

**ST. CLOUD PREPARATORY  
ACADEMY, INC.**

**Basic Financial Statements and  
Supplemental Information**

**Year Ended  
June 30, 2018**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities – Agency Fund	15
Notes to Financial Statements	16-26
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	28
Note to Required Supplemental Information	29
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITORS'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>	31-32
MANAGEMENT LETTER	33-34
MANAGEMENT FINDINGS, RECOMMENDATIONS, AND REPONSES	35



## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
St. Cloud Preparatory Academy, Inc.  
St. Cloud, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component unit of the School District of Osceola 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.

### ***Auditors' Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 28-29 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 20, 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 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 St. Cloud Preparatory Academy, Inc.'s internal control over financial reporting and compliance.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida

September 20, 2018

## **Management's Discussion and Analysis**

As management of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component of the School District of Osceola County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

### **Financial Highlights**

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$467,109 (net deficit).
- The School's total net position decreased by \$317,015 during the year.
- As of the close of the current fiscal year, the School's governmental fund reported combined ending fund balance of \$279,950 a decrease of \$49,491 in comparison with the prior year.

### **Overview of the Financial Statements**

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

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Osceola County, Florida which includes the operations of the School in their operational results.

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

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

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

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

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

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 28 through 29 of this report.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

**Agency Fund.** In addition, the School has one agency fund in which is a student activity fund. This fund is formed for educational and school purposes. The agency fund financial statement can be found on page 15 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$467,109 at June 30, 2018, compared to \$150,094 at June 30, 2017.

A portion of the School's net position reflects its investment in capital assets (e.g. furniture and equipment and computers), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net position and the statement of activities are provided below:

The School's net position were as follows:

<b>Governmental Activities</b>			
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Variance</b>
<b>ASSETS</b>			
Current assets	\$ 400,867	\$ 423,895	\$ (23,028)
Capital assets - net of accumulated depreciation	12,116,135	6,645,264	5,470,871
Total assets	<u>12,517,002</u>	<u>7,069,159</u>	<u>5,447,843</u>
<b>LIABILITIES</b>			
Current liabilities	120,917	94,454	26,463
Non-current liabilities	12,863,194	7,124,799	5,738,395
Total liabilities	<u>12,984,111</u>	<u>7,219,253</u>	<u>5,764,858</u>
<b>NET POSITION</b>			
Investment in capital assets	(632,091)	(340,030)	(292,061)
Unrestricted	164,982	189,936	(24,954)
Net position	<u>\$ (467,109)</u>	<u>\$ (150,094)</u>	<u>\$ (317,015)</u>

The School's change in net position was as follows:

<b>Governmental Activities</b>			
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Federal passed through local school district	\$ 127,102	\$ 142,213	\$ (15,111)
State passed through local school district	3,101,038	3,250,553	(149,515)
Debt forgiveness	29,000	-	29,000
Other income	381,405	341,035	40,370
Total revenue	<u>3,638,545</u>	<u>3,733,801</u>	<u>(95,256)</u>
Expenses:			
Basic instruction	1,779,348	1,742,469	36,879
Instructional support	149,297	134,952	14,345
Classroom costs	1,059	7,379	(6,320)
Board expenses	-	3,975	(3,975)
General administration	128,541	88,124	40,417
School administration	651,890	407,782	244,108
Fiscal services	18,695	30,425	(11,730)
Food services	5,364	3,244	2,120
Central services	387	509	(122)
Transportation	22,545	11,727	10,818
Operation of plant	922,379	1,041,050	(118,671)
Maintenance of plant	44,287	38,896	5,391
Administrative tech	-	8,598	(8,598)
Community service	231,768	202,982	28,786
Total expenses	<u>3,955,560</u>	<u>3,722,112</u>	<u>233,448</u>
Change in net position	(317,015)	11,689	(328,704)
Net position - beginning	(150,094)	(161,783)	11,689
Net position (deficit) - ending	<u>\$ (467,109)</u>	<u>\$ (150,094)</u>	<u>\$ (317,015)</u>

The decrease in revenue is primarily due to decreased FTE students. The increase in overall expenditures is primarily related to the increase in instructional and administrative salaries needed for the increase in students from Puerto Rico due to Hurricane Irma.

