

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY
CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the
District School Board of Orange County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2019

King & Walker, CPAs, PL

Certified Public Accountants

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**KID’S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

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Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's Report

To the Board of Directors Kid's Community College Orange County Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Orange County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kid's Community College Orange County Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School'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 opinion.

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, 2019 and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

As disclosed in Note 11 of the financial statements, the District School Board of Orange County accepted the voluntary termination of the charter contract with the School effective June 30, 2019. Accordingly, the accompanying financial statements have been prepared assuming that the School will not continue as a going concern.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, 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 historic 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 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 5, 2019 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 the School's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 5, 2019
Tampa, Florida

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Kid's Community College Orange County Charter School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2019. The Board of Directors decided not to renew the charter agreement with the District and effectively has terminated as of June 30, 2019.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2019, the School's expenses exceeded revenues as shown on the School's statement of activities by \$592,923.
- As shown on the statement of net position, the School reported a negative unrestricted net position balance of \$485,721.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates two funds; a General Fund and a Special Revenue Fund. For reporting purposes, the General Fund is considered major fund. Data from the other governmental funds are combined into a single aggregate presentation.

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

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School's current year and prior year net position:

	Governmental Activities		
	6-30-18	6-30-19	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 131,576	\$ 97,140	\$ (34,436)
Capital Assets, Net	40,261	-	(40,261)
Total Assets	171,837	97,140	(74,697)
LIABILITIES			
Current Liabilities	34,635	482,861	448,226
Long Term Liabilities	30,000	100,000	-
Total Liabilities	64,635	582,861	448,226
NET POSITION			
Net Investment in Capital Assets	40,261	-	(40,261)
Unrestricted	66,941	(485,721)	(552,662)
Total Net Position	\$ 107,202	\$ (485,721)	\$ (592,923)

Assets consist of cash and cash equivalents. Liabilities consist of a note payable and accounts payable. Total deficit net position amounted to \$485,721 as of June 30, 2019.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

The following is a summary of the School's net position for the current year and prior year:

Operating Results for the Year			
	Governmental Activities		Increase (Decrease)
	6-30-18	6-30-19	
Revenues:			
Federal Through State and Local	\$ 76,671	\$ 52,554	\$ (24,117)
State Sources	1,962,264	1,502,596	(459,668)
Local and Other	124,331	72,780	(51,551)
Total Revenues	<u>2,163,266</u>	<u>1,627,930</u>	<u>(535,336)</u>
Expenses:			
Instruction	1,054,423	970,932	(83,491)
Student Personnel Services	-	29,676	29,676
Instructional Media	439	439	-
Instructional Staff Training	1,934	1,338	(596)
Board of Education	2,358	5,637	3,279
General Administration	97,992	72,501	(25,491)
School Administration	452,676	311,872	(140,804)
Facilities Acq. & Construction	384,429	531,398	146,969
Fiscal Services	4,932	4,525	(407)
Food Services	79,275	66,503	(12,772)
Student Transportation	2,460	2,124	(336)
Operation of Plant	142,229	150,952	8,723
Community Services	24,068	5,201	(18,867)
Debt Service - Interest	-	27,494	27,494
Unallocated Depreciation	14,984	40,261	25,277
Total Expenses	<u>2,262,199</u>	<u>2,220,853</u>	<u>(41,346)</u>
Increase/(Decrease) in Net Position	<u><u>\$ (98,933)</u></u>	<u><u>\$ (592,923)</u></u>	<u><u>\$ (493,990)</u></u>

The largest revenue source for the School is the State of Florida (92%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula funds.

The largest portion of expenses occurred in the instruction related services functions which accounted for 45% of total expenses.

**KID’S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)**

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance deficit of \$385,721.

CAPITAL ASSETS

As a result of the School’s voluntary closing, the School’s capital assets, which included furniture, fixtures, and equipment, and leasehold improvements, were eliminated at June 30, 2019. A loss on disposal of capital assets of \$40,261 (net of accumulated depreciation) was recorded in the statement of activities. Assets were reclaimed by the School Board of Orange County. Additional information regarding the School’s capital assets can be found in the notes to the financial statements.

