

**ST. CLOUD PREPARATORY
ACADEMY, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
St. Cloud, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component unit of the School District of Osceola County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 5, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering St. Cloud Preparatory Academy, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

August 5, 2016
Winter Park, Florida

Management's Discussion and Analysis

As management of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component of the School District of Osceola County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found starting on page 9.

Financial Highlights

- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$161,783 (net deficit).
- The School's total net position increased by \$161,127 during the year.
- As of the close of the current fiscal year, the School's governmental fund reported combined ending fund balance of \$209,467 an increase of \$239,725 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Osceola County, Florida which includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 28 through 29 of this report.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Agency Fund. In addition, the School has one agency fund in which is a student activity fund. This fund is formed for educational and school purposes. The agency fund financial statement can be found on page 15 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 16 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, liabilities exceeded assets by \$161,783 at June 30, 2016, compared to \$322,910 at June 30, 2015.

A portion of the School's net position reflects its investment in capital assets (e.g. furniture and equipment and computers), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The School's net position were as follows:

Governmental Activities			
	June 30, 2016	June 30, 2015	Variance
ASSETS			
Current assets	\$ 242,526	\$ 53,507	\$ 189,019
Capital assets - net of accumulated depreciation	6,791,259	6,994,956	(203,697)
Total assets	<u>7,033,785</u>	<u>7,048,463</u>	<u>(14,678)</u>
LIABILITIES			
Current liabilities	33,059	83,765	(50,706)
Non-current liabilities	7,162,509	7,287,608	(125,099)
Total liabilities	<u>7,195,568</u>	<u>7,371,373</u>	<u>(175,805)</u>
NET POSITION			
Investment in capital assets	(148,206)	103,622	(251,828)
Unrestricted	<u>(13,577)</u>	<u>(426,532)</u>	<u>412,955</u>
Net position	<u>\$ (161,783)</u>	<u>\$ (322,910)</u>	<u>\$ 161,127</u>

Governmental Activities

	2016	2015	Variance
Revenues:			
Program revenues:			
Federal passed through local school district	\$ -	\$ -	\$ -
State passed through local school district	2,820,324	1,436,570	1,383,754
Debt forgiveness	238,815	630,656	(391,841)
Other income	235,910	328,056	(92,146)
Total revenue	<u>3,295,049</u>	<u>2,395,282</u>	<u>899,767</u>
Expenses:			
Basic instruction	1,114,534	906,398	208,136
Instructional support	151,109	156,969	(5,860)
Classroom costs	2,217	937	1,280
Board expenses	26,357	6,733	19,624
General administration	96,429	31,044	65,385
School administration	427,448	419,125	8,323
Fiscal services	93,679	264,533	(170,854)
Food services	6,658	14,684	(8,026)
Central services	468	1,567	(1,099)
Transportation	7,710	16,615	(8,905)
Operation of plant	1,045,470	792,562	252,908
Maintenance of plant	17,316	5,813	11,503
Administrative tech	2,593	4,647	(2,054)
Community service	141,934	96,565	45,369
Total expenses	<u>3,133,922</u>	<u>2,718,192</u>	<u>415,730</u>
Change in net position	161,127	(322,910)	484,037
Net position - beginning	(322,910)	-	(322,910)
Net position (deficit) - ending	<u>\$ (161,783)</u>	<u>\$ (322,910)</u>	<u>\$ 161,127</u>

This increase in revenue is primarily due to increased FTE students. The increase in overall expenditures is primarily related to the increase in instructional and administrative salaries needed for the increase in students. The decrease in fiscal services is primarily related to the October 2015 termination of the management company and therefore less management fees in 2016. The increase in operation of plant is directly related to increased lease costs resulting from the June 2015 facilities lease amendment.

Governmental activities. Governmental activities increased the School's net position by \$161,127 for the year ended June 30, 2016. Governmental activities decreased the School's net position by \$322,910 for the year ended June 30, 2015.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance was \$82,951 in the general fund.

