

**ST. CLOUD PREPARATORY HIGH
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

**Year Ended
June 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Cloud Preparatory High School, 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 High School, 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.

Partners

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Florida Institute of
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of 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 3-7 and 23-24 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 High School, Inc.'s internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note E to the financial statements, effective July 1, 2018, the School was combined with St. Cloud Preparatory Academy, Inc.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 20, 2018

Management's Discussion and Analysis

As management of St. Cloud Preparatory High School, 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 8.

Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$161,138 (net deficit).
- The School's total net position decreased by \$161,138 during the year.
- As of the close of the current fiscal year, the School's governmental fund reported combined ending fund balance deficit of \$161,138.
- Effective July 1, 2018, the School was combined with St. Cloud Preparatory Academy, Inc.

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 8 - 9 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 23 through 24 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 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 \$161,138 at June 30, 2018.

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

The School's net position were as follows:

Governmental Activities			
	June 30, 2018	June 30, 2017	Variance
ASSETS			
Current assets	\$ 7,745	\$ -	\$ 7,745
Total assets	<u>7,745</u>	<u>-</u>	<u>7,745</u>
LIABILITIES			
Current liabilities	168,883	-	168,883
Total liabilities	<u>168,883</u>	<u>-</u>	<u>168,883</u>
NET POSITION			
Unrestricted	<u>(161,138)</u>	<u>-</u>	<u>(161,138)</u>
Net position	<u>\$ (161,138)</u>	<u>\$ -</u>	<u>\$ (161,138)</u>

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

Governmental Activities			
	2018	2017	Variance
Revenues:			
Program revenues:			
State passed through local school district	\$ 128,670	\$ -	\$ 128,670
Total revenue	<u>128,670</u>	<u>-</u>	<u>128,670</u>
Expenses:			
Basic instruction	104,957	-	104,957
Instructional support	2,793	-	2,793
Classroom costs	44	-	44
General administration	4,376	-	4,376
School administration	6,433	-	6,433
Food services	403	-	403
Central services	16	-	16
Transportation	925	-	925
Operation of plant	<u>169,861</u>	<u>-</u>	<u>169,861</u>
Total expenses	<u>289,808</u>	<u>-</u>	<u>289,808</u>
Change in net position	(161,138)	-	(161,138)
Net position - beginning	-	-	-
Net position (deficit) - ending	<u>\$ (161,138)</u>	<u>\$ -</u>	<u>\$ (161,138)</u>

This amount in revenue is primarily due to the number of FTE students. The amount in overall expenditures is primarily related to the instructional and administrative salaries needed for the amount of students, and for the School's share of the monthly rental fees.

Governmental activities. Governmental activities decreased the School's net position by \$161,138 for the year ended June 30, 2018.

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 deficit was \$161,138 in the general fund.

The fund balance of the School's general fund decreased by \$161,138 during the current fiscal year ended June 30, 2018.

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 its 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 and was due to allocations of expenses from St. Cloud Preparatory Academy, Inc.

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 a 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

Effective July 1, 2018, the School was combined with St. Cloud Preparatory Academy, Inc.

Request for Information

This financial report is designed to provide a general overview of St. Cloud Preparatory High School, 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 HIGH SCHOOL, INC.

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	<u>\$ 7,745</u>
Total assets	<u>7,745</u>
LIABILITIES AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES	
Due to other governmental agencies	<u>168,883</u>
Total current liabilities	<u>168,883</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(161,138)</u>
Total net position (deficit)	<u><u>\$ (161,138)</u></u>

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

ST. CLOUD HIGH SCHOOL, 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	\$ 104,957	\$ -	\$ -	\$ -	\$ (104,957)
Instructional support	2,793	-	-	-	(2,793)
Classroom costs	44	-	-	-	(44)
General administration	4,376	-	-	-	(4,376)
School administration	6,433	-	-	-	(6,433)
Food services	403	-	-	-	(403)
Central services	16	-	-	-	(16)
Transportation	925	-	-	-	(925)
Operation of plant	169,861	-	-	-	(169,861)
Total governmental activities	<u>\$ 289,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(289,808)</u>
General revenues:					
State passed through local school district					128,670
Total general revenues					<u>128,670</u>
Change in net position					(161,138)
Net position (deficit) at July 1, 2017					-
Net position (deficit) at June 30, 2018					<u>\$ (161,138)</u>

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

ST. CLOUD HIGH SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 7,745	\$ 7,745
Total assets	<u>\$ 7,745</u>	<u>\$ 7,745</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Due to other government agencies	\$ 168,883	\$ 168,883
Total liabilities	<u>168,883</u>	<u>168,883</u>
FUND BALANCES		
Unassigned	<u>(161,138)</u>	<u>(161,138)</u>
Total fund balances	<u>(161,138)</u>	<u>(161,138)</u>
Total liabilities and fund balances	<u>\$ 7,745</u>	<u>\$ 7,745</u>

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

ST. CLOUD HIGH SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Fund balances - total governmental funds	<u>\$ (161,138)</u>
Total net position of governmental activities	<u><u>\$ (161,138)</u></u>

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

ST. CLOUD HIGH SCHOOL, INC.

