

LAKE EOLA CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
(Audited)

Year Ended June 30, 2019

LAKE EOLA CHARTER SCHOOL, INC.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheets	7
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	8
Notes to Financial Statements	9-18
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund	19
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 <i>Government Auditing Standards</i>	20-21
Management Letter	22
Auditors' Comments – Current Year	23
Status of Prior Year Comments	23

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Lake Eola Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Eola Charter School, Inc. (the School), a 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lake Eola Charter School, Inc. as of June 30, 2019 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 6 and page 19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Holland & Riley

Orlando, Florida
September 25, 2019

LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

This discussion of Lake Eola Charter School, Inc.'s (the School) financial performance provides an overview of the School's activities for the year ended June 30, 2019. It should be read in conjunction with the financial statements.

Reporting Entity

In July 2004, Lake Eola Charter School Foundation, Inc. (the Foundation) was created to assist the School in fundraising efforts. The financial statements for the year ended June 30, 2019 include the activities of the School and the Foundation.

Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this report, as all activities of the School are governmental activities and the School is deemed to be a single-program government. The report consists of the organization-wide and fund statements, notes to the financial statements, and other required supplementary information. The statements are designed to provide readers with an overview of the School's finances in a manner similar to a private-sector business.

The Statement of Net Position and Governmental Funds Balance Sheets present the School's assets and liabilities as of June 30, 2019. The difference between assets and liabilities is presented as net position. Increases or decreases in the amount of net position serves as an indicator of whether the School's financial condition is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances presents information related to how the School's net position changed during the most recent fiscal year. The School uses the economic resources measurement focus and the accrual basis of accounting, whereby changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Governmental activities are primarily supported by state and local sources, and charges for services.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. Reconciliation of the organization-wide and fund financial statements is provided in Note 2 on pages 13-14.

Notable Items

- The School experienced an increase in net position of \$40,217. In the prior year, net position increased \$47,352.
- Capital asset acquisitions, consisting mostly of computer cable rewiring and computer desktops, were \$20,035 for the year ended June 30, 2019. See Note 4 to financial statements.
- The School received \$100,615 in PECO capital outlay revenue.
- Current enrollment is approximately 213 students, kindergarten – eighth grade.

The Government-wide Financial Statements are presented in the right column of pages 7 and 8. Net position may serve over time as a useful indicator of the School's financial position. At the close of the fiscal year, net position was \$1,067,703. Of that amount, \$382,191 or 36% of total net position, represents the School's net investment in capital assets, and is thus not available for future spending, with a balance of \$685,512 available for School operations. Of that amount, \$7,123 is restricted for capital expenditures. GASB 34 does not allow net position to be represented as "restricted" unless there are external legal restrictions on how it may be used.

LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019

Financial Analysis

Government-wide Financial Statements

Net Position	2019	2018
Assets:		
Cash and cash equivalents	\$ 541,480	\$ 479,561
Investments	208,412	210,779
Capital outlay accounts receivable	7,123	3,902
Prepaid items	-	12,283
Capital assets	1,735,533	1,801,816
	<u>\$ 2,492,548</u>	<u>\$ 2,508,341</u>
Current liabilities	71,503	42,482
Non-current liabilities	1,353,342	1,438,373
	<u>1,424,845</u>	<u>1,480,855</u>
Net Position		
Net investment in capital assets	382,191	363,443
Restricted	7,123	9,766
Unrestricted	678,389	654,277
	<u>1,067,703</u>	<u>1,027,486</u>
Total liabilities and net position	<u>\$ 2,492,548</u>	<u>\$ 2,508,341</u>
Changes in Net Position		
Program revenues - charges for services	14,891	17,550
General Revenues:		
Federal revenues	7,366	3,778
State revenues	1,546,732	1,582,784
Local revenues	125,482	134,224
Investment income	5,322	7,452
Total revenues	<u>1,699,793</u>	<u>1,745,788</u>
Expenses:		
Instruction - basic	1,005,350	1,006,538
Instruction - exceptional	84,968	85,966
Pupil personnel services	31,284	30,472
Instruction and curriculum development	38,710	29,958
School board	31,791	29,489
School administration	158,858	173,666
Fiscal services	54,527	54,376
Operation of plant	176,038	205,298
Interest	78,050	82,673
Total expenses	<u>1,659,576</u>	<u>1,698,436</u>
Increase in net position	40,217	47,352
Net position beginning	1,027,486	980,134
Net position, ending	<u>\$ 1,067,703</u>	<u>\$ 1,027,486</u>

**LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019**

Fund Financial Statements

Financial statements are presented by fund in the first four columns of pages 7 and 8. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements.

The General Fund is the main operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$559,713. The total fund balance of the School was \$ 688,664, consisting of total assets of \$757,015 less liabilities of \$68,351. Cash, cash equivalents and investments comprised 99% of the total fund assets of the School.

Overall, the governmental funds experienced an excess of revenues over expenditures of (\$21,271). State revenues for all governmental funds decreased 2.3% or \$36,052 in the current year due primarily to an decrease in FEFP funding. Investment earnings showed an overall gain of \$5,322, compared to an overall gain of \$7,452 in the prior year.

General Fund expenditures exceeded revenues by (\$2,609). In the prior year, General Fund revenues exceeded expenditures by \$174,810, as a significant amount of PECO capital outlay revenue and Local Capital Improvement Funds were received that year and covered expenditures (primarily rent) that the General Fund would normally cover.

Capital Outlay accounts receivable represents reimbursable amounts due from state capital outlay funds for capital expenditures. \$100,615 in Capital Outlay PECO funds was received during the year. Building Fund expenditures for the current year consist of capital improvements of \$1,000 to the School's facility by the Foundation.

Capital Assets and Long-Term Debt

Additions to capital assets include \$18,977 in improvements (computer cable wiring) to the School's facility and \$1,058 in computer laptops. See Note 4 for additional information on capital assets.

The mortgage payable on the School's facility was reduced \$85,032. Interest paid was \$78,248. The balance of the mortgage payable was \$1,353,342 at June 30, 2019. See Note 5 for additional information on long-term debt.

General Fund and Capital Outlay Fund – Budget and Actual

A comparison of budgeted and actual amounts is shown on page 19 of the financial statements. The original budget for the year ended June 30, 2019 was revised in June 2019. Major changes reflected in the revised budget were a decrease in state source revenue, as well as an increase in operation of plant expenditures, and year-end allocation of actual expenditures between departments not originally done for budget purposes.

**LAKE EOLA CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2019**

Economic Factors and Next Year's Budget

State and local revenues are expected to be similar to the year ended June 30, 2019 amounts. Public Education Capital Outlay revenue is expected to remain consistent. The 2019-2020 budget provides for contracted full-time school security services previously not required. The school expects an excess of revenues over expenditures in the amount of \$2,200 for the year ending June 30, 2020.

Requests for Information

This financial report is designed to provide a general overview 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 the School's Director, Lake Eola Charter School, Inc., 135 Magnolia Avenue, Orlando, FL 32801.

LAKE EOLA CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEETS
June 30, 2019

