

**ORANGE COUNTY
PREPARATORY ACADEMY**

(A CHARTER SCHOOL UNDER ADVANTAGE
ACADEMY OF HILLSBOROUGH, INC.)

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2018

King & Walker, CPAs, PL

Certified Public Accountants

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ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

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Independent Auditor's Report

To the Board of Directors of the Orange County Preparatory Academy,
(A charter school under Advantage Academy of Hillsborough, Inc.)
a Charter School and Component Unit of the
District School Board of Orange 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 Orange County Preparatory Academy ("School"), a charter school under Advantage Academy of Hillsborough, Inc. and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Preparatory Academy, as of June 30, 2018, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Orange County Preparatory Academy at June 30, 2018, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Advantage Academy of Hillsborough, Inc. These financial statements do not purport to and do not present fairly the financial position of Advantage Academy of Hillsborough, Inc. as of June 30, 2018 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018 on our consideration of Orange County Preparatory Academy'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 Orange County Preparatory Academy's internal control over financial reporting and compliance.

Respectfully submitted,



September 20, 2018
Tampa, Florida

ORANGE COUNTY PREPARATORY ACADEMY

(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of Orange County Preparatory Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2018.

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

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses as shown on the School's statement of activities by \$171,907.
- As shown on the statement of net position, the School reported a total net position balance of \$635.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

ORANGE COUNTY PREPARATORY ACADEMY

(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

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

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

The governmental financial fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates two funds; a General Fund and a Capital Projects Fund. For reporting purposes, all funds are shown as major funds of the School.

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

Notes to Financial Statements

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

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Orange County, Florida
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School’s current year and prior year net position:

	Net Position, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-17</u>	<u>6-30-18</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 199,150	\$ 219,727	\$ 20,577
Capital Assets, net	78,229	69,012	(9,217)
Total Assets	<u>277,379</u>	<u>288,739</u>	<u>11,360</u>
LIABILITIES			
Current Liabilities	241,104	206,708	(34,396)
Long-term Liabilities	207,547	81,396	(126,151)
Total Liabilities	<u>448,651</u>	<u>288,104</u>	<u>(160,547)</u>
NET POSITION			
Net Investment in Capital Assets	43,631	69,012	25,381
Unrestricted	<u>(214,903)</u>	<u>(68,377)</u>	<u>146,526</u>
Total Net Position	<u>\$ (171,272)</u>	<u>\$ 635</u>	<u>\$ 171,907</u>

The current assets of the School consist primarily of cash and cash equivalents and the School’s investment in capital assets, which consists of furniture, fixtures, and equipment, leasehold improvements, and assets under capital lease, net of depreciation. Current liabilities are comprised of salaries and benefits payable and vendor accounts payable. Long-term liabilities consist of a loan and a note payable.

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Orange County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-17</u>	<u>6-30-18</u>	<u>(Decrease)</u>
Revenues:			
Federal Through State and Local	\$ 142,225	\$ -	\$ (142,225)
State Sources	3,195,792	3,079,892	(115,900)
Local and Other	<u>337,603</u>	<u>355,693</u>	<u>18,090</u>
Total Revenues	<u>3,675,620</u>	<u>3,435,585</u>	<u>(240,035)</u>
Expenses:			
Instruction	1,500,893	1,333,887	(167,006)
Pupil Personnel Services	101	201	100
Instructional & Curriculum Development	15,225		(15,225)
Instructional Staff Training	6,739	605	(6,134)
Instructional Related Technology	18,937	10,371	(8,566)
Board of Education	18,555	20,814	2,259
General Administration	208,321	148,700	(59,621)
School Administration	395,531	375,743	(19,788)
Facilities Acquisition & Construction	548,872	649,410	100,538
Fiscal Services	151,561	74,807	(76,754)
Food Services	180,988		(180,988)
Operation of Plant	327,104	371,802	44,698
Maintenance of Plant	53,045	73,925	20,880
Community Service	144,111	149,403	5,292
Interest & Fiscal Charges	18,407	8,819	(9,588)
Unallocated Depreciation	<u>73,639</u>	<u>45,191</u>	<u>(28,448)</u>
Total Expenses	<u>3,662,029</u>	<u>3,263,678</u>	<u>(398,351)</u>
Increase/(Decrease) in Net Position	<u>\$ 13,591</u>	<u>\$ 171,907</u>	<u>\$ 158,316</u>

The largest revenue source for the School is the State of Florida (90%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. The decrease in state revenue is attributable to the School's decrease in enrollment in 2017-18.