The fund balance of the School's general fund increased by \$239,725 during the current fiscal year ended June 30, 2016.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets net of related debt for its governmental activities as of June 30, 2016 amounts to (\$148,206). This investment in capital assets includes furniture, fixtures, equipment and capital lease asset totaling \$7,030,810 less accumulated depreciation of (\$239,551) and capital lease obligation of (\$6,971,696). Additional information on the School's capital assets and capital lease asset and obligation, can be found in Notes C and F.

General Fund Budgetary Highlights

The School's budget is prepared in conformity with accounting principles generally accepted in the United States of America and according to Florida Law. During the school year the School's Board of Directors revised its budget to adjust for changes in revenues or expenditures. This happened following the FTE counts done in October and February. A statement showing the School's original and final budget compared with actual operating results is presented in the basic financial statements.

Revenues and expenditures equaled the budget for the year ended June 30, 2016 as the budget was subsequently revised to equal actual results. Regarding the original budget, an unfavorable variance in expenditures occurred as certain expenditures were not included in the original budget (i.e., lease cost which was forgiven).

Economic Factors and Next Year's Budget

The State of Florida is projecting an increase in Florida Education Finance Program funding for the next year of approximately 3%. This increase will be offset by a reduction in Public Education Capital Outlay, a funding pool which includes all charter schools.

During the year ended June 30, 2016 enrollment was 442 students for fiscal 2016 compared to 259 for fiscal year 2015.

The financial success of the School rests with the continuation of conservative financial management, an increase in grants received and the number of students attending the School. It is felt by the administration that the continued success of the student body remains with creating a demand for the School's program and raising the grade of the School. An aggressive marketing plan will be put in place to increase the School's visibility in Osceola County.

Request for Information

This financial report is designed to provide a general overview of St. Cloud Preparatory Academy, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to St. Cloud Preparatory Academy, Inc., 3131 Progress Lane, St. Cloud, FL 34772.

ST. CLOUD PREPARATORY ACADEMY, INC.

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 116,010
Prepaid items	76,516
Deposits	<u>50,000</u>
Total current assets	242,526
Capital assets, net of accumulated depreciation	<u>6,791,259</u>
Total assets	<u>7,033,785</u>
LIABILITIES AND NET POSITION (DEFICIT)	
CURRENT LIABILITIES	
Accrued liabilities	29,389
Accrued payroll	3,654
Accounts payable	<u>16</u>
Total current liabilities	33,059
NONCURRENT LIABILITIES	
Long-term debt	
Due within one year	190,813
Due in more than one year	<u>6,971,696</u>
Total liabilities	<u>7,195,568</u>
NET POSITION (DEFICIT)	
Investment in capital assets, net of related debt	(148,206)
Unrestricted	<u>(13,577)</u>
Total net position (deficit)	<u>\$ (161,783)</u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
Basic instruction	\$ 1,114,534	\$ -	\$ -	\$ -	\$ (1,114,534)
Instructional support	151,109	-	-	-	(151,109)
Classroom costs	2,217	-	-	-	(2,217)
Board expenses	26,357	-	-	-	(26,357)
General administration	96,429	-	-	-	(96,429)
School administration	427,448	-	-	-	(427,448)
Fiscal services	93,679	-	-	-	(93,679)
Food services	6,658	-	-	-	(6,658)
Central services	468	-	-	-	(468)
Transportation	7,710	-	-	-	(7,710)
Operation of plant	1,045,470	-	-	-	(1,045,470)
Maintenance of plant	17,316	-	-	-	(17,316)
Administrative tech	2,593	-	-	-	(2,593)
Community service	141,934	-	-	-	(141,934)
Total governmental activities	<u>\$ 3,133,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,133,922)</u>
		General revenues:			
					State passed through local school district 2,820,324
					Debt forgiveness 238,815
					Other income 235,910
					<u>Total general revenues 3,295,049</u>
					Change in net position 161,127
					Net position at July 1, 2015 (322,910)
					<u>Net position (deficit) at June 30, 2016 \$ (161,783)</u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 116,010	\$ 116,010
Prepaid expenses	76,516	76,516
Deposits	50,000	50,000
Total assets	<u>\$ 242,526</u>	<u>\$ 242,526</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accrued liabilities	\$ 29,389	\$ 29,389
Accrued payroll	3,654	3,654
Accounts payable	16	16
Total liabilities	<u>33,059</u>	<u>33,059</u>
FUND BALANCES		
Nonspendable		
Prepaid expenditures	76,516	76,516
Deposits	50,000	50,000
Assigned	-	-
Unassigned	82,951	82,951
Total fund balances	<u>209,467</u>	<u>209,467</u>
Total liabilities and fund balances	<u>\$ 242,526</u>	<u>\$ 242,526</u>