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

Year Ended June 30, 2018

	General Fund	Total Governmental Funds
Revenues		
State passed through local school district	\$ 128,670	\$ 128,670
Total revenues	<u>128,670</u>	<u>128,670</u>
Expenditures		
Current:		
Basic instruction	104,957	104,957
Instructional support	2,793	2,793
Classroom costs	44	44
General administration	4,376	4,376
School administration	6,433	6,433
Food services	403	403
Central services	16	16
Transportation	925	925
Operation of plant	169,861	169,861
Total expenditures	<u>289,808</u>	<u>289,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(161,138)</u>	<u>(161,138)</u>
Net change in fund balances	(161,138)	(161,138)
Fund balances at July 1, 2017	-	-
Fund balances at June 30, 2018	<u>\$ (161,138)</u>	<u>\$ (161,138)</u>

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

ST. CLOUD HIGH SCHOOL, 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	<u>\$ (161,138)</u>
Change in net position of governmental activities	<u><u>\$ (161,138)</u></u>

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

ST. CLOUD PREPARATORY HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

St. Cloud Preparatory High School, Inc. (the "School") is a not-for-profit corporation that operates a high 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 HIGH SCHOOL, 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 HIGH SCHOOL, 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 10.

ST. CLOUD PREPARATORY HIGH SCHOOL, 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:

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

ST. CLOUD PREPARATORY HIGH SCHOOL, 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 prorate 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 HIGH SCHOOL, 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 High School, 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.

11. Subsequent event

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

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 not in excess of the insured limit.

ST. CLOUD PREPARATORY HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C - 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:

<u>Source</u>	<u>Amount</u>
School Board of Osceola County	
Base funding	\$ 87,859
ESE guaranteed allocation	3,920
Supplemental academic instruction	4,574
Class size reduction	18,820
Discretionary local effort (WFTE)	5,175
Discretionary millage	4,692
Discretionary lottery	35
Summer reading allocation	857
Instructional materials	1,919
Digital classrooms allocation	484
Safe schools allocation	349
Proration to funds available	(14)
Subtotal	<u>128,670</u>
Total passed through the School	
District of Osceola County	<u>128,670</u>
	<u>\$ 128,670</u>

The administration fee paid to the District during the year ended June 30, 2018 totaled approximately \$6,433 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

NOTE D – ALLOCATIONS

Expense allocations

The School allocated revenues and expenses from St. Cloud Preparatory Academy, Inc. based on percentages of costs included in several allocation pools. The allocation pools were the percentage of teachers used by the School, the amount of students attending the School, and the square footage used by the School.

ST. CLOUD PREPARATORY HIGH SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E – FINANCIAL CONDITION

As shown in the accompanying financial statements, the School has incurred significant losses from operations, and as of June 30, 2018, the School has an unrestricted net deficit of \$161,138. This condition raises uncertainty about the School's ability to continue as a going concern. However, the School is combining with St. Cloud Preparatory Academy, Inc. beginning July 1, 2018 and it believes this factor will contribute toward it recovering from the unrestricted net deficit. The accompanying financial statements do not include any adjustments that might be necessary from this uncertainty.

REQUIRED SUPPLEMENTAL INFORMATION

ST. CLOUD HIGH SCHOOL, 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	\$ 129,264	\$ 128,670	\$ 128,670	\$ -
Total revenues	<u>129,264</u>	<u>128,670</u>	<u>128,670</u>	<u>-</u>
Expenditures				
Current:				
Basic instruction	117,959	104,957	104,957	-
Instructional support	2,992	2,793	2,793	-
Classroom costs	300	44	44	-
General administration	7,394	4,376	4,376	-
School administration	6,433	6,433	6,433	-
Food services	-	403	403	-
Central services	-	16	16	-
Transportation	403	925	925	-
Operation of plant	156,245	169,861	169,861	-
Total expenditures	<u>291,726</u>	<u>289,808</u>	<u>289,808</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(162,462)</u>	<u>(161,138)</u>	<u>(161,138)</u>	<u>-</u>
Net change in fund balances	(162,462)	(161,138)	(161,138)	-
Fund balances at July 1, 2017	-	-	-	-
Fund balances at June 30, 2018	<u>\$ (162,462)</u>	<u>\$ (161,138)</u>	<u>\$ (161,138)</u>	<u>\$ -</u>

-

See note to required supplemental information.

ST. CLOUD PREPARATORY HIGH SCHOOL, 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

- W. Ed Moss, Jr.
- Joe M. Krusick
- Cori G. Cameron
- Bob P. Marchewka
- Ric Perez
- James R. Dexter
- Thomas F. Regan
- Ernie R. Janvrin
- Paul F. Smyth
- Darby M. Hauck

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American Institute of
Certified Public
Accountants

Florida Institute of
Certified Public
Accountants

To the Board of Directors
St. Cloud Preparatory High School, 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 High School, 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 High School, 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 High School, 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 High School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Cloud Preparatory High School, 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 High School, 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



MANAGEMENT LETTER

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin
Paul F. Smyth
Darby M. Hauck

To the Board of Directors
St. Cloud Preparatory High School, 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 High School, 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 are 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 no findings or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *St. Cloud Preparatory High School 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.

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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.

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.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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 High School'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

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

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