**Governmental activities.** Governmental activities decreased the School's net position by \$317,015 for the year ended June 30, 2018. Governmental activities increased the School's net position by \$11,689 for the year ended June 30, 2017.

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may



serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance was \$223,150 in the general fund.

The fund balance of the School's general fund decreased by \$49,491 during the current fiscal year ended June 30, 2018.

### **Capital Asset and Debt Administration**

**Capital assets.** The School's investment in capital assets net of related debt for its governmental activities as of June 30, 2018 amounts to (\$632,091). This investment in capital assets includes furniture, fixtures, equipment and capital lease asset totaling \$12,915,174 less accumulated depreciation of (\$799,039) and capital lease obligation of (\$12,748,226). Additional information on the School's capital assets and capital lease asset and obligation, can be found in Notes C and F.

### **General Fund Budgetary Highlights**

The School's budget is prepared in conformity with accounting principles generally accepted in the United States of America and according to Florida Law. During the school year, the School's Board of Directors revised the budget to adjust for changes in revenues or expenditures. This happened following the FTE counts done in October and February. A statement showing the School's original and final budget compared with actual operating results is presented in the basic financial statements.

Revenues and expenditures equaled the budget for the year ended June 30, 2018 as the budget was subsequently revised to equal actual results. Regarding the original budget, an unfavorable variance in expenditures occurred as the original budget did not provide for increases in instructional and administrative salaries needed for the increase in students from Puerto Rico due to Hurricane Irma.

### **Economic Factors and Next Year's Budget**

In fiscal year 2018, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool initially decreased from \$75 million to \$50 million, however it was later revised to \$91 million as a consequence of House Bill 7069. A 2% merit increase was paid out to eligible staff. For fiscal year 2019, capital outlay revenue was assumed at \$567.45 per student which includes the additional funds associated with House Bill 7055. The budgets reflect the Florida Education Finance Program funding increase of approximately 1%. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

**Request for Information**

This financial report is designed to provide a general overview of St. Cloud Preparatory Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to St. Cloud Preparatory Academy, Inc., 3131 Progress Lane, St. Cloud, FL 34772.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF NET POSITION**

**June 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 168,324
Accounts receivable	6,860
Due from other agencies	168,883
Deposits	<u>56,800</u>
Total current assets	400,867
Capital assets, net of accumulated depreciation	<u>12,116,135</u>
Total assets	<u>12,517,002</u>
<b>LIABILITIES AND NET POSITION (DEFICIT)</b>	
<b>CURRENT LIABILITIES</b>	
Accrued payroll	48,149
Accounts payable	<u>72,768</u>
Total current liabilities	<u>120,917</u>
<b>NONCURRENT LIABILITIES</b>	
Long-term debt	
Due within one year	114,968
Due in more than one year	<u>12,748,226</u>
Total liabilities	<u>12,984,111</u>
<b>NET POSITION (DEFICIT)</b>	
Investment in capital assets, net of related debt	(632,091)
Unrestricted	<u>164,982</u>
Total net position (deficit)	<u>\$ (467,109)</u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Basic instruction	\$ 1,779,348	\$ -	\$ -	\$ -	\$ (1,779,348)
Instructional support	149,297	-	-	-	(149,297)
Classroom costs	1,059	-	-	-	(1,059)
General administration	128,541	-	-	-	(128,541)
School administration	651,890	-	-	-	(651,890)
Fiscal services	18,695	-	-	-	(18,695)
Food services	5,364	-	-	-	(5,364)
Central services	387	-	-	-	(387)
Transportation	22,545	-	-	-	(22,545)
Operation of plant	922,379	-	-	127,102	(795,277)
Maintenance of plant	44,287	-	-	-	(44,287)
Community service	231,768	-	-	-	(231,768)
Total governmental activities	<u>\$ 3,955,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,102</u>	<u>(3,828,458)</u>
General revenues:					
State passed through local school district					3,101,038
Debt forgiveness					29,000
Other income					381,405
Total general revenues					<u>3,511,443</u>
Change in net position					(317,015)
Net position (deficit) at July 1, 2017					<u>(150,094)</u>
Net position (deficit) at June 30, 2018					<u>\$ (467,109)</u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2018**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 168,324	\$ -	\$ 168,324
Accounts recievable	6,860	-	6,860
Due from other agencies	168,883	-	168,883
Deposits	<u>56,800</u>	<u>-</u>	<u>56,800</u>
Total assets	<u><u>\$ 400,867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 400,867</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accrued payroll	\$ 48,149	\$ -	\$ 48,149
Accounts payable	<u>72,768</u>	<u>-</u>	<u>72,768</u>
Total liabilities	<u>120,917</u>	<u>-</u>	<u>120,917</u>
<b>FUND BALANCES</b>			
Nonspendable			
Deposits	56,800	-	56,800
Unassigned	<u>223,150</u>	<u>-</u>	<u>223,150</u>
Total fund balances	<u>279,950</u>	<u>-</u>	<u>279,950</u>
Total liabilities and fund balances	<u><u>\$ 400,867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 400,867</u></u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**