VOLUNTARY TERMINATION OF CHARTER CONTRACT

At the request of the School’s governing body, the School requested the District to relinquish the charter and dissolve the School pursuant to the terms of the contract, Board policy, and Florida Statutes, effective June 30, 2019.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2019, was developed based on the School’s anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were equal to the final budgeted expenditures. See the budgetary comparison schedule for additional information.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vicki Sanders, Kid’s Community College Orange County Charter School, Inc., 11513 McMullen Road, Riverview, FL 33569.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash & Cash Equivalents	\$ 97,140
TOTAL ASSETS	<u>97,140</u>
<u>LIABILITIES</u>	
Accounts Payable	482,861
Long Term Loan Payable:	
Portion Due in One Year	<u>100,000</u>
TOTAL LIABILITIES	<u>582,861</u>
<u>Net Position</u>	
Unrestricted	<u>(485,721)</u>
TOTAL NET POSITION	<u><u>\$ (485,721)</u></u>

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

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019**

		Program Revenues			Net (Expenses) Revenue and Changes Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 970,932	\$ -	\$ -	\$ -	\$ (970,932)
Student Personnel Services	29,676				(29,676)
Instructional Media	439				(439)
Instructional Staff Training	1,338				(1,338)
Board of Education	5,637				(5,637)
General Administration	72,501				(72,501)
School Administration	311,872				(311,872)
Facilities Acquisition & Construction	531,398				(531,398)
Fiscal Services	4,525				(4,525)
Food Services	66,503	6,507	52,554		(7,442)
Student Transportation	2,124				(2,124)
Operation of Plant	150,952				(150,952)
Community Services	5,201				(5,201)
Interest	27,494				(27,494)
Loss on Disposal of Fixed Assets	40,261				(40,261)
Total Governmental Activities	<u>\$ 2,220,853</u>	<u>\$ 6,507</u>	<u>\$ 52,554</u>	<u>\$ -</u>	<u>(2,161,792)</u>
General Revenues:					
State Sources					1,502,596
Local and Other					<u>66,273</u>
Total General Revenues					<u>1,568,869</u>
Change in Net Position					(592,923)
Net Position - July 1, 2018					<u>107,202</u>
Net Position - June 30, 2019					<u>\$ (485,721)</u>

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

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019***

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 97,140	\$ -	\$ 97,140
Total Assets	<u>\$ 97,140</u>	<u>\$ -</u>	<u>\$ 97,140</u>
LIABILITIES			
Accounts Payable	\$ 482,861	\$ -	\$ 482,861
Total Liabilities	<u>482,861</u>	<u>-</u>	<u>482,861</u>
FUND BALANCES			
Unassigned	<u>(385,721)</u>	<u>-</u>	<u>(385,721)</u>
Total Fund Balances	<u>(385,721)</u>	<u>-</u>	<u>(385,721)</u>
Total Liabilities and Fund Balances	<u>\$ 97,140</u>	<u>\$ -</u>	<u>\$ 97,140</u>

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

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
*June 30, 2019***

Total Fund Balances - Governmental Funds	\$ (385,721)
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of a note payable.	<u>(100,000)</u>
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Total Net Position - Governmental Activities	<u><u>\$ (485,721)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
*For the Fiscal Year Ended June 30, 2019***

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ -	\$ 52,554	\$ 52,554
State Sources	1,502,596	-	1,502,596
Local and Other	66,273	6,507	72,780
Total Revenues	<u>1,568,869</u>	<u>59,061</u>	<u>1,627,930</u>
Expenditures			
Current - Education:			
Instruction	\$ 970,932	\$ -	\$ 970,932
Student Personnel Services	29,676		29,676
Instructional Media	439		439
Instructional Staff Training	1,338		1,338
Board of Education	5,637		5,637
General Administration	72,501		72,501
School Administration	311,872		311,872
Facilities Acquisition & Construction	531,398		531,398
Fiscal Services	4,525		4,525
Food Services		66,503	66,503
Student Transportation	2,124		2,124
Operation of Plant	150,952		150,952
Community Services	5,201		5,201
Debt Service:			
Principal	30,000		30,000
Interest	27,494		27,494
Total Expenditures	<u>2,144,089</u>	<u>66,503</u>	<u>2,210,592</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(575,220)</u>	<u>(7,442)</u>	<u>(582,662)</u>
Other Financing Sources (Uses):			
Transfers In/(Out)	(7,442)	7,442	-
Loan Proceeds	100,000	-	100,000
Total Other Financing Sources (Uses)	<u>92,558</u>	<u>7,442</u>	<u>100,000</u>
Net Change in Fund Balances	<u>(482,662)</u>	<u>-</u>	<u>(482,662)</u>
Fund Balances, July 1, 2018	<u>96,941</u>	<u>-</u>	<u>96,941</u>
Fund Balances, June 30, 2019	<u>\$ (385,721)</u>	<u>\$ -</u>	<u>\$ (385,721)</u>

