \$ 688,091 |
| Leasehold improvements | <u>254,995</u> | <u>3,540</u> | <u>-</u> | <u>258,535</u> |
| Total capital assets, depreciable | <u>943,086</u> | <u>3,540</u> | <u>-</u> | <u>946,626</u> |
| Accumulated depreciation: | | | | |
| Furniture and equipment | 557,795 | 70,598 | - | 628,393 |
| Leasehold improvements | <u>225,978</u> | <u>11,833</u> | <u>-</u> | <u>237,811</u> |
| Total accumulated depreciation | <u>783,773</u> | <u>82,431</u> | <u>-</u> | <u>866,204</u> |
| Net capital assets | <u>\$ 159,313</u> | <u>\$ (78,891)</u> | <u>\$ -</u> | <u>\$ 80,422</u> |

The provision for depreciation for the year ended June 30, 2018 amounted to \$ 82,431. The School allocated 86% of the depreciation to instructional support services and 14% to the operation of the facility.

As part of the School’s charter contract, all capital assets purchased with public funds will automatically revert to the District upon the non-renewal or termination of this contract.

Note 8 - Contingencies and Commitments

Grant agreements: The School received financial assistance from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Florida Single Audit Act, the School is not required to conduct “single audits” since the required threshold for federal awards and both state financial assistance is currently \$ 750,000 and the School did not exceed either threshold.

Lease commitment: The School entered into an operating lease with School Property Development, LLC, for the rental of its facility with monthly payments of approximately \$ 29,167 through June 30, 2026. The lease contains no renewal options. Total expense in connection with the facility lease amounted to \$ 350,000 for the year ended June 30, 2018.

Future lease payments are approximately as follows:

| <u>Year Ending</u> <u>June 30,</u> | | |
|---------------------------------------|----|-----------|
| 2019 | \$ | 350,000 |
| 2020 | \$ | 350,000 |
| 2021 | \$ | 350,000 |
| 2022 | \$ | 350,000 |
| 2023 | \$ | 350,000 |
| 2024-2026 | \$ | 1,050,000 |

Management Agreement: The School operates under a management agreement with Edison Learning, Inc. (“Edison”), which is a third-party education service provider. The contract provided for assisting the School in the performance of various administrative, operating, and financial duties and providing operating equipment. The management agreement’s term was for five academic school years beginning with the 2011-2012 fiscal year or concurrent with the Charter with the School Board of Palm Beach County, Florida. The agreement provided for an additional five-year term or such periods that are consistent with the Charter contract term. In exchange for the aforementioned services, the Board of Directors of New Alternative Education High School of Palm Beach County, Inc. agreed on a fee annually contained in their budget. For the year ended June 30, 2018, management fee expense totaled approximately \$ 887,000. At June 30, 2018, the School had an amount due from Edison amounting to \$ 530,382.

Post-retirement benefits: The School offers the opportunity to participate in its defined contribution 401(k) plan to eligible employees. The School did not make a contribution to the plan for the year ended June 30, 2018.

Note 9 - Income Taxes

The School qualifies as a tax-exempt organization under 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.

Note 10 - 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 including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the current year.

Note 11 - Subsequent Event

Effective July 1, 2018, the Entity (Note 1), merged with the affiliated entities New Alternative Education High School of Miami-Dade County, Inc. and New Alternative Education High School of Broward County, Inc. to become Northstar Academies, Inc.

REQUIRED SUPPLEMENTARY
INFORMATION

**Mavericks High School at Palm Springs
 Budgetary Comparison Schedule - General Fund
 For the Year Ended June 30, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------------------------------|----------------------------|-------------------------|--------------------|-----------------|
| Revenues: | | | | |
| State sources | \$ 3,173,387 | \$ 2,769,133 | \$ 2,769,133 | \$ - |
| Local sources | <u>24,592</u> | <u>6,690</u> | <u>6,690</u> | <u>-</u> |
| Total revenues | <u>3,197,979</u> | <u>2,775,823</u> | <u>2,775,823</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 856,986 | 763,088 | 763,088 | - |
| Instructional services | 218,195 | 155,988 | 155,988 | - |
| Student transportation services | 107,000 | 57,838 | 57,838 | - |
| Fiscal services | 844,173 | 971,480 | 971,480 | - |
| Plant operations and maintenance | 723,517 | 621,190 | 621,190 | - |
| Administrative services | 218,290 | 239,110 | 239,110 | - |
| Capital outlay: | | | | |
| Equipment and improvements | <u>94,932</u> | <u>3,540</u> | <u>3,540</u> | <u>-</u> |
| Total expenditures | <u>3,063,093</u> | <u>2,812,234</u> | <u>2,812,234</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 134,886</u> | <u>\$ (36,411)</u> | <u>\$ (36,411)</u> | <u>\$ -</u> |

**Mavericks High School at Palm Springs
 Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended June 30, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|----------------------------------|----------------------------|-------------------------|---------------|-----------------|
| Revenues: | | | | |
| E-rate reimbursement | \$ 41,750 | \$ - | \$ - | \$ - |
| IDEA grant income | <u>75,000</u> | <u>9,498</u> | <u>9,498</u> | <u>-</u> |
| Total revenues | <u>116,750</u> | <u>9,498</u> | <u>9,498</u> | <u>-</u> |
| Expenditures: | | | | |
| Regular instruction | 75,000 | 9,498 | 9,498 | - |
| Plant operations and maintenance | <u>41,750</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>116,750</u> | <u>9,498</u> | <u>9,498</u> | <u>-</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

OTHER AUDITOR'S REPORTS

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
Mavericks High School at Palm Springs
Palm Springs, 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 Mavericks High School at Palm Springs (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 26, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be a material weakness; 2018-01.

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*.

Mavericks High School at Palm Springs's Response to Findings

Mavericks High School at Palm Springs's responses to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. Mavericks High School at Palm Springs's response was not subjected to the auditing procedures applied in the audit of the financial statement and accordingly we express no opinion on it.

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 26, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Mavericks High School at Palm Springs
Palm Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Mavericks High School at Palm Springs (the "School"), a division of New Alternative Education High School of Palm Beach County, Inc., as of and for the year ended June 30, 2018, and have issued our report thereon dated September 26, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 26, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 Mavericks High School at Palm Springs.

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.

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 had a recommendation to improve financial management; finding 2018-01 as described in the accompanying schedule of findings and questioned costs.

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 26, 2018

Current Year Comments and Recommendations

2018-1 Improve procedures to collect outstanding amounts owed to the School:

Condition: Through our review and testing of accounts receivable, we noted amounts earned and recorded as due from other governments in the prior fiscal year, representing federal funds, were received subsequent to year end in the former management company's control account but not advanced to the School and still remain in their possession.

Criteria: School funds received should be deposited timely to allow their use for satisfaction of debts and other expenditures.

Cause: The School, under prior management, used a control account to deposit funds and then redistribute monies to individual schools under management. These funds were received in August 2017 and not forwarded to the School.

Effect: The School did not have access to the funds for over a period of one year.

Recommendation: We recommend that management reconstruct and/or reevaluate the process used in depositing school funds to safeguard School assets. We also believe that management should initiate procedures to collect the monies rightfully belonging to the School.

Management's response: Management agrees with auditor recommendation and has begun reevaluating the processes to deposit school funds. As part of the monthly finance department meeting, any outstanding accounts receivable for the School will be addressed to ensure timely collection and depositing of funds due to the School.