**June 30, 2018**

Fund balances - total governmental funds	\$	279,950
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The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures, and equipment, net of \$48,027

accumulated depreciation

\$ 87,782

Computer software, net of \$5,666 accumulated depreciation

2,834

Computer equipment, net of \$83,997 accumulated depreciation

15,534

Capital lease asset, net of accumulated depreciation of \$661,349

12,009,985

12,116,135

Long-term debt are not due and payable in the current period and, therefore, not reported in the general fund

(12,863,194)

Total net position of governmental activities

\$ (467,109)

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

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

**Year Ended June 30, 2018**

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
State passed through local school district	\$ 3,101,038	\$ 127,102	\$ 3,228,140
Other income	384,270	-	384,270
Total revenues	<u>3,485,308</u>	<u>127,102</u>	<u>3,612,410</u>
Expenditures			
Current:			
Basic instruction	1,779,348	-	1,779,348
Instructional support	149,297	-	149,297
Classroom costs	1,059	-	1,059
General administration	128,541	-	128,541
School administration	307,327	-	307,327
Fiscal services	18,695	-	18,695
Food services	5,364	-	5,364
Central services	387	-	387
Transportation	22,545	-	22,545
Operation of plant	781,679	127,102	908,781
Maintenance of plant	44,287	-	44,287
Capital outlay	35,434	-	35,434
Community service	231,768	-	231,768
Debt service:			
Principal	29,068	-	29,068
Total expenditures	<u>3,534,799</u>	<u>127,102</u>	<u>3,661,901</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(49,491)</u>	<u>-</u>	<u>(49,491)</u>
Net change in fund balances	<u>(49,491)</u>	<u>-</u>	<u>(49,491)</u>
Fund balances at July 1, 2017	<u>329,441</u>	<u>-</u>	<u>329,441</u>
Fund balances at June 30, 2018	<u><u>\$ 279,950</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 279,950</u></u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2018**

Net change in fund balances - total government funds \$ (49,491)

The change in net position reported for governmental activities  
in the statement of activities is different because:

Governmental funds report fixed 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.

Total fixed capital outlay	\$ 35,434	
Capital lease asset	5,780,000	
Depreciation	<u>(344,563)</u>	
Total capital assets		5,470,871

The issuance of long-term debt provides current financial  
resources to governmental funds, while the repayment of  
the principal of long-term debt consumes current financial  
resources of governmental funds. Neither transaction,  
however, has any effect on net position. Also, governmental  
funds report the effect of issuance costs, premiums, discounts,  
and similar items when the debt is first issued, whereas these  
amounts are deferred and amortized in the statement of activities.