	Governmental Funds					Adjust- ments	Statement of Net Position
	General Fund	Foundation Fund	Capital Outlay	Building Fund	Total		
Assets							
Cash and cash equivalents	\$ 485,192	\$ 51,402	\$ -	\$ 4,886	\$ 541,480	\$	\$ 541,480
Investments	142,872	65,540			208,412		208,412
Accounts receivable, FEFP capital outlay funds			7,123		7,123		7,123
Capital assets not being depreciated					-	422,314	422,314
Capital assets, net of accumulated depreciation					-	1,313,219	1,313,219
Total assets	\$ 628,064	\$ 116,942	\$ 7,123	\$ 4,886	\$ 757,015	\$ 1,735,533	\$ 2,492,548
Liabilities							
Accounts payable	29,192				29,192		29,192
Accrued liabilities	39,159				39,159		39,159
Accrued interest payable					-	3,152	3,152
Long-term liabilities:							
Due within one year					-	89,909	89,909
Due after one year					-	1,263,433	1,263,433
Total liabilities	68,351	-	-	-	68,351	1,356,494	1,424,845
Fund Balances/Net Position							
Fund balances:							
Restricted			7,123		7,123	(7,123)	-
Assigned				4,886	4,886	(4,886)	-
Unassigned	559,713	116,942			676,655	(676,655)	-
Total fund balances	559,713	116,942	7,123	4,886	688,664	(688,664)	-
Total liabilities and fund balances	\$ 628,064	\$ 116,942	\$ 7,123	\$ 4,886	\$ 757,015		
Net position:							
Net investment in capital assets						382,191	382,191
Restricted						7,123	7,123
Unrestricted						678,389	678,389
Total net position						\$ 1,067,703	\$ 1,067,703

See accompanying notes.

LAKE EOLA CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
for the year ended June 30, 2019

	<u>Governmental Funds</u>					<u>Adjust- ments</u>	<u>Statement of Activities</u>
	<u>General Fund</u>	<u>Foundation Fund</u>	<u>Capital Outlay</u>	<u>Building Fund</u>	<u>Total</u>		
Expenditures/Expenses							
Instruction - basic	\$ 991,187	\$	\$	\$	\$ 991,187	\$ 14,163	\$ 1,005,350
Instruction - exceptional	84,968				84,968		84,968
Pupil personnel services	31,284				31,284		31,284
Instruction and curriculum development	38,710				38,710		38,710
School board	31,791				31,791		31,791
School administration	158,683	175			158,858		158,858
Fiscal services	54,527				54,527		54,527
Operation of plant	206,939		103,258	1,000	311,197	(135,159)	176,038
Debt service:							
Principal		85,032			85,032	(85,032)	-
Interest		78,248			78,248	(198)	78,050
Total expenditures/expenses	<u>1,598,089</u>	<u>163,455</u>	<u>103,258</u>	<u>1,000</u>	<u>1,865,802</u>	<u>(206,226)</u>	<u>1,659,576</u>
Program Revenues							
Charges for services	<u>14,891</u>				<u>14,891</u>		<u>14,891</u>
Net program expense							<u>1,644,685</u>
General Revenues							
Federal sources	7,366				7,366		7,366
State sources	1,446,117		100,615		1,546,732		1,546,732
Local sources	125,079	187,683			312,762	(187,280)	125,482
Investment earnings	2,027	3,295			5,322		5,322
Total general revenues	<u>1,580,589</u>	<u>190,978</u>	<u>100,615</u>	<u>-</u>	<u>1,872,182</u>	<u>(187,280)</u>	<u>1,684,902</u>
Excess (deficiency) of revenues over (under) expenditures	(2,609)	27,523	(2,643)	(1,000)	21,271	(21,271)	
Change in net position						40,217	40,217
Fund balance/net position							
Beginning of year	<u>562,322</u>	<u>89,419</u>	<u>9,766</u>	<u>5,886</u>	<u>667,393</u>	<u>360,093</u>	<u>1,027,486</u>
End of year	<u>\$ 559,713</u>	<u>\$ 116,942</u>	<u>\$ 7,123</u>	<u>\$ 4,886</u>	<u>\$ 688,664</u>	<u>\$ 379,039</u>	<u>\$ 1,067,703</u>

See accompanying notes.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

Reporting Entity - Lake Eola Charter School, Inc. (the School) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was created pursuant to Chapter 228, Florida Statutes, following approval of its charter by the District School Board of Orange County, Florida (School Board). Current enrollment is approximately 213 students in grades K through 8. The School Board approved the charter effective for the 1998/1999 school years. The original charter expired June 30, 2001 and the School Board approved a new charter that covered the period July 1, 2001 to June 30, 2016. In December 2010, the School Board approved a new charter that covers the fifteen year period July 1, 2011 to June 30, 2026. The charter is subject to annual review and may be terminated during the term of the charter. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board.