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

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2019***

Net Change in Fund Balances - Governmental Funds	\$ (482,662)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets are reported in Statement of Net Position and any activity, such as the disposal of these assets, are reported in the Statement of Activities and not in the governmental funds. This is the amount of capital assets, net of accumulated depreciation, disposed of during the period.	(40,261)
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Repayment of debt principal (note payable) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	30,000
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Net proceeds from loans payable provide current financial resources in the governmental funds, but increase long-term liabilities in the statement of net assets.	<u>(100,000)</u>
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Change in Net Position - Governmental Activities	<u><u>\$ (592,923)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Kid's Community College Orange County Charter School, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than 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 district, the District School Board of Orange County, Florida, ("District"). The current charter is effective until June 30, 2022. As more fully disclosed in Note 11 of the notes to financial statements the District approved the voluntary termination of the School's charter and contract to be effective June 30, 2019. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

The remaining governmental funds are reported in the aggregate.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. 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 recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Deposits and Investments**

Cash deposits consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Leasehold Improvements	10 years

➤ **Deferred Outflows/Inflows of Resources**

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

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

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District 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 students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2019, the School reported 189.73 unweighted FTE and 209.8851 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

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

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Recently Issued Accounting Principles**

Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements was effective for fiscal years beginning after June 15, 2018. The School's notes to financial statements related to debt reflect all required disclosures.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 14,503	\$ -	\$ (14,503)	\$ -
Leasehold Improvements	79,133		(79,133)	-
Total Capital Assets Being Depreciated	93,636	-	(93,636)	-
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(10,044)		10,044	-
Leasehold Improvements	(43,331)		43,331	-
Total Accumulated Depreciation	(53,375)	-	53,375	-
Governmental Activities Capital Assets, net	<u>\$ 40,261</u>	<u>\$ -</u>	<u>\$ (40,261)</u>	<u>\$ -</u>

4. INTERFUND TRANSFERS

The General Fund transferred \$7,442 to the Special Revenue to support the School's food service program. The amounts of interfund transfers are netted together and not reported in the statement of activities.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

5. LINE OF CREDIT

The School has established a line of credit of \$100,000. As of June 30, 2019, the School's long-term debt included the following line of credit:

<u>Grow Asset Management</u>	<u>Balance at 6-30-19</u>
\$100,000 Unsecured line of credit loan initiated 10-11-18, to cover costs of operations. Interest rate of 8% per annum. Principal and interest is due within 60 days of advance of credit. In the event of default for non-payment, all principal and interest shall be immediately due and payable unless waived by the lender.	<u>\$ 100,000</u>

Amounts payable for the loan payable is as follows:

Fiscal Year Ending June 30	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 100,000	\$ 100,000	\$ -
Total	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>

6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Line of Credit	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ 100,000
Notes Payable	30,000	-	(30,000)	-	-
Total Governmental Activities	<u>\$ 30,000</u>	<u>\$ 100,000</u>	<u>\$ (30,000)</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

7. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

8. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue for the 2018-19 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 891,773
Class Size Reduction	264,672
Special Millage	125,488
Discretionary Millage	98,128
Supplementary Academic Instruction	44,804
ESE Guarantee	16,199
Instructional Materials	14,857
Safe Schools	10,435
Reading Allocation	8,387
Mental Health Assistance	4,293
Florida Teachers Classroom Supply Program	3,900
FL Best & Brightest Scholarship Program	2,128
Discretionary Lottery	672
Miscellaneous	16,860
Total State Revenue	<u>\$ 1,502,596</u>

As provided in the charter school contract, the District has charged the School an administrative fee of \$72,501.

