

**AVANT GARDE ACADEMY
OF OSCEOLA**

(A CHARTER SCHOOL UNDER AVANT
GARDE ACADEMY, 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, 2017

King & Walker, CPAs, PL

Certified Public Accountants

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AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)

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Independent Auditor's Report

To the Board of Directors of the Avant Garde Academy of Osceola,
(A charter school under Avant Garde Academy, 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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avant Garde Academy of Osceola ("School"), a charter school under Avant Garde Academy, Inc. and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Avant Garde Academy of Osceola, as of June 30, 2017, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Avant Garde Academy of Osceola at June 30, 2017, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Avant Garde Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Avant Garde Academy, Inc. as of June 30, 2017 and its changes in financial position for the year then ended in conformity 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, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of Avant Garde Academy of Osceola's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Avant Garde Academy of Osceola's internal control over financial reporting and compliance.

Respectfully submitted,



September 28, 2017
Tampa, Florida

AVANT GARDE ACADEMY OF OSCEOLA

(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)

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 the Avant Garde Academy of Osceola ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2017.

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the School's revenues exceeded expenses as shown on the School's statement of activities by \$60,287.
- As shown on the statement of net position, the School reported a total net position balance of \$204,776.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

The governmental financial 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 funds 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 Special Revenue Fund, and a Capital Projects Fund. For reporting purposes, the General Fund is shown as a major fund.

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

Notes to Financial Statements

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

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 net position as of June 30, 2016 and June 30, 2017:

	Net Position, End of Year		
	Governmental Activities		
	6-30-16	6-30-17	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 269,466	\$ 326,945	\$ 57,479
Capital Assets, net	108,112	95,671	(12,441)
Total Assets	<u>377,578</u>	<u>422,616</u>	<u>45,038</u>
LIABILITIES			
Current Liabilities	223,821	208,572	(15,249)
Long-term Liabilities	9,268	9,268	-
Total Liabilities	<u>233,089</u>	<u>217,840</u>	<u>(15,249)</u>
NET POSITION			
Net Investment in Capital Assets	108,112	95,671	(12,441)
Unrestricted	36,377	109,105	72,728
Total Net Position	<u>\$ 144,489</u>	<u>\$ 204,776</u>	<u>\$ 60,287</u>

Current assets consist primarily of cash and cash equivalents and an amount due from Avant Garde Academy K8 of Osceola, a charter held by the same charter-holder. The School established monitoring procedures to ensure adequate funds are on hand to cover routine expenses. Current liabilities decreased primarily due a decrease in accounts payable.

The key elements of the changes in the School's net position for the fiscal years ended June 30, 2016, and June 30, 2017, are as follows:

Operating Results for the Year			
Governmental Activities			
	6-30-16	6-30-17	Increase (Decrease)
Revenues:			
Federal Through State and Local	\$ 173,807	\$ 183,772	\$ 9,965
State Sources	3,815,343	4,621,223	805,880
Local and Other	278,132	406,636	128,504
Total Revenues	4,267,282	5,211,631	944,349
Expenses:			
Instruction	1,778,023	2,228,142	450,119
Instructional & Curriculum Development	-	4,060	4,060
Instructional Staff Training	54,949	-	(54,949)
Board of Education	72,241	32,736	(39,505)
General Administration	-	76,339	76,339
School Administration	392,558	599,973	207,415
Fiscal Services	575,168	582,042	6,874
Food Services	4,342	5,169	827
Central Services	6,793	-	(6,793)
Student Transportation	100,282	137,935	37,653
Operation of Plant	989,707	1,398,831	409,124
Maintenance of Plant	28,545	30,345	1,800
Administrative Technology Services	43,791	4,700	(39,091)
Community Service	-	13,505	13,505
Debt Service - Interest	2,055	718	(1,337)
Unallocated Depreciation	42,216	36,849	(5,367)
Total Expenses	4,090,670	5,151,344	1,060,674
Increase/(Decrease) in Net Position	\$ 176,612	\$ 60,287	\$ (116,325)

The largest revenue source for the School is the State of Florida (89%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay Funds. Both sources utilize student enrollment data to determine the funds available for the School. The School's revenue from State Sources increased during the fiscal year due to an increase in student enrollment.