The Florida Department of Education has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools - The Red Book", issued by the Florida Department of Education. The School is required by contract with the School Board to use the governmental reporting model and The Red Book.

As required by U.S. generally accepted accounting principles, the financial reporting entity consists of (1) the primary government, (2) organizations for which the School is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School. Based on these criteria, the School's management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the School's financial statements. Management determined that Lake Eola Charter School Foundation, Inc. (the Foundation) is the only organization that should be included in the School's financial statements as a component unit.

Based upon a review of these criteria, the following addresses the blended component unit included in the School's reporting entity.

Lake Eola Charter School Foundation, Inc. – The Foundation was created on July 30, 2004 as a not-for-profit corporation under Chapter 617 of the Florida Statutes. Its purpose is to assist the School in fundraising efforts. The Foundation owns the School's facility and the School guarantees the Foundation's indebtedness on the facility. The School and the Foundation have a common member on the boards of directors. The Foundation is treated as a blended component unit because of the closeness of the relationship with the School.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the activities of the School. The effect of interfund activities has been removed from these statements. The School has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from federal, state and local sources. Fund financial statements are presented for the School's General, Foundation, Capital Outlay, and Building Funds.

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 recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use to pay expenses, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

The School reports the following major governmental funds:

General Fund – accounts 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.

Foundation Fund – accounts for the financial resources of Lake Eola Charter School Foundation, Inc. and its fundraising activities for the School.

Capital Outlay Fund – to account for financial resources (Public Education Capital Outlay) to be used for acquisition or funding of major capital facilities or equipment.

The School reports the following non-major governmental fund:

Building Fund – to account for the financial resources (Education Facilities Revenue Bonds) to be used for the acquisition and funding of the School's facility and related improvements.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Budgets and Budgetary Accounting – Budgets are prepared and original budgets are adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2019, the Board adopted an annual budget for the General Fund. A budget is not adopted for the Foundation Fund, Capital Outlay Fund, or the Building Fund. The School is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Internal Receivables and Payables – Activity between funds representative of lending/borrowing arrangements outstanding at fiscal year end are referred to as internal receivables and internal payables.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand accounts, money market accounts, and certificates of deposits. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance. Money market accounts and certificates of deposit are stated at fair value.

Investments – Investments within the General Fund and Foundation Fund consist of common stocks and mutual funds and are stated at fair value as determined in an active market.

Capital Assets – Capital assets consist of land, building and building improvements, furniture, fixtures, and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$500 or more. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation has been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, as follows:

	<u>Years</u>
Building	30
Building improvements	5-15
Furniture, fixtures and equipment	3-5

Long-Term Obligations – In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

State Revenue Sources - Revenue from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. 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 State provides financial assistance to administer certain categorical educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires categorical educational program revenues be accounted for in the General Fund.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Florida Department of Education. The School Board remits funds to the School on a monthly basis. Revenue is recognized when the School Board allocates and remits funds to the School's account.

Fund Balances – In accordance with GASB Statement 54, the School is required to report fund balance amounts in five classifications – nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The School had no nonspendable fund balance amounts at June 30, 2019.

Restricted – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had \$7,123 in restricted fund balance amounts at June 30, 2019 pertaining to the Public Education Capital Outlay.

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the School's highest level of decision-making authority. The School's Board of Directors addresses these commitments through formal board action prior to the School's year end. The School had no committed fund balance amounts at June 30, 2019.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Assigned – amounts intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance amounts may be assigned by the School's Board of Directors and/or the Executive Committee if so delegated by the School's Board of Directors. The School had \$4,886 in assigned fund balance amounts at June 30, 2019 pertaining to funds to be used for acquisition of major capital facilities or equipment, or major repairs.

Unassigned – includes residual positive fund balance within the General Fund not classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless prohibited by legal documents/contracts. Thereafter, the School would first use committed, then assigned, and lastly unassigned amounts.

