

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2017



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Altoona School, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2017, the School's expenses exceeded revenues by \$95,345, which is a decrease from the prior year when expenses exceeded revenues by \$26,191.
- The School had a total net position of \$561,794 as of June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
 - The *fiduciary fund* financial statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has two types of funds:

- Governmental Funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

- Fiduciary Funds – The School is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2017 and 2016 is summarized as follows – see table below.

	Governmental Activities		Increase (Decrease)
	2017	(as restated) 2016	
Current and other assets	\$ 96,342	\$ 154,970	-38%
Capital assets, net	696,824	648,991	7%
Total assets	793,166	803,961	-1%
Current and other liabilities	96,429	110,690	-13%
Long-term liabilities	134,943	36,132	273%
Total liabilities	231,372	146,822	58%
Net position:			
Net investment in capital assets	617,106	648,991	-5%
Unrestricted	(55,312)	8,148	-779%
Total net position	\$ 561,794	\$ 657,139	-15%

Current and other assets decreased primarily due to the timing of cash receipts and disbursements at year-end, as well as the current year operating deficit. Capital assets, net increased due to acquisitions during the year, offset by depreciation expense. Current and other liabilities decreased primarily due to a decrease in the amounts accrued at year-end for salaries and related expenses. The increase in long-term liabilities is due to the School financing the purchase of a new bus and drawing on the existing revolving line of credit. The fluctuation in total net position from the prior fiscal year was due to the current year capital asset acquisitions, net of depreciation, and the current year excess of expenses over revenues.

Certain reclassifications were made in the 2016 amounts to conform to their classifications in fiscal year 2017.

Change in Net Position

The School's total revenues decreased by 1% to \$1,898,636, and the total cost of all programs and services increased by 3% to \$1,993,981 – see table below.

	Governmental Activities		Increase
	2017	2016	(Decrease)
Revenues:			
State and local sources	\$ 1,857,809	\$ 1,863,059	0%
Contributions and other revenue	40,827	55,478	-26%
Total revenues	1,898,636	1,918,537	-1%
Expenses:			
Instruction and instruction-related services	1,312,614	1,328,550	-1%
Board	15,313	10,523	46%
General administration	85,277	89,468	-5%
School administration	207,101	133,186	55%
Fiscal services	15,652	15,323	2%
Food services	19,806	34,196	-42%
Student transportation services	56,746	47,254	20%
Operation of plant	243,380	224,161	9%
Maintenance of plant	500	14,736	-97%
Community services	31,752	45,001	-29%
Interest	5,840	2,330	151%
Total expenses	1,993,981	1,944,728	3%
Change in net position	\$ (95,345)	\$ (26,191)	-264%

Contributions and other revenue decreased due to less amounts received from sponsors during the fiscal year. Board expenses increased due to an increase in audit fees. School administration increased due to an increase in full time personnel. Food services decreased due to a decrease in personnel. Student transportation services increased due to an increase in transportation costs, primarily bus monitors and related payroll costs. Operation of plant increased primarily due to an increase in repair and maintenance and other occupancy costs. Maintenance of plant decreased due to a decrease in building improvement costs that were not capitalized. Community services decreased due to a decrease in personnel.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a fund deficit of \$87. The fluctuation in revenues and expenditures in the fund statements is due to the same reasons described above.

General Fund Budgetary Highlights

Over the course of the fiscal year, the School revised its original budget to account for a slight increase in student enrollment and an increase in the capital outlay allocation. For the year ended June 30, 2017, actual revenues were approximately \$114,000 above the budgeted amounts, and actual expenditures were approximately \$326,000 above budgeted amounts. Differences are primarily related to having a higher student count than anticipated and not budgeting for the general administrative fee paid to the School Board.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2017 amounts to \$696,824 (net of accumulated depreciation). See table below:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Construction in progress	\$ -	\$ 366,323	-100%
Buildings and leasehold improvements	727,816	361,493	101%
Furniture, fixtures and equipment	152,527	146,663	4%
Motor vehicles	121,591	17,636	589%
Less accumulated depreciation	(305,110)	(243,124)	-25%
Total capital assets, net	<u>\$ 696,824</u>	<u>\$ 648,991</u>	<u>7%</u>

Certain reclassifications were made in the 2016 amounts to conform to their classifications in fiscal year 2017.