Debt forgiveness	28,500
Capital lease obligation	(5,780,000)
Proceeds from long-term debt	(2,365)
Accretion of capital lease obligation	(13,598)
Principal payment on long-term debt	<u>29,068</u>

Change in net position of governmental activities \$ (317,015)

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



**ST. CLOUD PREPARATORY ACADEMY, INC.**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND**

**June 30, 2018**

		<u>Internal Fund</u>
	<b><i>ASSETS</i></b>	
Cash		<u>\$ 13,719</u>
Total assets		<u><u>\$ 13,719</u></u>
	<b><i>LIABILITIES</i></b>	
Due to students		<u>\$ 13,719</u>
Total liabilities		<u><u>\$ 13,719</u></u>

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

St. Cloud Preparatory Academy, Inc. (the "School") is a not-for-profit corporation that operates an elementary school in St. Cloud, Florida, which is a component unit of the School District of Osceola County, Florida (the "District"). The Corporation was organized in December 2013 pursuant to Chapter 617, Florida Statutes, Florida Not-For-Profit Corporation Act. The governing body of the School is a not-for-profit corporation Board of Directors composed of three 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 board, the School District of Osceola County (the "School District"). The current charter is effective until June 30, 2019, and may be renewed by mutual agreement between the School and the School District.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are described in GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be included within the reporting entity of the School.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. As of June 30, 2018, there was not any net position classified as restricted in the statement of net position.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Only one of the School's funds were deemed to be a major fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

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

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. Measurement focus, basis of accounting, and financial statement presentation (continued)**

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

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

**Nonspendable:** This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

**Restricted:** This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

**Committed:** This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

**Assigned:** This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

**Unassigned:** This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 11.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Additionally, the School reports the following fiduciary fund type:

Agency Fund – to account for resources of the School's internal funds which are used to administer money collected in connection with school, student, athletic, class, and club activities.

4. Cash

The School's cash consists of demand deposits with a financial institution which are insured by the Federal depository insurance.

5. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$275. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Furniture, fixtures and equipment	5
Computer equipment and software	3
Capital lease asset	40

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Prepaid expense

Payment made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid expenses in both the government-wide and fund financial statements.

7. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorated basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

8. Revenue sources

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

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Use of estimates

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

10. Income taxes

St. Cloud Preparatory Academy, Inc. is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the years ended June 30, 2016 through June 30, 2018.

11. New GASB pronouncement

In June 2017, the GASB issued Accounting Standards Updated (ASU) No. 87, *Leases*, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

12. Subsequent event

The School has evaluated subsequent events through September 20, 2018 the date which the financial statements were available to be issued.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE B - CASH**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FDIC program, all of the School's cash balances maintained in accounts at the financial institution are fully guaranteed by the FDIC up to \$250,000.

At June 30, 2018, the School's cash was fully insured.

**NOTE C - CAPITAL ASSETS**

Changes in capital assets were as follows for the year ended June 30, 2018:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets:				
Computer equipment	\$ 86,311	\$ 13,220	\$ -	\$ 99,531
Computer software	8,500	-	-	8,500
Furniture and equipment	113,595	22,214	-	135,809
Capital lease asset	6,891,334	5,780,000	-	12,671,334
Total assets depreciated	<u>7,099,740</u>	<u>\$ 5,815,434</u>	<u>\$ -</u>	<u>12,915,174</u>
Less accumulated depreciation:				
Computer equipment	77,227	\$ 6,770	\$ -	83,997
Computer software	2,833	2,833	-	5,666
Furniture and equipment	29,850	18,177	-	48,027
Capital lease asset	344,566	316,783	-	661,349
Total accumulated depreciation	<u>454,476</u>	<u>\$ 344,563</u>	<u>\$ -</u>	<u>799,039</u>
Total governmental activities capital assets, net	<u>\$ 6,645,264</u>			<u>\$12,116,135</u>

Depreciation expense in the amount of \$344,563 was charged to school administration for the year ended June 30, 2018.