The School has no formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

Use of Unrestricted versus Restricted Resources – The School's policy is to use restricted resources before using unrestricted resources when both are available to pay expenses.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Income Taxes - The School and the Foundation are Florida not-for-profit organizations that are exempt from state and federal income tax under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal or state income taxes has been recorded in these financial statements.

2. Reconciliation of Government-Wide and Fund Financial Statements

Adjustments were made to include capital assets (net of accumulated depreciation), accrued interest payable, and bonds payable on the statement of net position. This resulted in a net difference of \$379,039 between ending governmental fund balances and total net position.

Governmental fund balances	\$ 688,664
Capital assets, net	1,735,533
Accrued interest payable	(3,152)
Bonds payable	<u>(1,353,342)</u>
 Total net position	 <u>\$1,067,703</u>

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

2. Reconciliation of Government-Wide and Fund Financial Statements - continued

Adjustments were made to include depreciation and interest expenses and eliminate capital outlay and bond principal payment expenditures. This resulted in a net difference of \$18,946 between "excess of revenues over expenditures" and "change in net position".

Excess of revenues over expenditures	\$ 21,271
Add: Capital outlay expenditures	20,035
Principal payments	85,032
Interest expense	198
Less: Depreciation expense	<u>(86,319)</u>
Change in net position	<u>\$ 40,217</u>

3. Cash, Cash Equivalents and Investments

At June 30, 2019, the School and Foundation maintained the following cash, cash equivalents and investments:

	Carrying amount		
	<u>School</u>	<u>Foundation</u>	<u>Total</u>
Cash and cash equivalents:			
Cash	\$ 457,353	42,448	499,801
Money market	27,839	13,840	41,679
	<u>\$ 485,192</u>	<u>56,288</u>	<u>541,480</u>
Investments:			
Common stocks	-	591	591
Mutual funds	142,872	64,949	207,821
	<u>\$ 142,872</u>	<u>65,540</u>	<u>208,412</u>

The School's and Foundation's activities related to investments for the year ended June 30, 2019, are as follows:

	<u>School</u>	<u>Foundation</u>	<u>Total</u>
Interest income	\$ 7,639	3,123	10,762
Unrealized (loss)	<u>(5,612)</u>	<u>172</u>	<u>(5,440)</u>
	<u>\$ 2,027</u>	<u>3,295</u>	<u>5,322</u>

At June 30, 2019, the School's investments have an unrealized loss of \$7,135 and the Foundation's investments have an unrealized loss of \$954.

Individual investments in excess of 5% of total investments were:

	<u>Cost</u>	<u>Fair Value</u>
Loomis Sayles Senior Float RT and Fixed Income Fund (School)	\$150,007	\$142,872
Franklin Income Fund A (Foundation)	46,240	44,646
Franklin Income Fund C (Foundation)	18,830	19,324

Neither the School nor the Foundation have adopted a formal investment policy. Thus, there are no policies relative to interest rate risk or credit risk.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

4. Capital Assets

The following is a summary of changes in capital assets during the fiscal year:

	Balance July 1, 2018	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 422,314	-	-	422,314
Capital assets being depreciated:				
Building	1,689,254	-	-	1,689,254
Building improvements	672,828	18,977	-	691,805
Furniture, fixtures and equipment	178,560	1,058	-	179,618
Total capital assets being depreciated	<u>2,540,642</u>	<u>20,035</u>	<u>-</u>	<u>2,560,677</u>
Less accumulated depreciation for:				
Building	427,005	56,309	-	483,314
Building improvements	593,486	14,788	-	608,274
Furniture, fixtures and equipment	140,648	15,222	-	155,870
Total accumulated depreciation	<u>1,161,139</u>	<u>86,319</u>	<u>-</u>	<u>1,247,458</u>
Total capital assets being depreciated, net	<u>1,379,503</u>	<u>(66,284)</u>	<u>-</u>	<u>1,313,219</u>
Total capital assets, net	<u>\$ 1,801,817</u>	<u>(66,284)</u>	<u>-</u>	<u>1,735,533</u>

Depreciation was charged to functions as follows:

