OSCEOLA SCIENCE CHARTER SCHOOL

(A CHARTER SCHOOL UNDER DISCOVERY EDUCATION SERVICES, INC.)

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2023

King & Walker, CPAs, PL

Certified Public Accountants

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OSCEOLA SCIENCE CHARTER SCHOOL

(A CHARTER SCHOOL UNDER DISCOVERY EDUCATION SERVICES, INC.)

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Members: Florida Institute of CPAs American Institute of CPAs 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 of Osceola Science Charter School (A Charter School under Discovery Education Services, Inc.) A Charter School and Component Unit of the District

School Board of Osceola County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Osceola Science Charter School ("School"), a charter school under Discovery Education Services, Inc., and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2023, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Discovery Education Services, Inc. These financial statements do not purport to and do not present fairly the financial position of Discovery Education Services, Inc., as of June 30, 2023, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, be presented to supplement the basic financial statements.

Such information is the responsibility of management and, 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 September 8, 2023, 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.

Respectfully submitted,

King & Walker, CPAs

September 8, 2023 Tampa, Florida

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of Osceola Science Charter School ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2023.

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 found in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2023, the School's revenue exceeded expenses as shown on the School's statement of activities by \$943,187.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$3,645,915.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- \checkmark Fund financial statements
- \checkmark 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.

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

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 governmentwide statements.

<u>Governmental Funds</u>: 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 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 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 three funds; a General Fund, a Capital Projects Fund, and a Special Revenue Fund. The School has elected to show each fund as a major fund.

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

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's current year and prior year net position:

	Governmental Activities							
			Increase					
	6-30-22	6-30-23	(Decrease)					
ASSETS								
Current and Other Assets	\$ 3,013,142	\$ 4,091,534	\$ 1,078,392					
Capital Assets, Net	35,885,302	35,686,712	(198,590)					
Total Assets	38,898,444	39,778,246	879,802					
LIABILITIES								
Current Liabilities	318,834	445,619	126,785					
Noncurrent Liabilities	35,767,556	35,577,386	(190,170)					
Total Liabilities	36,086,390	36,023,005	(63,385)					
NET POSITION								
Net Investment in Capital Assets	117,746	109,326	(8,420)					
Unrestricted	2,694,308	3,645,915	951,607					
Total Net Position	\$ 2,812,054	\$ 3,755,241	\$ 943,187					

Net Position, End of Year

The Current Assets of the School consist primarily of cash and cash equivalents. Liabilities consist of accounts payable, salaries and benefits payable, and a long-term lease payable. Net Position is comprised of the School's investment in capital assets net of accumulated depreciation/amortization, and the results of the current and prior years' operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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

	Governmental Activities						
	6-30-22	6-30-23	Increase (Decrease)				
Revenues:							
Federal Through State and Local	\$ 622,642	\$ 556,797	\$ (65,845)				
State	7,797,623	9,170,306	1,372,683				
Local and Other	191,550	297,821	106,271				
Total Revenues	8,611,815	10,024,924	1,413,109				
Expenses:							
Instruction	4,334,092	4,896,674	562,582				
Student Support Services	57,059	55,129	(1,930)				
Instructional Media	62,308	79,404	17,096				
Instruction & Curriculum Development	230,743	440,998	210,255				
Instructional Staff Training	3,931	6,222	2,291				
General Support Services	10,255	8,756	(1,499)				
Board	7,500	7,500	-				
General Administration	98,933	107,534	8,601				
School Administration	869,212	769,534	(99,678)				
Fiscal Services	149,836	182,813	32,977				
Central Services	35,170	43,054	7,884				
Operation of Plant	540,232	680,674	140,442				
Maintenance of Plant	103,748	118,011	14,263				
Administrative Technology Services	97,632	108,172	10,540				
Community Service	209,256	263,799	54,543				
Debt Service - Interest	1,075,570	1,070,550	(5,020)				
Unallocated Depreciation/Amortization	222,968	242,913	19,945				
Total Expenses	8,108,445	9,081,737	973,292				
Increase/(Decrease) in Net Position	\$ 503,370	\$ 943,187	\$ 439,817				

Operating Results for the Year

The largest revenue source for the School is from the State of Florida (91%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses is Instruction, which accounted for 54% of total expenditures, and consists primarily of teachers' salaries. The expense categories experienced increases and decreases between fiscal years due to general economic conditions and the financial needs of the School.