This year's major capital asset additions included the following:

- 2016 Thomas bus - \$103,955
- Snapper lawn mower - \$4,400

More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-term Debt

At June 30, 2017, the School had \$55,225 in a line of credit payable outstanding, an increase of \$19,093 from the prior year. This increase is due to additional draws under the line of credit. In addition, the School had \$79,718 in an outstanding note payable, an increase of \$79,718 due to the financing of the bus purchase noted above. More detailed information about the School's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2018:

- Slight increase in student population
- Consistent capital outlay funds

Estimated amounts available for appropriation in the general fund are approximately \$1,820,000, a decrease of less than 1% from the 2017 actual of \$1,825,252. Budgeted expenditures are expected to decrease 17% to approximately \$1,650,000 from the 2017 actual of \$1,993,574. This decrease is primarily the result of a decrease in capital outlay expenditures and a decrease in overall teacher salary costs. The School has added no major new programs to the fiscal 2018 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2018.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 42630 State Road 19, Altoona, Florida 32702.

Independent Auditor's Report on Basic Financial Statements and Supplementary Information

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake 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 Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Altoona School, Inc. as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on page 27 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 October 30, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Winter Park, Florida
October 30, 2017

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 91,217
Other current assets	5,125
Capital assets:	
Buildings and building improvements	727,816
Furniture, fixtures and equipment	152,527
Motor vehicles	121,591
Less accumulated depreciation	<u>(305,110)</u>
Total capital assets, net	<u>696,824</u>
Total assets	<u><u>\$ 793,166</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 96,429
Long-term liabilities:	
Portion due or payable within one year:	
Obligation payable under line of credit	55,225
Note payable	17,799
Portion due and payable after one year:	
Note payable	<u>61,919</u>
Total liabilities	<u>231,372</u>
NET POSITION (DEFICIT)	
Net investment in capital assets	617,106
Unrestricted	<u>(55,312)</u>
Total net position	<u>561,794</u>
Total liabilities and net position	<u><u>\$ 793,166</u></u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for	Operating	Capital	Governmental	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	
Governmental activities:						
Instruction	\$ 1,280,713	\$ -	\$ -	\$ -	\$ (1,280,713)	\$ (1,280,713)
Student support services	31,901	-	-	-	(31,901)	(31,901)
Board	15,313	-	-	-	(15,313)	(15,313)
General administration	85,277	-	-	-	(85,277)	(85,277)
School administration	207,101	-	-	-	(207,101)	(207,101)
Fiscal services	15,652	-	-	-	(15,652)	(15,652)
Food services	19,806	4,898	-	-	(14,908)	(14,908)
Student transportation services	56,746	-	-	-	(56,746)	(56,746)
Operation of plant	243,380	-	-	-	(243,380)	(243,380)
Maintenance of plant	500	-	-	-	(500)	(500)
Community services	31,752	15,125	-	-	(16,627)	(16,627)
Interest	5,840	-	-	-	(5,840)	(5,840)
Total primary government	<u>\$ 1,993,981</u>	<u>\$ 20,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,973,958)</u>	<u>(1,973,958)</u>
General revenues:						
State and local sources					1,857,809	1,857,809
Contributions and other revenue					20,804	20,804
Total general revenues					<u>1,878,613</u>	<u>1,878,613</u>
Change in net position					<u>(95,345)</u>	<u>(95,345)</u>
Net position at beginning of year, as previously reported					668,659	668,659
Reclassification adjustment (see Note 1)					<u>(11,520)</u>	<u>(11,520)</u>
Net position at beginning of year, as restated					<u>657,139</u>	<u>657,139</u>
Net position at end of year					<u>\$ 561,794</u>	<u>\$ 561,794</u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2017

	General Fund
ASSETS	
Cash and cash equivalents	\$ 91,217
Other current assets	5,125
Total assets	<u>\$ 96,342</u>
LIABILITIES	
Accounts payable and accrued expenditures	\$ 96,429
Total liabilities	<u>96,429</u>
FUND BALANCE (DEFICIT)	
Nonspendable:	
Other current assets	5,125
Assigned to:	
Memorials	12,917
Unassigned	<u>(18,129)</u>
Total fund deficit	<u>(87)</u>
Total liabilities and fund deficit	<u>\$ 96,342</u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

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

JUNE 30, 2017

Total fund deficit - governmental fund	\$	(87)
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$1,001,934 and the accumulated depreciation is \$305,110.