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

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

June 30, 2016

Fund balances - total governmental funds		\$ 209,467
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The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures, and equipment, net of \$17,962 accumulated depreciation	\$ 36,553	
Computer equipment, net of \$49,306 accumulated depreciation	35,655	
Capital lease asset, net of accumulated depreciation of \$172,283	<u>6,719,051</u>	6,791,259

Long-term debt are not due and payable in the current period and, therefore, not reported in the general fund		<u>(7,162,509)</u>
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Total net position of governmental activities		<u><u>\$ (161,783)</u></u>
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The accompanying notes are an integral part of this financial statement.

ST. CLOUD PREPARATORY ACADEMY, INC.

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

For the year ended June 30, 2016

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Revenues		
State passed through local school district	\$ 2,820,324	\$ 2,820,324
Debt forgiveness	238,815	238,815
Other income	235,910	235,910
Total revenues	<u>3,295,049</u>	<u>3,295,049</u>
Expenditures		
Current:		
Basic instruction	1,114,534	1,114,534
Instructional support	151,109	151,109
Classroom costs	2,217	2,217
Board expenses	26,357	26,357
General administration	96,429	96,429
School administration	217,666	217,666
Fiscal services	85,123	85,123
Food services	6,658	6,658
Central services	468	468
Transportation	7,710	7,710
Operation of plant	997,340	997,340
Maintenance of plant	17,316	17,316
Administrative tech	2,593	2,593
Capital outlay	6,085	6,085
Community service	141,934	141,934
Debt service:		
Principal	196,489	196,489
Interest	8,556	8,556
Total expenditures	<u>3,078,584</u>	<u>3,078,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>216,465</u>	<u>216,465</u>
Other financing sources (uses):		
Loan proceeds	23,260	23,260
Total other financing sources (uses)	<u>23,260</u>	<u>23,260</u>
Net change in fund balances	239,725	239,725
Fund balances at July 1, 2015	<u>(30,258)</u>	<u>(30,258)</u>
Fund balances at June 30, 2016	<u>\$ 209,467</u>	<u>\$ 209,467</u>

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

ST. CLOUD PREPARATORY ACADEMY, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2016

Net change in fund balances - total government funds	\$	239,725
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Total fixed capital outlay	\$ 6,085		
Depreciation	<u>(209,782)</u>		(203,697)
Total capital assets			

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Proceeds from long-term debt			(23,260)
Accretion of capital lease obligation			(48,130)
Principal payment on long-term debt			<u>196,489</u>

Change in net position of governmental activities	\$	<u>161,127</u>
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The accompanying notes are an integral part of this financial statement.