9. PENSION PLAN

The School participated in a defined contribution Savings Incentive Match Plan for Employees (SIMPLE) retirement plan. The School contributed a 3% maximum match for participating employees. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

10. FACILITY LEASE

The School entered into a 20 year noncancelable operating lease for its educational facility beginning August 18, 2015, through August 31, 2035. The lease requires monthly payments and includes annual increases or decreases in accordance with the agreement through August 2035 based on FTE increases or decreases and increases or decreases in the Consumer Price Index for All Urban Consumers. Monthly rental changes are effective after year three of the lease agreement. In accordance with the agreement, the School is responsible for all operating charges and insurance and is to

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

maintain the premises at its own expense. Rental expenditures under this lease agreement for the fiscal year amounted to \$531,398.

11. VOLUNTARY TERMINATION OF CHARTER CONTRACT

At the request of the School's governing body the School requested the District to relinquish the charter and dissolve the School, pursuant to the terms of the contract, Board policy, and Florida Statutes, effective June 30, 2019. In accordance with the District's approval of the charter and contract termination the accompanying financial statements have been prepared assuming that the School will not continue as a going concern.

12. DEFICIT FUND BALANCE AND NET POSITION

The School reported a General Fund deficit fund balance and deficit net position of \$385,721 and \$485,721, respectively at June 30, 2019. Management has decided to cease operations of the School as of June 30, 2019. See Note 11 of the financial statements.

13. GOING CONCERN

As indicated in the accompanying financial statements, the School reported a negative change in net position on its Statement of Activities of \$592,923 for the period ending June 30, 2019. In addition, Management has decided to cease operations of the School as of June 30, 2019. These factors create an uncertainty about the School's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2019, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

15. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

16. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

KID'S COMMUNITY COLLEGE ORANGE COUNTY CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with
	Original Budget	Final Budget	Actual	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
State Sources	\$ 2,019,744	\$ 1,502,596	\$ 1,502,596	\$ -
Local and Other	120,500	66,273	66,273	-
Total Revenues	2,140,244	1,568,869	1,568,869	-
Expenditures:				
Current - Education:				
Instruction	1,117,798	970,932	970,932	-
Student Personnel Services	27,441	29,676	29,676	-
Instructional Media	1,112	439	439	-
Instructional Staff Training	4,550	1,338	1,338	-
Board of Education	5,780	5,637	5,637	-
General Administration	88,478	72,501	72,501	-
School Administration	154,726	311,872	311,872	-
Facilities Acquisition & Construction	570,000	531,398	531,398	-
Fiscal Services	6,200	4,525	4,525	-
Student Transportation	3,600	2,124	2,124	-
Operation of Plant	133,983	150,952	150,952	-
Community Services	-	5,201	5,201	-
Debt Service:				
Principal	-	30,000	30,000	-
Interest	-	27,494	27,494	-
Total Expenditures	2,113,668	2,144,089	2,144,089	-
Excess (Deficiency) of Revenues Over	26,576	(575,220)	(575,220)	-
Other Financing Sources (Uses):				
Transfers In/(Out)	(23,842)	(7,442)	(7,442)	-
Loan Proceeds	-	100,000	100,000	-
Total Other Financing Sources (Uses)	(23,842)	92,558	92,558	-
Net Change in Fund Balance	2,734	(482,662)	(482,662)	-
Fund Balance, July 1, 2018	96,941	96,941	96,941	-
Fund Balance, June 30, 2019	\$ 99,675	\$ (385,721)	\$ (385,721)	\$ -

See Independent Auditor's Report.

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:
Florida Institute of CPAs
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2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

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

To the Board of Directors Kid's Community College Orange County Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Orange County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kid's Community College Orange County Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of 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*. However we noted two items we considered other matters that are discussed on Page 31. (See Findings 2019-01 & 2019-02).

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 5, 2019
Tampa, Florida

Members:
Florida Institute of CPAs
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Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Kid's Community College Orange County Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Orange County, Florida

Report on the Financial Statements

We have audited the financial statements of the Kid's Community College Orange County Charter School, Inc., ("School"), a Charter School and Component Unit of the District School Board of Orange County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 5, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 5, 2019, 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 prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Kid's Community College Charter, 480182.