696,824

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:

Obligation payable under line of credit
Note payable

(55,225)
(79,718)

Total net position - governmental activities

	\$	<u>561,794</u>
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The accompanying notes to financial statements are an integral part of this statement.

ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

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

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
State and local sources	\$ 1,784,425	\$ 73,384	\$ 1,857,809
Contributions and other revenue	40,827	-	40,827
Total revenues	<u>1,825,252</u>	<u>73,384</u>	<u>1,898,636</u>
EXPENDITURES			
Current:			
Instruction	1,231,744	-	1,231,744
Student support services	31,901	-	31,901
Board	15,313	-	15,313
General administration	85,277	-	85,277
School administration	198,423	-	198,423
Fiscal services	15,652	-	15,652
Food services	19,186	-	19,186
Student transportation services	55,506	-	55,506
Operation of plant	240,901	-	240,901
Maintenance of plant	500	-	500
Community services	31,752	-	31,752
Debt service:			
Principal	25,144	-	25,144
Interest	5,840	-	5,840
Capital outlay	36,435	73,384	109,819
Total expenditures	<u>1,993,574</u>	<u>73,384</u>	<u>2,066,958</u>
Deficiency of revenues over expenditures	<u>(168,322)</u>	<u>-</u>	<u>(168,322)</u>
OTHER FINANCING SOURCES			
Proceeds from revolving line of credit	30,000	-	30,000
Proceeds from note payable	93,955	-	93,955
Total other financing sources	<u>123,955</u>	<u>-</u>	<u>123,955</u>
Net changes in fund balances	<u>(44,367)</u>	<u>-</u>	<u>(44,367)</u>
Fund balances at beginning of year, as previously reported	55,800	-	55,800
Reclassification adjustment (see Note 1)	<u>(11,520)</u>	<u>-</u>	<u>(11,520)</u>
Fund balances at beginning of year, as restated	<u>44,280</u>	<u>-</u>	<u>44,280</u>
Fund balances (deficit) at end of year	<u><u>\$ (87)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (87)</u></u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$ (44,367)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report 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. This is the amount by which capital outlays (\$109,819) exceed depreciation expense (\$61,986) in the current period.	47,833
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Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt.	25,144
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Proceeds from long-term debt are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in long-term liabilities in the statement of net assets. These amounts represent the current year borrowings under long-term liabilities:

Proceeds from obligation payable under line of credit	(30,000)
Proceeds from note payable	(93,955)
Change in net position of governmental activities	<u>\$ (95,345)</u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

JUNE 30, 2017

	Agency Fund
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 21,052
Total assets	<hr/> <hr/>
LIABILITIES	
Due to others	\$ 21,052
Total liabilities	<hr/> <hr/>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Altoona School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2019 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; 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 of the School which should be reported with the School's basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*. 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

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds are considered major funds. There are no other governmental funds.

Fiduciary Fund:

- Agency Fund – to account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and Cash Equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits and certificates of deposit with financial institutions.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and building improvements	7 - 39
Furniture, fixtures and equipment	5 - 10
Motor vehicles	5

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Information relative to changes in capital assets is described in Note 2.

Long-term Liabilities

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. Information relative to changes in long-term liabilities is described in Note 3.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2013.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School’s charter. As such, the School’s revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

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

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying financial statements.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The governing board shall review the amounts in the fund balances in conjunction with the annual budget approval and make adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to the restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Principal up to the amount of \$50,000.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and balance sheet – governmental fund and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Subsequent Events

The School has evaluated subsequent events through October 30, 2017, the date these financial statements were available to be issued.