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

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 total combined fund balance of \$3,645,915.

BUDGETARY HIGHLIGHTS

The general fund and special revenue fund budgets for the fiscal year ended June 30, 2023, were developed based on the School's anticipated revenues and expenditures, the expected student population, and the Federal grant programs for the school year. Over the course of the year, management revised the budgets several times. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2023, amounts to 35,686,712 (net of accumulated depreciation/amortization). This investment in capital assets includes a leased asset – building, furniture, fixtures, and equipment, and improvements other than buildings. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At June 30, 2023, the School had \$35,577,386 in long-term debt outstanding, a net decrease of \$190,170 from last year. Additional information about the School's long-term debt is presented in the notes to the financial statements

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 Principal, Osceola Science Charter School 2849 North John Young Pkwy, Kissimmee, FL 34741.

STATEMENT OF NET POSITION June 30, 2023

	Government Activities	
ASSETS		
Cash & Cash Equivalents	\$	4,063,702
Accounts Receivable		2,832
Prepaid Items & Deposits		25,000
Capital Assets:		
Leased Asset - Building, Net		35,577,386
Furniture, Fixtures, and Equipment, Net		68,796
Improvements Other Than Buildings, Net		40,530
Total Capital Assets		35,686,712
TOTAL ASSETS		39,778,246
LIABILITIES		
Salaries and Benefits Payable		282,266
Accounts Payable		163,353
Noncurrent Liabilities:		
Due Within One Year:		
Long-Term Lease Payable		234,297
Due After One Year:		
Long-Term Lease Payable		35,343,089
TOTAL LIABILITIES		36,023,005
NET POSITION		
Net Investment in Capital Assets		109,326
Unrestricted		3,645,915
TOTAL NET POSITION	\$	3,755,241

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

	_	Expenses		Charges for Services	(am Revenue Operating Grants and ontributions	(Capital Grants and contributions		Vet (Expenses) Revenue and Changes Net Position Governmental Activities
Governmental Activities:	¢	1 006 674	¢		¢	55C 707	¢		¢	(4.220.077)
Instruction	\$	4,896,674	\$	-	\$	556,797	\$	-	\$	(4,339,877)
Student Support Services		55,129		-		-		-		(55,129)
Instructional Media		79,404		-		-		-		(79,404)
Instruction & Curriculum Development		440,998		-		-		-		(440,998)
Instructional Staff Training		6,222		-		-		-		(6,222)
General Support Services		8,756		-		-		-		(8,756)
Board		7,500		-		-		-		(7,500)
General Administration		107,534		-		-		-		(107,534)
School Administration		769,534		-		-		-		(769,534)
Fiscal Services		182,813		-		-		-		(182,813)
Central Services		43,054		-		-		-		(43,054)
Operation of Plant		680,674		-		-		-		(680,674)
Maintenance of Plant		118,011		-		-		-		(118,011)
Administrative Technology Services		108,172		-		-		-		(108,172)
Community Service		263,799		-		-		-		(263,799)
Debt Service - Interest		1,070,550		-		-		609,141		(461,409)
Unallocated Depreciation/Amortization		242,913		-		-		-		(242,913)
Total Governmental Activities	\$	9,081,737	\$	-	\$	556,797	\$	609,141		(7,915,799)

General Revenue	
State Sources	8,561,165
Local and Other	 297,821
Total General Revenues	 8,858,986
Change in Net Position	943,187
Net Position - July 1, 2022	 2,812,054
Net Position - June 30, 2023	\$ 3,755,241

BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2023

	_	General Fund	 Special Revenue Fund	_	Capital Projects Fund	 Total Governmental Funds
ASSETS						
Cash & Cash Equivalents Accounts Receivable Prepaid Items & Deposits	\$	4,063,702 2,832 25,000	\$ - -	\$	- - -	\$ 4,063,702 2,832 25,000
Total Assets	\$	4,091,534	\$ -	\$	-	\$ 4,091,534
LIABILITIES Salaries and Benefits Payable Accounts Payable	\$	282,266 163,353	\$ -	\$	-	\$ 282,266 163,353
Total Liabilities		445,619	 -		-	 445,619
FUND BALANCES						
Nonspendable		25,000	-		-	25,000
Unassigned		3,620,915	 -		-	 3,620,915
Total Fund Balances		3,645,915	 -		-	 3,645,915
Total Liabilities and Fund Balances	\$	4,091,534	\$ -	\$	-	\$ 4,091,534

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2023

Total Fund Balances - Governmental Funds	\$ 3,645,915
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	35,686,712
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 Lease Payable	 (35,577,386)
Total Net Position - Governmental Activities	\$ 3,755,241

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Fiscal Year Ended June 30, 2023

	 General Fund	_	Special Revenue Fund	 Capital Projects Fund	_	Total Governmental Funds
Revenues						
Intergovernmental:						
Federal Through State and Local	\$ -	\$	556,797	\$ -	\$	556,797
State	8,561,165		-	609,141		9,170,306
Local and Other	297,821		-	 -		297,821
Total Revenues	 8,858,986		556,797	 609,141		10,024,924
Expenditures						
Current - Education:						
Instruction	4,339,877		556,797	-		4,896,674
Student Support Services	55,129		-	-		55,129
Instructional Media	79,404		-	-		79,404
Instruction & Curriculum Development	440,998		-	-		440,998
Instructional Staff Training	6,222		-	-		6,222
General Support Services	8,756		-	-		8,756
Board	7,500		-	-		7,500
General Administration	107,534		-	-		107,534
School Administration	769,534		-	-		769,534
Fiscal Services	182,813		-	-		182,813
Central Services	43,054		-	-		43,054
Operation of Plant	680,674		-	-		680,674
Maintenance of Plant	118,011		-	-		118,011
Administrative Technology Services	108,172		-	-		108,172
Community Service	263,799		-	-		263,799
Fixed Capital Outlay:						
Other Capital Outlay	44,323		-	-		44,323
Debt Service:						
Principal	190,170		-	-		190,170
Interest	 461,409		-	609,141	_	1,070,550
Total Expenditures	 7,907,379		556,797	 609,141		9,073,317
Net Change in Fund Balances	951,607		-	-		951,607
Fund Balances, July 1, 2022	 2,694,308		-	 -		2,694,308
Fund Balances, June 30, 2023	\$ 3,645,915	\$	-	\$ -	\$	3,645,915

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, 2023

Net Change in Fund Balances - Governmental Funds		\$ 951,607
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures.		
However, in the statement of activities, the cost of those assets is		
allocated over their estimated useful lives as depreciation/amortization expense.		
Capital Outlays	44,323	
Depreciation/Amortization Expense	(242,913)	(198,590)
The repayment of principal of long-term debt is an expenditure in		
the governmental funds, but the repayment reduces long-term		
debt in the statement of net position.		 190,170
Change in Net Position - Governmental Activities		\$ 943,187

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Osceola Science Charter School ("School"), a charter school under Discovery Education Services, Inc., and component of the District School Board of Osceola County, Florida ("District"). The School's charter is held by Discovery Education Services, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and 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 basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Discovery Education Services, Inc., as of June 30, 2023, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Osceola County, Florida, ("District"). The current charter is effective through June 30, 2024, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. 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.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

Basis of Presentation

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

<u>Fund Financial Statements</u> - 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 funds are as follows:

- <u>General Fund</u> 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.
- <u>Special Revenue Fund</u> to account for Federal grant programs.
- <u>Capital Projects Fund</u> to account for all resources for the acquisition of capital assets and related items purchased by the School with capital outlay funds.