The largest concentration of expenses was for Instruction which represents 43% of total expenditures. The School's instructional operating expenses increased due to additional personnel. Operation of Plant increased due to an increase in facility rent.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$118,373.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2017, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2017, the actual expenditures were equal to the final budget. 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, 2017, amounts to \$95,671 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, computer equipment, and software. Additional information regarding the School's capital assets can be found in a subsequent note to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Avant Garde Academy of Osceola's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Avant Garde Academy of Osceola, 2880 N. Orange Blossom Trail, Kissimmee, FL 34741.

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 159,469
Accounts Receivable	152,841
Deposits Receivable	14,635
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	77,124
Computer Equipment, Net	15,800
Software, Net	2,747
Total Capital Assets, Net	<u>95,671</u>
TOTAL ASSETS	<u><u>422,616</u></u>
LIABILITIES	
Salaries and Benefits Payable	150,341
Accounts Payable	58,231
Long-term Liabilities:	
Note Payable, due after one year	9,268
TOTAL LIABILITIES	<u><u>217,840</u></u>
NET POSITION	
Net Investment in Capital Assets	95,671
Unrestricted	109,105
TOTAL NET POSITION	<u><u>\$ 204,776</u></u>

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

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 2,228,142	\$ -	\$ 183,772	\$ -	\$ (2,044,370)
Instruction & Curriculum Development	4,060				(4,060)
Board of Education	32,736				(32,736)
General Administration	76,339				(76,339)
School Administration	599,973				(599,973)
Fiscal Services	582,042				(582,042)
Food Services	5,169				(5,169)
Student Transportation	137,935				(137,935)
Operation of Plant	1,398,831			248,541	(1,150,290)
Maintenance of Plant	30,345				(30,345)
Administrative Technology Services	4,700				(4,700)
Community Service	13,505				(13,505)
Debt Service - Interest	718				(718)
Unallocated Depreciation	36,849				(36,849)
Total Governmental Activities	\$ 5,151,344	\$ -	\$ 183,772	\$ 248,541	(4,719,031)
General Revenues:					
					4,372,682
					406,636
					4,779,318
					60,287
					144,489
					\$ 204,776

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

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 159,469	\$ -	\$ 159,469
Accounts Receivable	152,841		152,841
Deposits Receivable	14,635		14,635
Total Assets	<u>\$ 326,945</u>	<u>\$ -</u>	<u>\$ 326,945</u>
LIABILITIES			
Salaries and Benefits Payable	\$ 150,341	\$ -	\$ 150,341
Accounts Payable	58,231		58,231
Total Liabilities	<u>208,572</u>	<u>-</u>	<u>208,572</u>
FUND BALANCES			
Nonspendable	14,635		14,635
Unassigned	103,738		103,738
Total Fund Balances	<u>118,373</u>	<u>-</u>	<u>118,373</u>
Total Liabilities and Fund Balances	<u>\$ 326,945</u>	<u>\$ -</u>	<u>\$ 326,945</u>

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

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2017

Total Fund Balances - Governmental Funds	\$ 118,373
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	95,671
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of a note payable.	<u>(9,268)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 204,776</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

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

For the Fiscal Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues	<u> </u>	<u> </u>	<u> </u>
Intergovernmental:			
Federal Through State and Local	\$ -	\$ 183,772	\$ 183,772
State Sources	4,372,682	248,541	4,621,223
Local and Other	406,636		406,636
Total Revenues	<u>4,779,318</u>	<u>432,313</u>	<u>5,211,631</u>
Expenditures			
Current - Education:			
Instruction	2,044,370	183,772	2,228,142
Instruction & Curriculum Development	4,060		4,060
Board of Education	32,736		32,736
General Administration	76,339		76,339
School Administration	599,973		599,973
Fiscal Services	582,042		582,042
Food Services	5,169		5,169
Student Transportation	137,935		137,935
Operation of Plant	1,150,290	248,541	1,398,831
Maintenance of Plant	30,345		30,345
Administrative Technology Services	4,700		4,700
Community Service	13,505		13,505
Fixed Capital Outlay:			
Other Capital Outlay	24,408		24,408
Debt Service:			
Interest	718		718
Total Expenditures	<u>4,706,590</u>	<u>432,313</u>	<u>5,138,903</u>
Net Change in Fund Balances	<u>72,728</u>	<u>-</u>	<u>72,728</u>
Fund Balances, July 1, 2016	<u>45,645</u>	<u>-</u>	<u>45,645</u>
Fund Balances, June 30, 2017	<u>\$ 118,373</u>	<u>\$ -</u>	<u>\$ 118,373</u>

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

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
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**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, 2017***

Net Change in Fund Balances - Governmental Funds \$ 72,728

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 expense.