Instruction - basic	\$ 15,221
Operation of plant	71,098
	<u>\$ 86,319</u>

5. Long-Term Obligation

In December 2010, the Foundation issued \$1,963,500 in Educational Facilities Revenue Bonds - Series 2010 to finance the acquisition of the School's facilities for \$2,100,000. The bonds have a 5.59% fixed interest rate, payable in monthly payments of principal and interest of \$13,607 until December 1, 2020 when a balloon payment of \$1,227,466 is due. Collateral for the bonds include the School's facility, assignment of leases and other items specified in a security agreement dated December 1, 2010. The School is a guarantor of the Foundation's debt obligation. The balance of the bonds outstanding at June 30, 2019 was \$1,353,342.

Under terms of the revenue bond issue, upon any default as specified in the bond documents (i.e., failure to pay amounts when due or upon final maturity, false statements, bankruptcy, insolvency, foreclosure proceedings, possession by a receiver, failure to comply with certain bond covenants, among others), all amounts due under the bonds become immediately due and payable. Should the bondholder employ attorneys to enforce performance of any obligation specified in the bond documents, the Foundation is responsible for reasonable attorneys' fees and other expenses incurred by the bond issuer.

LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

5. Long-Term Obligation – continued

Annual debt service requirements to maturity using a twenty-year amortization are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 89,909	73,371	163,280
2021	1,263,433	32,067	1,295,500
	<u>\$ 1,353,342</u>	<u>105,438</u>	<u>1,458,780</u>

Following is a summary of changes in the long-term obligation during the current year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Governmental Activities:					
Bonds Payable	<u>\$1,438,374</u>	<u>-</u>	<u>85,032</u>	<u>1,353,342</u>	<u>89,909</u>

Interest expense for the year ended June 30, 2019 was \$78,050.

6. Operating Lease

Effective December 16, 2010, the date of the School facility purchase by the Foundation, the School entered into a ten year operating lease with the Foundation at \$13,607 monthly, with options to renew for three ten-year periods. This lease was amended in December 2016, increasing the monthly rent to \$15,607. The other terms of the lease remain the same. Total rent expense under this lease was \$187,280 for the year ended June 30, 2019. This interfund activity has been removed from the government-wide financial statements. Future maturities of the bonds are as follows:

Year ending <u>June 30,</u>	<u>Amount</u>
2020	\$ 187,280
2021	93,640
	<u>\$ 280,920</u>

7. Related Parties

Two Board members are employees of the School; one is the School's director and the other a teacher. Also, the son of the assistant director was paid \$1,200 for computer services.

8. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

9. Risk Management Programs

General liability, automotive, and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2019. Settled claims resulting from these risks have not exceeded commercial coverage for the past three years.

10. Employee Retirement Plan

The School has a Simplified Employee Pension – Individual Retirement Agreement (SEP-IRA), which covers substantially all employees meeting certain minimum requirements. The plan is entirely employer funded and contributions are based on 10% of participants' compensation. The School's contribution for the year ended June 30, 2019 was \$94,023, of which \$25,049 is reflected as an accrued liability on the statement of net position and governmental funds balance sheets.

11. Fair Value of Financial Assets and Liabilities

The following are the major categories of assets measured at June 30, 2019, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and, significant unobservable inputs (Level 3).

Description	6/30/2019	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stocks	\$ 591	591		
Mutual funds	207,821	207,821		
	<u>\$ 208,412</u>	<u>208,412</u>	<u>-</u>	<u>-</u>

Level 1 – Represented by quoted prices that are available in an active market.

12. New Accounting Standard:

The School implemented GASB Statement 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The implementation of this statement had no effect on the change in net position or fund balance, but did impact certain disclosures related to long-term debt – see Note 5.

13. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through September 25, 2019, the date on which the financial statements were available to be issued.