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.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

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

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents. 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/amortized using over the following estimated useful lives:

Description	Estimated Lives
Leased Asset - Building	30 years
Furniture, Fixtures and Equipment	3 - 7 years
Improvements Other than Buildings	10 years

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

> <u>Net Position and Fund Balance Classification</u>

Government-wide Financial Statements

Net Position are classified and reported in three components:

- <u>Net Investment in Capital Assets</u> 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.
- <u>Restricted Net Position</u> 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.
- <u>Unrestricted Net Position</u> 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:

- <u>Nonspendable</u> 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.
- <u>Restricted</u> fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- <u>Committed</u> fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- <u>Assigned</u> 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.
- <u>Unassigned</u> fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

> 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 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, 2023, the School reported 1,126.73 unweighted FTE and 1,207.729 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 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:

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

- 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 also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

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.

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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

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. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. As of June 30, 2023, the School was exposed to custodial credit risk. Two of the School's bank accounts exceeded the FDIC insurance limit by \$3,162,150 and \$434,036. The School has not experienced losses in such accounts.

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning			Ending
	Balance	Additions	Deletions	Balance
Governmental Activities:				
Leased Asset - Building	\$ 35,915,986	\$ -	\$-	\$35,915,986
Furniture, Fixtures and Equipment	399,269	1,660	-	400,929
Improvements Other Than Buildings		42,663		42,663
Total Capital Assets	36,315,255	44,323		36,359,578
Less Accumulated Depreciation/Amortization for:				
Leased Asset - Building	(148,430)	(190,170)	-	(338,600)
Furniture, Fixtures and Equipment	(281,523)	(50,610)	-	(332,133)
Improvements Other Than Buildings		(2,133)		(2,133)
Total Accumulated Depreciation/Amortization	(429,953)	(242,913)		(672,866)
Governmental Activities Capital Assets, net	\$ 35,885,302	\$ (198,590)	\$ -	\$35,686,712

All depreciation/amortization expense was shown as unallocated on the Statement of Activities.

4. LONG -TERM LEASE PAYABLE – RELATED PARTY

The School entered into a lease for its educational facility starting July 1, 2017. The lease contains required monthly minimum lease payments as of that date and thereafter. The minimum required lease payment increases annually at 3 percent based the Consumer Price Index. The fair value of the leased asset is \$35,915,986. Amortization of the leased asset recorded under this lease is included with depreciation/amortization expense in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal		Interest	
2024	\$ 1,298,542	\$	234,297	\$ 1,064,245	
2025	1,337,498		280,916	1,056,582	
2026	1,377,622		330,137	1,047,485	
2027	1,418,951		382,076	1,036,875	
2028	1,461,520		436,852	1,024,668	
2029-2033	7,992,192		3,114,142	4,878,050	
2034-2038	9,265,139		4,986,408	4,278,731	
2039-2043	10,740,835		7,379,310	3,361,525	
2044-2048	12,451,573		10,411,713	2,039,860	
2049-2051	8,403,718		8,021,535	382,183	
Total	\$55,747,590	\$	35,577,386	\$20,170,204	

The imputed interest rate is 3 percent.

5. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning			Ending	Due in
	Balance Additions		Deductions	Balance	One Year
GOVERNMENTAL ACTIVITIES:					
Long-Term Lease Payable	\$ 35,767,556	\$-	\$ (190,170)	\$ 35,577,386	\$ 234,297
Total Governmental Activities	\$ 35,767,556	\$-	\$ (190,170)	\$ 35,577,386	\$ 234,297

6. 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 budgetbased contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

7. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue:

Source	Amount		
Florida Education Finance Program	\$ 7,236,692		
Categorical Programs:			
Class Size Reduction	1,117,297		
School Recognition	187,841		
Charter School Capital Outlay	609,141		
Miscellaneous	19,335		
Total State Revenue	\$ 9,170,306		

As provided in the charter school contract, the District has charged the School an administrative fee of \$35,986.