This is the amount of depreciation expense (\$36,849) in excess of capital outlays (\$24,408) in the current period.

(12,441)

Change in Net Position - Governmental Activities \$ 60,287

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Avant Garde Academy of Osceola (“School”), a charter school under Avant Garde Academy, Inc., is a component of the District School Board of Osceola County, Florida (“District”). The School’s charter is held by Avant Garde Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The 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 Avant Garde Academy, Inc. as of June 30, 2017, 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 Osceola County School Board, Florida, (“District”). The current charter is effective until June 30, 2018, 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. 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.

➤ **Basis of Presentation**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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.

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

The School's major governmental fund is as follows:

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

All other governmental funds are non-major and are presented in the aggregate.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 7 years
Computer Equipment	3 years
Software	6 years

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Deferred Outflows/Inflows of Resources**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

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

Fund Financial Statements

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **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 (FTE) students 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, 2017, the School reported 706.12 unweighted and 721.3485 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

required to maintain the following documentation for three years or until the completion of an FTE audit:

- ✓ Attendance and membership documentation (Rule 6A-1.044, FAC).
- ✓ Teacher 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 Education 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 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.

AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017, the School was not exposed to custodial credit risk.

3. ACCOUNTS RECEIVABLES – RELATED PARTY

The School reported a receivable of \$130,361 from Avant Garde Academy K8 of Osceola, a charter held by the same charter-holder, for expenditures paid by the School on behalf of Avant Garde Academy K8 of Osceola. The School also reported a receivable of \$1,725 from iSchools, LLC, the School’s management company, for expenditures paid by the School on behalf of iSchools, LLC.

4. 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, 2017, 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.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 140,004	\$ 23,445	\$ -	\$ 163,449
Computer Equipment	60,512	963	-	61,475
Software	4,944	-	-	4,944
Total Capital Assets Being Depreciated	<u>205,460</u>	<u>24,408</u>	<u>-</u>	<u>229,868</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(58,968)	(27,357)	-	(86,325)
Computer Equipment	(37,007)	(8,668)	-	(45,675)
Software	(1,373)	(824)	-	(2,197)
Total Accumulated Depreciation	<u>(97,348)</u>	<u>(36,849)</u>	<u>-</u>	<u>(134,197)</u>
Governmental Activities Capital Assets, net	<u>\$ 108,112</u>	<u>\$ (12,441)</u>	<u>\$ -</u>	<u>\$ 95,671</u>

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

AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

6. PROMISSORY NOTES PAYABLE

All long-term debt represents amounts to be repaid from governmental activities. As of June 30, 2017, the Schools long-term debt consisted of the following promissory notes payable:

	Balance at 6-30-17
<u>Note Payable - iSchools, LLC</u>	
\$63,355, Borrowed to cover costs associated with the School's operations for the fiscal year ended June 30, 2015. Demand loan bearing interest at 7.75% per annum, payable in full on August 1, 2018. No payments are required until 8-1-18. Prepayment penalties do not apply.	\$ 9,268
Total Notes Payable	\$ 9,268

Scheduled payments for the note payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2018	\$ 718	\$ -	\$ 718
2019	9,328	9,268	60
Total	\$ 10,046	\$ 9,268	\$ 778

7. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Note Payable	\$ 9,268	\$ -	\$ -	\$ 9,268	\$ -
Total Governmental Activities	\$ 9,268	\$ -	\$ -	\$ 9,268	\$ -

8. FUNDING AND CREDIT CONCENTRATIONS

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

AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
<i>STATE:</i>	
Florida Education Finance Program	\$ 2,952,863
Class Size Reduction	641,489
Charter School Capital Outlay	248,541
Discretionary Local Effort	172,304
Supplementary Academic Instruction	151,328
Discretionary Millage	142,414
ESE Guaranteed Allocation	92,105
School Recognition	63,524
Instructional Materials	56,278
Reading Allocation	29,605
Transportation	24,960
Digital Classroom Allocation	16,717
Safe Schools	12,121
Discretionary Lottery	11,134
Florida Teachers Classroom Assistance Program	5,840
Total State Revenue	\$ 4,621,223

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$76,339.

Accounting policies relating to certain State revenue sources are described in Note 1.