Reclassifications

During the year ended June 30, 2017, the School revised the accounting and reporting for its internal funds to remove them from the General Fund and include them in an Agency Fund. This accounting more appropriately reflects the custodial nature of the school internal funds. The reclassification adjustment included in the accompanying financial statements represents the beginning balance of the school internal funds.

Recently Issued Accounting Pronouncement

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The new standard is effective for the fiscal year ending June 30, 2020. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

ALTOONA SCHOOL, INC.
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NOTES TO FINANCIAL STATEMENTS
(continued)

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	<u>\$366,323</u>	<u>\$ -</u>	<u>\$ (366,323)</u>	<u>\$ -</u>
Total capital assets not being depreciated	<u>366,323</u>	<u>-</u>	<u>(366,323)</u>	<u>-</u>
Depreciable capital assets:				
Buildings and building improvements	361,493	366,323	-	727,816
Furniture, fixtures and equipment	146,663	5,864	-	152,527
Motor vehicles	<u>17,636</u>	<u>103,955</u>		<u>121,591</u>
Total depreciable capital assets	<u>525,792</u>	<u>476,142</u>	<u>-</u>	<u>1,001,934</u>
Less accumulated depreciation for:				
Buildings and building improvements	(150,129)	(31,322)	-	(181,451)
Furniture, fixtures and equipment	(77,395)	(11,811)	-	(89,206)
Motor vehicles	<u>(15,600)</u>	<u>(18,853)</u>	<u>-</u>	<u>(34,453)</u>
Total accumulated depreciation	<u>(243,124)</u>	<u>(61,986)</u>	<u>-</u>	<u>(305,110)</u>
Total depreciable capital assets, net	<u>282,668</u>	<u>414,156</u>	<u>-</u>	<u>696,824</u>
Governmental activities capital assets, net	<u><u>\$648,991</u></u>	<u><u>\$414,156</u></u>	<u><u>\$ (366,323)</u></u>	<u><u>\$ 696,824</u></u>

Certain reclassifications were made in the 2016 amounts to conform to their classifications in fiscal year 2017.

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 48,969
School administration	8,678
Food services	620
Student transportation services	1,240
Operation of plant	<u>2,479</u>
Total governmental activities depreciation expense	<u><u>\$ 61,986</u></u>

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Obligation payable under revolving line of credit	\$ 36,132	\$ 30,000	\$ (10,907)	\$ 55,225	\$ 55,225
Note payable	<u>-</u>	<u>93,955</u>	<u>(14,237)</u>	<u>79,718</u>	<u>17,799</u>
Governmental activities, long-term liabilities	<u>\$ 36,132</u>	<u>\$123,955</u>	<u>\$ (25,144)</u>	<u>\$ 134,943</u>	<u>\$ 73,024</u>

Obligation Payable Under Revolving Line Of Credit

Long-term liabilities as of June 30, 2017 include a revolving line of credit payable to a financial institution that is secured by property owned by the School. Outstanding borrowings under this line of credit were \$55,225 as of June 30, 2017. The line of credit has a total capacity of \$75,000, and has a maturity date in April, 2018. Interest is carried at the Wall Street Journal prime rate plus two percentage points (5.5% as of June 30, 2017). There is a minimum effective rate of interest on the note of 5.5%. Unused borrowing capacity as of June 30, 2017 was \$19,775.

Note Payable

Note payable includes an amount payable to a finance company with principal and interest of \$1,751 due monthly at 4.49%. The maturity date of the note is August 2021, and the note is secured by a school bus.

Future debt service requirements related to the note payable are as follows:

Year ended June 30,	Principal	Interest	Total
2018	\$ 17,799	\$ 3,212	\$ 21,011
2019	18,614	2,397	21,011
2020	19,466	1,545	21,011
2021	20,357	654	21,011
2022	<u>3,482</u>	<u>7</u>	<u>3,489</u>
Total	<u>\$ 79,718</u>	<u>\$ 7,815</u>	<u>\$ 87,533</u>