ST. CLOUD PREPARATORY ACADEMY, INC.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND

June 30, 2016

		<u>Internal Fund</u>
	ASSETS	
Cash		<u>\$ 8,917</u>
Total assets		<u><u>\$ 8,917</u></u>
	LIABILITIES	
Due to students		<u>\$ 8,917</u>
Total liabilities		<u><u>8,917</u></u>

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

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

St. Cloud Preparatory Academy, Inc. (the "School") is a not-for-profit corporation that operates an elementary school in St. Cloud, Florida, which is a component unit of the School District of Osceola County, Florida (the "District"). The Corporation was organized in December 2013 pursuant to Chapter 617, Florida Statutes, Florida Not-For-Profit Corporation Act. The governing body of the School is a not-for-profit corporation Board of Directors composed of eight members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school board, the School District of Osceola County (the "School District"). The current charter is effective until June 30, 2019, and may be renewed by mutual agreement between the School and the School District.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are described in GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be included within the reporting entity of the School.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. As of June 30, 2016, there was not any net position classified as restricted in the statement of net position.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Only one of the School's funds were deemed to be a major fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

The School's financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 11.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Additionally, the School reports the following fiduciary fund type:

Agency Fund – to account for resources of the School’s internal funds which are used to administer money collected in connection with school, student, athletic, class, and club activities.

4. Cash

The School’s cash consists of demand deposits with a financial institution which are insured by the Federal depository insurance.

5. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$275. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

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

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Prepaid expense

Payment made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid expenses in both the government-wide and fund financial statements.

7. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorate basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FLDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FLDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. Income taxes

St. Cloud Preparatory Academy, Inc. is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the years ended June 30, 2014 through June 30, 2016.

11. Subsequent event

The School has evaluated subsequent events through August 5, 2016 the date which the financial statements were available to be issued.

NOTE B – CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution insured by the Federal Deposit Insurance Corporation ("FDIC"). Under the FDIC program, all of the School's cash balances maintained in accounts at the financial institution are fully guaranteed by the FDIC up to \$250,000.

At June 30, 2016, the School's cash was not in excess of the insured limit.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C – CAPITAL ASSETS

Changes in capital assets were as follows for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets:				
Computer equipment	\$ 78,876	\$ 6,085	\$ -	\$ 84,961
Furniture and equipment	54,515	-	-	54,515
Capital lease asset	6,891,334	-	-	6,891,334
Total assets depreciated	<u>7,024,725</u>	<u>\$ 6,085</u>	<u>\$ -</u>	<u>7,030,810</u>
Less accumulated depreciation:				
Computer equipment	22,710	\$ 26,596	\$ -	49,306
Furniture and equipment	7,059	10,903	-	17,962
Capital lease asset	-	172,283	-	172,283
Total accumulated depreciation	<u>29,769</u>	<u>\$ 209,782</u>	<u>\$ -</u>	<u>239,551</u>
Total governmental activities capital assets, net	<u>\$ 6,994,956</u>			<u>\$ 6,791,259</u>

Depreciation expense in the amount of \$209,782 was charged to school administration for the year ended June 30, 2016.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – CONCENTRATIONS

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
School Board of Osceola County	
Base funding	\$ 1,920,014
ESE guaranteed allocation	54,407
Supplemental academic instruction	94,228
Class size reduction	515,768
Discretionary millage	81,144
Discretionary lottery	107,516
Instructional materials	36,944
Teacher supply allocation	6,232
Safe schools allocation	7,720
Proration to funds available	<u>(5,339)</u>
Subtotal	2,818,634
School recognition funding	<u>1,690</u>
Total passed through the School	
District of Osceola County	2,820,324
Other revenue:	
Debt forgiveness	238,815
Other income	<u>235,910</u>
	<u><u>\$ 3,295,049</u></u>

The administration fee paid to the District during the year ended June 30, 2016 totaled approximately \$79,662 and is reflected as a general administration expense/expenditure in the accompanying financial statements.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E - NOTES PAYABLE

Long-term notes payable at June 30, 2016 consists of the following:

Note payable, Banyan OSC, LLC., payable when surplus cash is achieved, including interest at 4.75%, maturing July 2017.	\$	133,184
Note payable, Connecting Elements, Inc., \$10,000 payable no later than August 21, 2015 and the balance when surplus cash is achieved, including interest at 10%, maturing August 2016.		38,100
Note payable, May, Mecham, & Davell, P.A., outstanding invoices, payable in monthly installments of \$1,000 including interest at 18% annually.		17,260
Note payable, Learning-Focused Solutions Inc., payable when surplus cash is achieved, including interest at 10%, maturing when the debt is satisfied.		<u>34,500</u>
		223,044
Less: current portion		<u>(223,044)</u>
Total long-term notes payable	\$	<u><u>-</u></u>