Financial Condition and Management

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

Vendors were unpaid for a period greater than 90 days which indicates a financial emergency in accordance with Sections 2018.503(1)(b) and (d). (*See Schedule of Findings and Recommendations - Finding 2019-01*)

These conditions were a result of a deteriorating financial condition as defined in Section 10.854(1)(b), Rules of the Auditor General. (*See Schedule of Findings and Recommendations - Finding 2019-02*)

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

Transparency

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

Additional Matters

Section 10.854(1)(e)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, we 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 the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies the Board of Directors, applicable management, and District School Board of Orange County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

King & Walker, CPAs

September 5, 2019
Tampa, Florida

**KID'S COMMUNITY COLLEGE
ORANGE COUNTY CHARTER SCHOOL, INC.**

A Charter School and Component Unit of the District School Board of Orange County, Florida

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year ended June 30, 2019**

Finding No.

2019-01 Financial Emergency - The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement 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 met two of the conditions described in Section 218.503(1), Florida Statutes. The School has failed to pay uncontested claims from two vendors over 90 days old as of June 30, 2019 totaling \$74,227. We recommend the School make appropriate financial arrangements with the unpaid vendors, the School's landlord, and assure funds are available to pay payroll taxes and contributions when due.

Management's Response: See page 32.

2019-02 Deteriorating Financial Condition – We applied certain procedures pursuant to Section 10.854(1)(e)6.a. and Section 10.855(12) Rules of the Auditor General. As a result, it appears that the financial emergency as described in Finding 2019-01 is a result of a deteriorating financial condition. The financial assessment procedures applied disclosed that over the past 3 fiscal years assets, the unrestricted net position balance and the change in the School's net position have decreased significantly while the liabilities have significantly increased as shown below:

	as of: 6/30/2017	as of: 6/30/2018	as of: 6/30/2019	(Decrease)/ Increase from 6/30/17 to 6/30/2018	(Decrease)/ Increase from 6/30/18 to 6/30/2019
Assets	\$ 230,495	\$ 171,837	\$ 97,140	\$ (58,658)	\$ (74,697)
Liabilities	\$ 24,360	\$ 64,635	\$ 582,861	\$ 40,275	\$ 518,226
Unrestricted Net Position	\$ 150,890	\$ 107,202	\$ (485,721)	\$ (43,688)	\$ (592,923)
Change in Net Position	\$ (95,408)	\$ (98,933)	\$ (592,923)	\$ (3,525)	\$ (493,990)

This finding is to bring the deteriorating financial condition of the School to the attention of the School's Board of Directors and the Orange County District School Board in accordance with Section 218.39(5), Florida Statutes.

Management's Response: See page 32.



**KID'S COMMUNITY COLLEGE®
ORANGE COUNTY CHARTER SCHOOL**

Management's Response to Audit Findings

The Board acknowledges the findings as presented. As noted in the Audit, the Board has made their decision to not renew the charter contract, but offer the following in response to its state of Financial Emergency and Deteriorating Financial Condition.

BARRIERS TO SUCCESS

The 2018-19 school year started with a new team, many new, more experienced professors and a number of dedicated partners with an improvement plan to return KCC Orange to high achievement, to increase enrollment and to put the school on solid footing for the future. The school believed it was on the right track last summer, on a path toward long-term sustainability, with a projected enrollment of well over 200 students. However, once the school year started, we experienced a number of setbacks and several critical factors that contributed to insurmountable deficits that resulted in the fiscal decline:

1. At the start of the 2018-19 school year, more than 50 students who had applied and were accepted at KCC Orange did not arrive in the first weeks of school, causing our enrollment numbers to fall far short of projections.
2. Although each year KCC Orange served more and more minorities and directly certified free and reduced lunch students (reaching more than 78% in 2018-19), it was never afforded the critical Title I funding needed to help meet the needs of its largely Economically Disadvantaged students, despite being identified by the State as serving and needing assistance with this subgroup. According to OCPS the school, despite the obvious need and demographics, failed to meet its definition for Title I funding.
3. Like many smaller charter school operators, implementation of the Safe School requirement caused a severe hardship to the school's operational budget. This requirement was implemented after the approval of the school's budget in the Spring and options for charter schools in Orange County were limited to independent law enforcement agencies. State funding for the Safe Schools program was severely inadequate, leaving KCC Orange with the bulk of this un-budgeted expense - \$10K in funding vs \$70K+ in costs.
4. The school was denied crucial Capital Outlay funding that would have positively contributed to student learning and operational sustainability - as written the law would've not applied to KCC until the following year. Although KCC Orange challenged the decision to deny its Capital Outlay funding caused by an obscure legislative change, the decision to deny was upheld - creating a greater hardship for the school to meet its goals.