**ALTOONA SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Pinellas County, Florida:	
Florida Education Finance Program	\$ 1,130,145
Class size reduction	324,788
Discretionary local effort	85,479
Capital outlay	73,384
ESE guaranteed allocation	66,417
Supplemental academic instruction	60,306
Discretionary millage funds	33,167
Student transportation	32,508
Instructional materials	19,437
Reading allocation	11,556
Digital classrooms allocation	7,201
Safe schools	5,199
Discretionary lottery funds	4,257
Teacher lead	<u>3,965</u>
Total	<u><u>\$ 1,857,809</u></u>

The administration fee paid to the School Board during the year ended June 30, 2017 totaled approximately \$85,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

6 SALARY SAVINGS PLAN

The School has adopted a SIMPLE IRA retirement program (the "Plan"), which covers all full time employees upon employment. Eligible employees may elect to contribute a portion of their earnings to the Plan. The School makes contributions to the Plan by matching 100% of employee contributions up to 3% of compensation. Employer contributions during fiscal 2017 totaled approximately \$17,000.

**ALTOONA SCHOOL, INC.
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THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal 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 collectibility of any related receivable as of June 30, 2017 may be impaired. In the opinion of the School, there are no significant contingent 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.

Legal Matters

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

Lease Commitments

The School leases cameras as part of its security system under a non-cancelable operating lease expiring in September 2019. The lease is payable in monthly installments of \$193. The aggregate remaining minimum rental payments as of June 30, 2017 under the lease are as follows:

Year Ending June 30,	Amounts
2017	\$ 2,316
2018	2,316
2019	2,316
2020	579
Total	<u>\$ 7,527</u>

Lease expense totaled approximately \$5,000 and is included in operation of plant in the accompanying financial statements.

ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
REVENUES				
State and local sources	\$ 1,655,802	\$ 1,691,741	\$ 1,784,425	\$ 92,684
Contributions and other revenue	19,556	19,556	40,827	21,271
Total revenues	1,675,358	1,711,297	1,825,252	113,955
EXPENDITURES				
Current:				
Instruction	1,142,371	1,159,301	1,231,744	(72,443)
Student personnel services	13,000	13,000	31,901	(18,901)
Instructional media	1,000	1,000	-	1,000
Board	-	-	15,313	(15,313)
General administration	-	-	85,277	(85,277)
School administration	238,441	240,188	198,423	41,765
Fiscal services	-	-	15,652	(15,652)
Food services	43,445	43,445	19,186	24,259
Student transportation services	51,491	51,870	55,506	(3,636)
Operation of plant	127,235	127,817	240,901	(113,084)
Maintenance of plant	-	-	500	(500)
Community services	16,653	17,061	31,752	(14,691)
Debt service:				
Principal	36,000	13,514	25,144	(11,630)
Interest	-	-	5,840	(5,840)
Capital outlay	-	-	36,435	(36,435)
Total expenditures	1,669,636	1,667,196	1,993,574	(326,378)
Excess (deficiency) of revenues over expenditures	5,722	44,101	(168,322)	(212,423)
OTHER FINANCING SOURCES				
Proceeds from revolving line of credit	-	-	30,000	30,000
Proceeds from note payable	-	-	93,955	93,955
Total other financing sources	-	-	123,955	123,955
Net change in fund balance	5,722	44,101	(44,367)	(88,468)
Fund balance at beginning of year, as restated	44,280	44,280	44,280	-
Fund balance (deficit) at end of year	\$ 50,002	\$ 88,381	\$ (87)	\$ (88,468)

See independent auditor's 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 Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake 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 Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake 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 October 30, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



Winter Park, Florida
October 30, 2017

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850**

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, 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 Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 30, 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

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 30, 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. There were no findings or recommendations 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 school. The name of the School is Altoona School, Inc.

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 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 apply appropriate procedures to determine whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website 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. Our recommendation is as follows:

The School's transactions should be recorded and reported in accordance with the Florida Red Book ("Red Book") to enable effective monitoring of the School's financial condition. During our audit procedures, we identified several instances where transactions were not coded to the proper Red Book function. Multiple adjustments were required to present transactions in accordance with the Red Book. After we identified these errors, management recorded all necessary adjustments to correct the School's records. We recommend that the School improve its controls to ensure that transactions are recorded in accordance with the Red Book.

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 Lake County, Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
October 30, 2017