The largest concentration of expenses were for Instruction related expenses (41%), which primarily consisted of teacher salaries and for Facilities Acquisition and Construction (20%), which primarily consisted of the School's facility lease payments.

ORANGE COUNTY PREPARATORY ACADEMY
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A Charter School and Component Unit of the District School Board of Orange County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$13,019.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2018, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2018, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$69,012 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements, and assets under capital lease. Additional information regarding the School's capital assets can be found in a subsequent note to the financial statements.

LONG-TERM DEBT

In the 2015-16 fiscal year, the School entered into an agreement with Building Hope for \$350,000 for the purchase of furniture fixtures and equipment. The remaining balance of this loan is \$73,064 at June 30, 2018. Additional information regarding the School's long-term debt is located in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2019 include:

- Continued funding from FEFP.
- Expected increase in enrollment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Orange County Preparatory Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter School Associates, Inc., 5471 N. University Drive, Coral Springs, FL 33067.

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 147,883
Due from Other Agency	6,356
Accounts Receivable	51,480
Prepaid Expenses and Deposits	14,008
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	56,747
Leasehold Improvements, Net	7,449
Assets Under Capital Lease, Net	4,816
Total Capital Assets, Net	<u>69,012</u>
TOTAL ASSETS	<u>288,739</u>
LIABILITIES	
Accounts Payable	126,367
Salaries and Benefits Payable	80,341
Long Term Liabilities:	
Loan & Note Payable, due after one year	2,836
Loan & Note Payable, due within one year	78,560
TOTAL LIABILITIES	<u>288,104</u>
NET POSITION	
Net Investment in Capital Assets	69,012
Unrestricted	<u>(68,377)</u>
TOTAL NET POSITION	<u><u>\$ 635</u></u>

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

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

		Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Governmental Activities	
Governmental Activities:						
Instruction	\$ 1,333,887	\$ -	\$ -	\$ -	\$ (1,333,887)	
Student Personnel Services	201				(201)	
Instructional Staff Training	605				(605)	
Instructional-Related Technology	10,371				(10,371)	
Board of Education	20,814				(20,814)	
General Administration	148,700				(148,700)	
School Administration	375,743				(375,743)	
Facilities Acquisition & Construction	649,410		59,161	206,798	(383,451)	
Fiscal Services	74,807				(74,807)	
Operation of Plant	371,802				(371,802)	
Maintenance of Plant	73,925				(73,925)	
Community Service	149,403	170,463			21,060	
Debt Service - Interest & Fiscal Charges	8,819				(8,819)	
Unallocated Depreciation	45,191				(45,191)	
Total Governmental Activities	\$ 3,263,678	\$ 170,463	\$ 59,161	\$ 206,798	(2,827,256)	
		General Revenues:				
					2,942,532	
					56,631	
					2,999,163	
					171,907	
					(171,272)	
					\$ 635	

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

**ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Projects Funds	Total Governmental Activities
ASSETS			
Cash & Cash Equivalents	\$ 147,883	\$	\$ 147,883
Due from Other Agency		6,356	6,356
Accounts Receivable	51,480		51,480
Due from Other Funds	6,356		6,356
Prepaid Expenses and Deposits	14,008		14,008
Total Assets	\$ 219,727	\$ 6,356	\$ 226,083
LIABILITIES			
Accounts Payable	\$ 126,367	\$	\$ 126,367
Salaries and Benefits Payable	80,341		80,341
Due to Other Funds		6,356	6,356
Total Liabilities	206,708	6,356	213,064
FUND BALANCES			
Unassigned	(989)		(989)
Nonspendable	14,008		14,008
Total Fund Balances	13,019	-	13,019
Total Liabilities and Fund Balances	\$ 219,727	\$ 6,356	\$ 226,083