**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE D - CONCENTRATIONS**

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Source	Amount
School Board of Osceola County	
Base funding	\$ 2,084,939
ESE guaranteed allocation	47,369
Supplemental academic instruction	104,680
Class size reduction	542,296
Discretionary local effort (WFTE)	122,633
Discretionary millage	107,373
Discretionary lottery	818
Summer reading allocation	20,311
Instructional materials	41,867
Digital classrooms allocation	11,083
Safe schools allocation	7,977
Proration to funds available	(333)
Prior year audit adjustment	(2,671)
Subtotal	3,088,342
Capital outlay	127,102
Florida teacher lead program	10,025
Total passed through the School	
District of Osceola County	3,225,469
Other revenue:	
Debt forgiveness	29,000
Other income	384,076
	<u>\$ 3,638,545</u>

The administration fee paid to the District during the year ended June 30, 2018 totaled approximately \$80,916 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE E - NOTES PAYABLE**

Long-term notes payable at June 30, 2018 consists of the following:

Note payable, Banyan OSC, LLC., payable when surplus cash is achieved, including interest at 4.75%, maturing July 2017.	\$ 114,343
Note payable, May, Mecham, & Davell, P.A., outstanding invoices, payable in monthly installments of \$1,000 including interest at 18% annually.	<u>625</u>
	114,968
Less: current portion	<u>(114,968)</u>
Total long-term notes payable	<u>\$ -</u>

The notes payable amounts are categorized as current because they are deemed payable in the upcoming year based on the additional revenues projected from increased number of students. Payment of the notes is subject to priority payment levels described in Note F. The note to Learning-Focused Solutions, Inc. is level two and Banyan OSC, LLC (Banyan) is level four priorities. The total amount of the Banyan note is in dispute with Banyan, and is reported in the financial statements at the prior year amount of \$133,185 less payments made in fiscal 2017 of \$18,843. No payments were made in 2018.

**NOTE F - COMMITMENTS**

1. *Capital lease*

The School leases its facilities under an amended lease agreement with Osceola Charter Holdings, LLC ("OCH") dated June 22, 2015. The original lease was dated December 21, 2013. The lease requires monthly payments of \$70,694 with annual increases of 2.5%. The lease ends on August 2034 and may be extended for four additional terms of five years each. The lease agreement required a security deposit of \$50,000 which is included in deposits at June 30, 2018. The School is also responsible for all sales and real estate taxes, insurance, and utilities related to the facilities. Rent expense charged to operations for fiscal 2018 totaled \$741,147.

On July 14, 2016, the School's lease agreement with OCH dated June 22, 2015 was amended and restated. This amendment titled Addendum To Amended and Restated Lease #1 ("Lease Addendum"), provides for Phase 2 and Phase 3 improvements to the School's property. Phase 2 consisted of the building of a 4th permanent modular structure to supplement the current three permanent modular buildings. The total estimated development cost for Phase 2 was \$250,000. Phase 3 consisted of the

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F - COMMITMENTS (continued)

1. *Capital lease (continued)*

construction of a K-5 building with a minimum of 20,000 square feet for a total estimated cost of \$5.5 million. The annual rent upon the completion of Phase 3 will be \$1,343,385, and with annual increases 0.5%. The new lease payments commenced in August 2018. The Lease Addendum includes a purchase option whereby the School can purchase the leased property for \$10 million plus the total development costs of Phases 2 and 3. The expiration of the Lease Addendum is in 2034.

The original lease and amendments meets the criteria for recognition as a capital lease under GASB 62. Accordingly, the School recorded a capital lease asset for \$12,671,334 and a corresponding capital lease obligation for \$12,748,226 as of June 30, 2018, which represented the 2014 cost of the land, buildings, improvements, and Phase II and Phase III costs and improvements. The implicit interest rate on the lease is 7.5%. The lease payments are subject to priority payment levels discussed in Note F-3. Scheduled maturities of the lease are as follows:

	Minimum Lease Payments	Less: Interest	Principal Payments
2019	\$ 1,329,996	\$ 942,934	\$ 387,062
2020	1,336,656	912,654	424,002
2021	1,343,328	879,505	463,823
2022	1,350,048	843,264	506,784
2023	1,356,804	803,686	553,118
2024-2028	6,886,440	3,288,516	3,597,924
2029-2033	7,060,332	1,621,569	5,438,763
2034	1,433,316	56,566	1,376,750
	<u>\$ 22,096,920</u>	<u>\$ 9,348,694</u>	<u>\$ 12,748,226</u>