8. RETIREMENT PLAN

The School participates in a defined contribution 403(b) plan for its leased employees. Contributions made by the School for the year ended June 30, 2023, were computed by matching up to 3% of eligible employee's wages contributed. Employees are eligible to participate after 3 months of service. 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.

9. 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, 2023, 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.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2023

10. 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.

11. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND SPECIAL REVENUE FUND (UNAUDITED) For the Fiscal Year Ended June 30, 2023

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Original/ Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -	\$ 300,000	\$ 556,797	\$ 556,797	\$ -
State	7,383,230	8,561,165	8,561,165	-	-	-	-	-
Local and Other	150,000	297,821	297,821	-	-		-	-
Total Revenues	7,533,230	8,858,986	8,858,986	-	300,000	556,797	556,797	
Expenditures:								
Current - Education:								
Instruction	4,250,000	4,339,877	4,339,877	-	300,000	556,797	556,797	-
Student Support Services	60,000	55,129	55,129	-	-	-	-	-
Instructional Media	65,000	79,404	79,404	-	-	-	-	-
Instruction & Curriculum Development	250,000	440,998	440,998	-	-	-	-	-
Instructional Staff Training	5,000	6,222	6,222	-	-	-	-	-
General Support Services	12,000	8,756	8,756	-	-	-	-	-
Board	7,500	7,500	7,500	-	-	-	-	-
General Administration	105,000	107,534	107,534	-	-	-	-	-
School Administration	790,000	769,534	769,534	-	-	-	-	-
Fiscal Services	155,000	182,813	182,813	-	-	-	-	-
Central Services	38,000	43,054	43,054	-	-	-	-	-
Operation of Plant	1,330,000	680,674	680,674	-	-	-	-	-
Maintenance of Plant	140,000	118,011	118,011	-	-	-	-	-
Administrative Technology Services	100,000	108,172	108,172	-	-	-	-	-
Community Service	151,000	263,799	263,799	-	-	-	-	-
Fixed Capital Outlay:								
Other Capital Outlay	-	44,323	44,323	-	-	-	-	-
Debt Service:								
Principal	-	190,170	190,170	-	-	-	-	-
Interest	-	461,409	461,409	-	-	-	-	-
Total Expenditures	7,458,500	7,907,379	7,907,379	-	300,000	556,797	556,797	-
Net Change in Fund Balances	74,730	951,607	951,607	-	-	-	-	-
Fund Balances, July 1, 2022	2,694,308	2,694,308	2,694,308	-	-	-	-	-
Fund Balances, June 30, 2023	\$ 2,769,038	\$ 3,645,915	\$ 3,645,915	\$ -	\$ -	\$ -	\$ -	\$ -

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2023

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 American Institute of CPAs Government Audit Quality Center 2803 W. Busch Blvd Ste 106 Tampa, FL 33618 office (813) 892-42749 fax (813) 932-1913 www.KingandWalker.com

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*

Independent Auditor's Report

To the Board of Directors of Osceola Science Charter School (A Charter School under Discovery Education Services, Inc.) A Charter School and Component Unit of the District School Board of Osceola 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 Osceola Science Charter School ("School"), a charter school under Discovery Education Services, Inc., and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2023, 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 8, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Respectfully submitted,

King & Walker, CPAs

September 8, 2023 Tampa, Florida



Members: Florida Institute of CPAs American Institute of CPAs 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 of Osceola Science Charter School (A Charter School under Discovery Education Services, Inc.) A Charter School and Component Unit of the District

School Board of Osceola County, Florida

Report on the Financial Statements

We have audited the financial statements of Osceola Science Charter School ("School"), a charter school under Discovery Education Services, Inc., and component unit of the District School Board of Osceola County, Florida, as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 8, 2023.

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 8, 2023, 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 is Osceola Science Charter School, 490181.

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 not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we 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

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 Osceola 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 8, 2023 Tampa, Florida