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

**ORANGE COUNTY PREPARATORY ACADEMY
A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

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

June 30, 2018

Total Fund Balances - Governmental Funds	\$	13,019
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		69,012
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		<u>(81,396)</u>
Total Net Position - Governmental Activities	\$	<u>635</u>

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

**ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

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

For the Fiscal Year Ended June 30, 2018

	General Fund	Capital Projects Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
State Sources	\$ 3,001,693	\$ 78,199	\$ 3,079,892
Local and Other	227,094	128,599	355,693
Total Revenues	3,228,787	206,798	3,435,585
Expenditures			
Current - Education:			
Instruction	1,333,887		1,333,887
Pupil Personnel Services	201		201
Instructional Staff Training	605		605
Instructional-Related Technology	10,371		10,371
Board of Education	20,814		20,814
General Administration	148,700		148,700
School Administration	375,743		375,743
Facilities Acquisition & Construction	442,612	206,798	649,410
Fiscal Services	74,807		74,807
Operation of Plant	371,802		371,802
Maintenance of Plant	73,925		73,925
Community Service	149,403		149,403
Fixed Capital Outlay:			
Facilities Acquisition & Construction	7,575		7,575
Other Capital Outlay	28,399		28,399
Debt Service:			
Principal	137,151		137,151
Interest & Fiscal Charges	8,819		8,819
Total Expenditures	3,184,814	206,798	3,391,612
Excess (Deficiency) of Revenues Over Expenditures	43,973		43,973
Other Financing Sources (Uses):			
Proceeds from Loan	11,000		11,000
Total Other Financing Sources (Uses)	11,000		11,000
Net Change in Fund Balances	54,973		54,973
Fund Balances, July 1, 2017	(41,954)		(41,954)
Fund Balances, June 30, 2018	\$ 13,019	\$ -	\$ 13,019

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

**ORANGE COUNTY PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2018***

Net Change in Fund Balances - Governmental Funds	\$	54,973
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$45,191) in excess of capital outlay (\$35,974) in the current period.		(9,217)
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Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Position.		(11,000)
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Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		137,151
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Change in Net Position - Governmental Activities	\$	171,907
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The accompanying notes to the financial statements are an integral part of this statement.

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Orange County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Advantage Academy of Hillsborough, Inc. as of June 30, 2018, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Orange County School Board, Florida, (“District”). The current charter is effective until June 30, 2019, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

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

ORANGE COUNTY PREPARATORY ACADEMY
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Orange County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

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

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects Fund – to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

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

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

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

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thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School's deposits must be placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Leasehold Improvements	5 - 20 years
Assets Under Capital Lease	3 years

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➤ **Long-term Debt**

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

➤ **Deferred Outflows/Inflows of Resources**

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

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

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

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

Fund Financial Statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All

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nonspendable fund balances at year end relate to assets that are in nonspendable form.

- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2018, the School reported 413.48 unweighted and 437.7678 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

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

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

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

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➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

3. ACCOUNTS RECEIVABLE – RELATED PARTY

Included in the accounts receivable on the School's statement of net position and balance sheet – governmental funds is an amount due from other charter schools (\$51,394), operated by the same management company, for shared expenses paid on their behalf and awaiting reimbursement. These receivables are considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

4. DUE FROM OTHER AGENCY

The amounts Due from Other Agency included in the accompanying statement of net position and balance sheet – governmental funds consists of an amount due from the Orange County District School Board for charter school capital outlay funds recorded in the Capital Projects Fund. This receivable is considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

5. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2018, the School's General Fund was due \$6,356 from the Capital Projects Fund for expenditures awaiting reimbursement from other agencies. These amounts are netted together and not reported in the statement of activities and the statement of net position.