**LAKE EOLA CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS**

14. Schedule of State and Local Revenue Sources

Following is a schedule of state and local revenue sources in the General Fund:

<u>Sources</u>	<u>Amount</u>
Orange County School Board:	
Florida Education Finance Program	\$ 907,488
ESE guaranteed allocation	47,287
Instructional materials	16,208
Special millage	136,834
Compression adjustment, net	5,112
SAI	48,855
Safe schools	11,379
Mental health assistance allocation	4,681
Funds compression allocation	3,795
Class size reduction	227,355
Digital classroom allocation	3,104
Reading allocation	<u>8,580</u>
Total school board sources	1,420,678
Governor's award funding	21,539
State Teacher Lead funds	<u>3,900</u>
Total state sources	<u>1,446,117</u>
Local Sources:	
Passed through Orange County School Board:	
Discretionary millage funds	96,291
Other:	
Contributions and gifts	20,398
Miscellaneous	<u>8,390</u>
Total local sources	<u>125,079</u>
Total state and local sources	<u>\$ 1,571,196</u>

LAKE EOLA CHARTER SCHOOL, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

for the year ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Positive
	<u>Original</u>	<u>Final</u>		(Negative) Variance
General Fund				
General Revenues:				
Federal sources	\$ 2,800	\$ 2,954	\$ 7,366	\$ 4,412
State sources	1,488,737	1,472,692	1,446,117	(26,575)
Local sources	124,391	135,141	125,079	(10,062)
Investment earnings	5,900	3,618	2,027	(1,591)
Program Revenues:				
Charges for services	17,360	14,893	14,891	(2)
Total revenues	<u>1,639,188</u>	<u>1,629,298</u>	<u>1,595,480</u>	<u>(33,818)</u>
Expenditures:				
Instruction - basic	964,439	996,459	991,187	5,272
Instruction - exceptional	50,595	90,251	84,968	5,283
Pupil personnel services	-	30,027	31,284	(1,257)
Instruction and curriculum development	-	44,009	38,710	5,299
School board	14,178	32,869	31,791	1,078
School administration	346,925	163,202	158,683	4,519
Fiscal services	17,488	43,631	54,527	(10,896)
Operation of plant	179,898	210,310	206,939	3,371
Total expenditures	<u>1,573,523</u>	<u>1,610,758</u>	<u>1,598,089</u>	<u>12,669</u>
Excess of revenues over (under) expenditures	65,665	18,540	(2,609)	(21,149)
Fund balance at beginning of year	562,322	562,322	562,322	-
Fund balance at end of year	<u>\$ 627,987</u>	<u>\$ 580,862</u>	<u>\$ 559,713</u>	<u>\$ (21,149)</u>

Note 1. Budgets are prepared and original budgets are adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2019, the Board adopted an annual budget for the General Fund, which was amended one time in June 2019. A budget is not adopted for the Foundation Fund, Capital Outlay Fund, or the Building Fund. The School is not required to submit its budget to any regulatory agencies.

Note 2. Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

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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*

To the Board of Directors of
Lake Eola Charter School, Inc.

We have audited, 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, the financial statements of the governmental activities, and each major fund of Lake Eola Charter School, Inc. (the School), a 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 25, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 warrant attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Orlando, Florida
September 25, 2019



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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

To the Board of Directors of
Lake Eola Charter School, Inc.

We have audited the financial statements of Lake Eola Charter School, Inc. (the School) as of and for the year ended June 30, 2019 and have issued our report thereon dated September 25, 2019.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 25, 2019, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The official title and school code of the entity assigned by the Florida Department of Education are Lake Eola Charter and 0056.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
 - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
 - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

No matters came to the attention of the auditors, that, in our judgment, are required to be reported.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1),

The auditors applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We determined the School maintained on its website the information specified in Florida Statutes Section 1002.33(9)(p).

There were no findings in the prior audit report. Thus, no corrective action was necessary.

This management letter is intended solely for the information of the Board of Directors and management of Lake Eola Charter School, Inc., the Orange County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, FL
September 25, 2019



AUDITORS' COMMENTS – CURRENT YEAR

NONE

STATUS OF PRIOR YEAR COMMENTS

NONE