The notes payable amounts are categorized as current because they are deemed payable in the upcoming year based on the additional revenues projected from increased number of students. Payment of the notes is subject to priority payment levels described in Note F. The notes to Connecting Elements, Inc., and Learning-Focused Solutions, Inc. are level two and Banyan OSC, LLC (Banyan) is level four priorities. The total amount of the Banyan note is in dispute with Banyan, and is reported in the financial statements at the prior year amount of \$227,051 less payments made in fiscal 2015 of \$93,866, plus accrued interest of \$8,556. The accrued interest is included in accrued liabilities in the financial statements.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F - COMMITMENTS

1. *Capital lease*

The School leases its facilities under an amended lease agreement with Osceola Charter Holdings, LLC (“OCH”) dated June 22, 2015. The original lease was dated December 21, 2013. The lease requires monthly payments of \$70,694 with annual increases of 2.5%. The lease ends on August 2034 and may be extended for four additional terms of five years each. The lease agreement required a security deposit of \$50,000 of which \$29,167 has been paid and the balance of \$20,833 is included in accrued liabilities at June 30, 2016. The School is also responsible for all sales and real estate taxes, insurance, and utilities related to the facilities. Rent expense charged to operations for fiscal 2016 totaled \$839,067 and includes \$238,815 of rent which was forgiven by OCH.

The lease meets the criteria for recognition as a capital lease under GASB 62. Accordingly, the School recorded a capital lease asset for \$6,891,334 and a corresponding capital lease obligation for \$6,891,334 as of June 30, 2015, which represented the 2014 cost of the land, buildings, and improvements. The implicit interest rate on the lease is 12.968%. The lease payments are subject to priority payment levels discussed in Note F. Scheduled maturities of the lease are as follows:

	<u>Minimum Lease Payments</u>	<u>Less: Interest</u>	<u>Principal Payments</u>
2017	\$ 869,540	\$ 901,772	\$ (32,232)
2018	891,279	904,877	(13,598)
2019	913,560	905,373	8,187
2020	936,400	902,843	33,557
2021	959,808	896,776	63,032
2022-2026	5,171,208	4,225,080	946,128
2027-2031	5,850,732	3,104,247	2,746,485
2032-2034	3,873,300	685,394	3,187,906
	<u>\$ 19,465,827</u>	<u>\$ 12,526,362</u>	<u>\$ 6,939,465</u>

2. *Management service agreement*

The School had a support services agreement with Banyan OSC, LLC (“Banyan”) dated December 19, 2013 (amended July 1, 2015) to provide certain non-academic services to the School consisting principally of administrative duties and responsibilities. The agreement was terminated in October 2015. No management fees were charged to operations in fiscal 2016. The payment of the remaining note outstanding to Banyan of \$133,184 at June 30, 2016 is subject to the priority payment levels discussed in Note F.

ST. CLOUD PREPARATORY ACADEMY INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F - COMMITMENTS (Continued)

3. *Debt forgiveness*

During 2016, OCH forgave rent in the amount of \$238,815, which is recorded as debt forgiveness income in the accompanying financial statements.

4. *Debt payment priorities*

An August 13, 2015 corrective action plan was developed between the School and the District and within the agreement there is a priority of creditors. The priority of payout to the different creditors will occur when the School has surplus cash flow. The different levels of priorities are as follows:

1. Level 1: payroll, payroll taxes, employee benefits, utilities, lease payments and other operating expenditures that directly affect the well-being of the students.
2. Level 2: all short term bridge loans that enabled the School to remain open after funding was suspended.
3. Level 3: operating expenditures with key vendors as set forth in a restructuring agreement with Banyan.
4. Level 4: all deferred debt owed to OCH and Banyan.