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6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 130,201	\$ 28,399	\$ -	\$ 158,600
Leasehold Improvements		7,575		7,575
Assets under Capital Lease	111,275			111,275
Total Capital Assets Being Depreciated	<u>241,476</u>	<u>35,974</u>	<u>-</u>	<u>277,450</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(67,185)	(34,668)		(101,853)
Leasehold Improvements		(126)		(126)
Assets under Capital Lease	(96,062)	(10,397)		(106,459)
Total Accumulated Depreciation	<u>(163,247)</u>	<u>(45,191)</u>	<u>-</u>	<u>(208,438)</u>
Governmental Activities Capital Assets, net	<u>\$ 78,229</u>	<u>\$ (9,217)</u>	<u>\$ -</u>	<u>\$ 69,012</u>

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

7. ACCOUNTS PAYABLE – RELATED PARTY

Included within the accounts payable, as reported in the accompanying statement of net position and balance sheet – governmental funds, is an amount of \$5,128 that consists of accrued liabilities for goods or services provided by vendors and amounts payable to other charter schools operated by the same management company. This amount resulted from shared expenditures paid by the other charter Schools on behalf of Orange County Preparatory Academy.

8. LOAN PAYABLE – RELATED PARTY

As of June 30, 2018, the School's long-term debt included the following loan payable with Charter School Associates, Inc., a related party through common ownership of the School's management company:

<u>Loan Payable - Charter School Associates, Inc.</u>	<u>Balance at 6-30-18</u>
\$11,000 Borrowed 12-14-17, to cover costs of operations. Demand loan bearing interest at 4% per anum, payable two years from the date of loan. Prepayment penalties do not apply.	<u>\$ 8,332</u>

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Scheduled payments for the loan payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2019	\$ 5,729	\$ 5,496	\$ 233
2020	2,869	2,836	33
Total	<u>\$ 8,598</u>	<u>\$ 8,332</u>	<u>\$ 266</u>

9. NOTE PAYABLE

All long-term debt represents amounts to be repaid from governmental activities. As of June 30, 2018, the School's long-term debt consisted of the following promissory note payable:

<u>Building Hope... A Charter School Facilities Fund</u>	Balance at 6-30-18
On June 30, 2018, the School borrowed \$73,064 from the District School Board of Orange County, Florida, through a promissory note bearing a 6% interest rate maturing February 1, 2019. The borrower shall pay interest only at the note rate based on the outstanding principal loan balance as of the last day of the previous month. The outstanding principal loan balance shall be paid in monthly installments through the maturity date.	<u>\$ 73,064</u>

Scheduled payments for the note payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2019	\$ 74,532	\$ 73,064	\$ 1,468
Total	<u>\$ 74,532</u>	<u>\$ 73,064</u>	<u>\$ 1,468</u>

10. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Loan Payable	\$ -	\$ 11,000	\$ (2,668)	8,332	5,496
Note Payable	192,534	-	(119,470)	73,064	73,064
Obligations Under Capital Lease	15,013	-	(15,013)	-	-
Total Governmental Activities	<u>\$ 207,547</u>	<u>\$ 11,000</u>	<u>\$ (137,151)</u>	<u>\$ 81,396</u>	<u>\$ 78,560</u>

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11. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 1,794,831
Class Size Reduction	484,791
Special Millage	256,969
Discretionary Millage	182,911
Supplementary Academic Instruction	87,836
Charter School Capital Outlay	78,199
ESE Guaranteed Allocation	66,212
Restricted Capital Outlay - FEFP	59,161
Instructional Materials	33,199
Reading Program	17,543
Safe Schools	10,039
Teachers Classroom Supply Program	7,475
Discretionary Lottery	726
Total State Revenue	\$ 3,079,892

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$90,638.

12. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than three months of service with the School. Contributions made by the School totaled \$6,263 for the year ended June 30, 2018 which was computed at 1.5% of employee's deferral of wages for each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

13. FACILITY LEASE

Advantage Academy of Hillsborough, Inc., the School's charter-holder, entered into a 20 year operating lease for its educational facility beginning September 1, 2014 through October 31, 2034, with an option to renew for two additional five year periods. The agreement requires monthly payments with an annual increase in rent by the increase in CPI, but in no event in excess of 3.25% per annum, based on enrollment of 350 students, and adjusted \$1,150 per student for each student enrolled in excess of 350. The lease includes varying renewal options, and requires the School to pay for taxes, maintenance, and utility costs. Rent expense charged to operations for the year ended June 30, 2018 totaled \$649,410.