10. OPERATING AGREEMENT

The School entered into a management agreement for the period July 1, 2013 to June 30, 2025 with iSchools, LLC ("Company"). The Company will manage and operate the School during the term of the agreement for a fee of \$660 per Full Time Equivalent (FTE) paid in monthly installments. The contract calls for the Company to be responsible for the management, operation, administration, accounting, and Educational Program at the School. Fees paid under this agreement with the Company during the fiscal year amounted to \$533,183.

11. RELATED PARTY TRANSACTIONS

In addition to the general management services, the management company loaned the School funds to cover costs associated with the School's operations, see note 6 to the financial statements. The management company also owes the School \$1,725 for expenses paid by the School on behalf of the management company, see note 3 to the financial statements.

AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

12. FACILITY LEASE

Avant Garde Academy, Inc., the School’s charter-holder, entered into a lease agreement with Charter OC Kissimmee Holdings, LLC (LLC) for its educational facility through July 31, 2034. The lease calls for initial base rent of \$40,833 and an additional \$6,250 for the use and upgrade of the football field, paid monthly on the first day of each month. The lease can be renewed for up to five additional five year periods, subject to mutual agreement of both parties. The lease requires the School to pay for taxes, maintenance, and utility costs. Rent expense charged to operations for the year ended June 30, 2017 totaled \$1,068,667.

The total future minimum payments for the years ended June 30, are as follows:

Fiscal Year Ending June 30:	Facilities
2018	\$ 1,475,000
2019	1,475,000
2020	1,475,000
2021	1,475,000
2022	1,475,000
2023-2027	7,375,000
2028-2032	7,375,000
2033-2035	3,072,917
Total Minimum Lease Payments	\$ 25,197,917

13. 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.

14. LEGAL MATTERS

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

**AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF OSCEOLA, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
*For the Fiscal Year Ended June 30, 2017***

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -
State Sources	2,271,306	4,372,682	4,372,682	-
Local and Other	240,000	406,636	406,636	-
Total Revenues	<u>2,511,306</u>	<u>4,779,318</u>	<u>4,779,318</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	951,569	2,044,370	2,044,370	-
Instruction & Curriculum Development	1,829	4,060	4,060	-
Board of Education	43,345	32,736	32,736	-
General Administration		76,339	76,339	-
School Administration	340,309	599,973	599,973	-
Fiscal Services	481,761	582,042	582,042	-
Food Services	-	5,169	5,169	-
Central Services	4,076	-	-	-
Student Transportation	92,754	137,935	137,935	-
Operation of Plant	495,297	1,150,290	1,150,290	-
Maintenance of Plant	17,127	30,345	30,345	-
Administrative Technology Services	26,274	4,700	4,700	-
Community Service	-	13,505	13,505	-
Fixed Capital Outlay:				
Other Capital Outlay	-	24,408	24,408	-
Debt Service:				
Interest	3,355	718	718	-
Total Expenditures	<u>2,457,696</u>	<u>4,706,590</u>	<u>4,706,590</u>	<u>-</u>
Net Change in Fund Balance	53,610	72,728	72,728	-
Fund Balance, July 1, 2016	45,645	45,645	45,645	-
Fund Balance, June 30, 2017	<u>\$ 99,255</u>	<u>\$ 118,373</u>	<u>\$ 118,373</u>	<u>\$ -</u>

See Independent Auditor's Report.

AVANT GARDE ACADEMY OF OSCEOLA
(A CHARTER SCHOOL UNDER AVANT GARDE ACADEMY, INC.)
A Charter School and Component Unit of the District School Board of Osceola County, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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.

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

To the Board of Directors of the Avant Garde Academy of Osceola,
(A charter school under Avant Garde Academy, 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 Avant Garde Academy of Osceola ("School"), a charter school under Avant Garde Academy, Inc. and component unit of the District School Board of Osceola County, Florida, as of and for the year ended June 30, 2017, 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 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

September 28, 2017
Tampa, Florida

**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 the Avant Garde Academy of Osceola,
(A charter school under Avant Garde Academy, 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 the Avant Garde Academy of Osceola (“School”), a charter school under Avant Garde Academy, Inc. and component unit of the District School Board of Osceola County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 28, 2017.

Auditor’s Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 28, 2017, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Avant Garde Academy of Osceola.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific 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 the review of financial information provided by same.

Transparency

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

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Osceola County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

September 28, 2017
Tampa, Florida