5. *Legal issues*

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.

NOTE G - SUBSEQUENT EVENTS

On July 14, 2016, the School's lease agreement with OCH dated June 22, 2015 (see Note F) was amended and restated. This amendment titled Addendum To Amended And Restated Lease #1 ("Lease Addendum"), provides for Phase 2 and Phase 3 improvements to the School's property. Phase 2 will consist of the building of a 4th permanent modular structure to supplement the current three permanent modular buildings. The total estimated development cost for Phase 2 is \$2.6 million. Phase 3 will consist of the construction of a K-5 building with a minimum of 20,000 square feet for a total estimated cost of \$5.5 million. Construction for Phase 2 will begin immediately. Phase 3 is also authorized to begin. The annual rent for Phase 2 will be approximately \$250,000 and for Phase 3 approximately \$1.3 million. These annual rents are in addition to the current required rents. The Lease Addendum includes a purchase option whereby the School can purchase the leased property for \$10 million plus the total development costs of Phases 2 and 3. The expiration of the Lease Addendum is in 2034.

REQUIRED SUPPLEMENTAL INFORMATION

ST. CLOUD PREPARATORY ACADEMY, INC.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
State passed through local school district	\$ 2,729,629	\$ 2,820,324	\$ 2,820,324	\$ -
Debt forgiveness, from a related party	-	238,815	238,815	-
Other income	240,351	235,910	235,910	-
Total revenues	2,969,980	3,295,049	3,295,049	-
Expenditures				
Current:				
Basic instruction	1,654,854	1,114,534	1,114,534	-
Instructional support	31,000	151,109	151,109	-
Classroom costs	2,500	2,217	2,217	-
Board expenses	10,000	26,357	26,357	-
General administration	61,055	96,429	96,429	-
School administration	183,500	217,666	217,666	-
Fiscal services	22,000	85,123	85,123	-
Food services	15,000	6,658	6,658	-
Central services	-	468	468	-
Transportation	1,750	7,710	7,710	-
Operation of plant	767,806	997,340	997,340	-
Maintenance of plant	30,715	17,316	17,316	-
Administrative technology	2,250	2,593	2,593	-
Community service	181,827	141,934	141,934	-
Capital outlay	-	6,085	6,085	-
Debt service:				
Principal	-	196,489	196,489	-
Interest	-	8,556	8,556	-
Total expenditures	2,964,257	3,078,584	3,078,584	-
Excess (deficiency) of revenues over (under) expenditures	5,723	216,465	216,465	-
Other financing sources (uses):				
Loan proceeds	-	23,260	23,260	-
Transfer	-	-	-	-
Total other financing sources (uses)	-	23,260	23,260	-
Net change in fund balances	5,723	239,725	239,725	-
Fund balances at July 1, 2015	(30,258)	(30,258)	(30,258)	-
Fund balances at June 30, 2016	\$ (24,535)	\$ 209,467	\$ 209,467	\$ -

See note to required supplemental information.

ST. CLOUD PREPARATORY ACADEMY, INC.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2016

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2016, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major special revenue fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
St. Cloud, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc., which is a component unit of the School District of Osceola County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise St. Cloud Preparatory Academy, Inc.'s basic financial statements, and have issued our report thereon dated August 5, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Moss, Krusick & Associates, LLC

August 5, 2016
Winter Park, Florida



MANAGEMENT LETTER

Partners

W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

To the Board of Directors
St. Cloud Preparatory Academy, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Cloud Preparatory Academy, Inc. (the "School"), which is a component unit of the School District of Osceola County, Florida, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated August 5, 2016.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in the report, which are dated August 5, 2016, 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 report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *St. Cloud Preparatory Academy Inc.*, which is a component of the School District of Osceola County.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School did not meet conditions described in Section 218.503(1), Florida Statutes.

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

Moss, Krusick & Associates, LLC

August 5, 2016
Winter Park, Florida

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

For the year ended June 30, 2016, there were no management recommendations.