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

<u>Fiscal Year Ending June 30:</u>	<u>Facilities</u>
2019	\$ 534,000
2020	534,000
2021	534,000
2022	534,000
2023	534,000
2024-2028	2,670,000
2029-2033	2,670,000
2034-2035	1,068,000
Total	<u>\$ 9,078,000</u>

14. OPERATING AGREEMENT

The School entered into a contract with Charter School Associates, Inc. (CSA). The contract calls for CSA to provide the School with marketing, curriculum design and implementation, student and staff recruiting, principal selection, accounting, and general management of the School's operations. An annual fee is to be 9% of the School's FEFP operating revenue less the School's administrative fee to be paid in monthly installments. Fees under this agreement incurred to CSA during the fiscal year amounted to \$261,333.

Contribution: Managements Fees owed from previous fiscal years as of June 30, 2017, amounted to \$45,412. The amount owed was reported as a liability on the previous year's statement of net position and balance sheet – governmental funds. In the 2017-18 fiscal year, CSA agreed to forgive the prior years' outstanding fees, as well as \$85,254 of current year fees, and as such the \$130,666 forgiveness of debt is included within the Local and Other Revenues in the statement of activities and statement of revenues, expenditures and changes in fund balance – governmental funds.

15. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

16. FUNDING AND CREDIT CONCENTRATIONS

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

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17. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2018, may be impaired. In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

18. LEGAL MATTERS

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

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A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (UNAUDITED)
For the Fiscal Year Ended June 30, 2018**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State Sources	\$ 3,217,264	\$ 3,001,693	\$ 3,001,693	\$ -
Local and Other	295,747	227,094	227,094	-
Total Revenues	<u>3,513,011</u>	<u>3,228,787</u>	<u>3,228,787</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	1,499,337	1,333,887	1,333,887	-
Pupil Personnel Services	108	201	201	-
Instruction & Curriculum Development	3,146	-	-	-
Instructional Staff Training	7,212	605	605	-
Instructional-Related Technology	25,812	10,371	10,371	-
Board of Education	19,855	20,814	20,814	-
General Administration	208,321	148,700	148,700	-
School Administration	470,094	375,743	375,743	-
Facilities Acquisition & Construction	354,989	442,612	442,612	-
Fiscal Services	155,328	74,807	74,807	-
Operation of Plant	313,882	371,802	371,802	-
Maintenance of Plant	53,157	73,925	73,925	-
Community Service	184,173	149,403	149,403	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction		7,575	7,575	-
Other Capital Outlay	6,000	28,399	28,399	-
Debt Service:				
Principal	135,245	137,151	137,151	-
Interest & Fiscal Charges	9,046	8,819	8,819	-
Total Expenditures	<u>3,445,705</u>	<u>3,184,814</u>	<u>3,184,814</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>67,306</u>	<u>43,973</u>	<u>43,973</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds from Loan		11,000	11,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Net Change in Fund Balance	67,306	54,973	54,973	-
Fund Balance, July 1, 2017	(41,954)	(41,954)	(41,954)	-
Fund Balance, June 30, 2018	<u>\$ 25,352</u>	<u>\$ 13,019</u>	<u>\$ 13,019</u>	<u>\$ -</u>

See Independent Auditor's Report.

ORANGE COUNTY PREPARATORY ACADEMY
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A Charter School and Component Unit of the District School Board of Orange County, Florida

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

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

To the Board of Directors of the Orange County Preparatory Academy,
(A charter school under Advantage Academy of Hillsborough, Inc.)
a Charter School and Component Unit of the
District School Board of Orange 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 Orange County Preparatory Academy ("School"), a charter school under Advantage Academy of Hillsborough, Inc. and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

September 20, 2018
Tampa, Florida

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Orange County Preparatory Academy,
(A charter school under Advantage Academy of Hillsborough, Inc.)
a Charter School and Component Unit of the
District School Board of Orange County, Florida

Report on the Financial Statements

We have audited the financial statements of the Orange County Preparatory Academy (“School”), a charter school under Advantage Academy of Hillsborough, Inc. and component unit of the District School Board of Orange County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 20, 2018.

Auditor’s Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 20, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Orange County Preparatory Academy.

Financial Condition

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

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

Respectfully submitted,

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

September 20, 2018
Tampa, Florida