2. *Management service agreement*

The School had a support services agreement with Banyan OSC, LLC ("Banyan") dated December 19, 2013 (amended July 1, 2015) to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. The agreement was terminated in October 2015. No management fees were charged to operations in fiscal 2018. The payment of the remaining note outstanding to Banyan of \$114,343 at June 30, 2018 is subject to the priority payment levels discussed in Note F-3.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE F - COMMITMENTS (continued)**

*3. Debt payment priorities*

An August 13, 2015 corrective action plan was developed between the School and the District and within the agreement there is a priority of creditors. The priority of payout to the different creditors will occur when the School has surplus cash flow. The different levels of priorities are as follows:

1. Level 1: payroll, payroll taxes, employee benefits, utilities, lease payments and other operating expenditures that directly affect the well-being of the students.
2. Level 2: all short term bridge loans that enabled the School to remain open after funding was suspended.
3. Level 3: operating expenditures with key vendors as set forth in a restructuring agreement with Banyan.
4. Level 4: all deferred debt owed to OCH and Banyan.

*4. Legal issues*

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.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND**

**Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
State passed through local school district	\$ 3,263,400	\$ 3,101,038	\$ 3,101,038	\$ -
Other income	281,502	384,270	384,270	-
Total revenues	3,544,902	3,485,308	3,485,308	-
Expenditures				
Current:				
Basic instruction	1,854,008	1,779,348	1,779,348	-
Instructional support	125,000	149,297	149,297	-
Classroom costs	12,500	1,059	1,059	-
Board expenses	500	-	-	-
General administration	-	128,541	128,541	-
School administration	654,533	307,327	307,327	-
Fiscal services	-	18,695	18,695	-
Food services	8,000	5,364	5,364	-
Central services	-	387	387	-
Transportation	500	22,545	22,545	-
Operation of plant	708,672	781,679	781,679	-
Maintenance of plant	45,500	44,287	44,287	-
Community service	1,000	231,768	231,768	-
Capital outlay	14,800	35,434	35,434	-
Debt service:				
Principal	-	29,068	29,068	-
Total expenditures	3,425,013	3,534,799	3,534,799	-
Excess (deficiency) of revenues over (under) expenditures	119,889	(49,491)	(49,491)	-
Net change in fund balances	119,889	(49,491)	(49,491)	-
Fund balances at July 1, 2017	329,441	329,441	329,441	-
Fund balances at June 30, 2018	\$ 449,330	\$ 279,950	\$ 279,950	\$ -

-

See note to required supplemental information.

**ST. CLOUD PREPARATORY ACADEMY, INC.**

**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2018**

**NOTE A - BUDGETARY INFORMATION**

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2018, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major special revenue fund for which a legally adopted budget exists.

## **SUPPLEMENTAL INFORMATION**





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

***Partners***

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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

To the Board of Directors  
St. Cloud Preparatory Academy, Inc.  
St. Cloud, 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, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc., which is a component unit of the School District of Osceola County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise St. Cloud Preparatory Academy, Inc.'s basic financial statements, and have issued our report thereon dated September 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered St. Cloud Preparatory Academy, Inc.'s internal control over financial reporting 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 St. Cloud Preparatory Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Cloud Preparatory Academy, Inc.'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 St. Cloud Preparatory Academy, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 20, 2018



**Partners**

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American Institute of  
Certified Public  
Accountants

Florida Institute of  
Certified Public  
Accountants

To the Board of Directors  
St. Cloud Preparatory Academy, Inc.  
Kissimmee, Florida

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component unit of the School District of Osceola County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 20, 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 Reports and Schedules**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in the report, which is dated September 20, 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 findings or recommendations in the prior year.

**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 *St. Cloud Preparatory Academy, Inc.*, which is a component of the School District of Osceola County.

**Financial Condition**

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School did not meet conditions described in Section 218.503(1), Florida Statutes.

Pursuant to sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by same.

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

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, 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 that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, The Florida Auditor General, Federal and other granting agencies, St. Cloud Preparatory Academy's management, the School District of Osceola County, 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.

*Moss, Krusick & Associates, LLC*

Winter Park, Florida  
September 20, 2018

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND REPSONSES**

For the year ended June 30, 2018, there were no management recommendations.