

**MASCOTTE ELEMENTARY 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, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Mascotte Elementary School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School ended the fiscal year with net position of \$958,030. The School's net position increased compared to the prior year.
- For the fiscal year ended June 30, 2016, the School's revenues exceeded expenses by \$329,122, which is an increase from prior year when revenues exceeded expenses by \$215,771.

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, 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 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 is an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall financial condition of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

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 kinds 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 net position as of June 30, 2016 and 2015 is summarized as follows (see table below).

	Governmental Activities		Increase (Decrease)
	2016	(as restated) 2015	
Current and other assets	\$ 4,523,443	\$ 4,347,794	4%
Capital assets, net	213,501	256,541	-17%
Deferred outflows of resources	1,185,372	475,024	150%
Total assets and deferred outflows	<u>\$ 5,922,316</u>	<u>\$ 5,079,359</u>	<u>17%</u>
Current and other liabilities	\$ 1,104,767	\$ 1,323,980	-17%
Long-term liabilities	3,112,990	2,181,929	43%
Deferred inflows of resources	746,529	944,542	-21%
Total liabilities and deferred inflows	<u>\$ 4,964,286</u>	<u>\$ 4,450,451</u>	<u>12%</u>
Net position:			
Net investment in capital assets	\$ 213,501	\$ 256,541	-17%
Restricted for terminal employee benefits	30,000	30,000	0%
Restricted for capital projects	238,338	195,671	22%
Unrestricted	476,191	146,696	225%
Total net position	<u>\$ 958,030</u>	<u>\$ 628,908</u>	<u>52%</u>

Capital assets, net and the related net investment in capital assets decreased due to current year depreciation of capital assets.

Current and other liabilities decreased due to a decrease in amounts due to the School Board for payroll and related costs provided during fiscal year 2016, as well as the result of the timing of payments at year-end. The changes in deferred outflows of resources, deferred inflows of resources and long-term liabilities are all related to the remeasurement of the net pension liability and other post-employment benefits obligation for fiscal 2016.

The net position restricted for capital projects increased due to the district administrative fee being greater than the capital outlay expenditures in the current year. The change in unrestricted net position is due to the result of current year operations.

Certain reclassifications were made in the 2015 amounts to conform to their classifications in fiscal year 2016.

Change in Net Position

The School's total revenues increased by 5% to \$6,387,077, and the total cost of all programs and services increased by 3% to \$6,057,955 (see table below).

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>(as restated) 2015</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal sources passed through local school district	\$ 500,382	\$ 497,044	1%
State and local sources	5,663,611	5,443,265	4%
Contributions and other revenue	223,084	158,941	40%
Total revenues	<u>6,387,077</u>	<u>6,099,250</u>	<u>5%</u>
Expenses:			
Instruction and instruction-related services	4,580,034	4,331,202	6%
Board	33,651	31,980	5%
General administration	120,074	132,382	-9%
School administration and food services	507,758	599,211	-15%
Pupil transportation services	146,766	161,354	-9%
Operation of plant	482,056	468,947	3%
Maintenance of plant	39,999	41,645	-4%
Community services	147,617	116,758	26%
Total expenses	<u>6,057,955</u>	<u>5,883,479</u>	<u>3%</u>
Change in net position	<u>\$ 329,122</u>	<u>\$ 215,771</u>	<u>53%</u>

Contributions and other revenue increased due to an increase in enrollment in the before and after school care extended program, as well as an increase in investment earnings. Community services expenses also increased as a result.

Instruction and instruction-related services increased due to an increase in staff salaries and bonuses, and the related benefits for the current year. Board expenses increased due to an increase in insurance expenses. General administration expenses decreased due to a decrease in the additional services charged by the District. School administration and food expenses decreased due to a decrease in supplies, purchased services and in salaries and the related benefits. Pupil transportation services decreased due to a decrease in fuel costs in the current year.

Certain reclassifications were made in the 2015 amounts to conform to their classifications in fiscal year 2016.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental fund reported a fund balance of \$3,418,676. Both revenues and expenditures varied for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the fiscal year, the School revised its general fund budget several times. These budget amendments fall into three categories:

- Changes made during the fiscal year to account for variations in student enrollment.
- Decreases in appropriations for anticipated expenses which did not occur.
- Increases in appropriations to prevent budget overruns.

Actual general fund revenues were approximately \$33,000 above final budgeted amounts. Actual expenditures were approximately \$31,000 below budgeted amounts, primarily due to the fact that the School budgeted for salaries, supplies, professional fees, purchased services and equipment costs which were not incurred.

Actual special revenue fund revenues and expenditures were approximately equal to the amounts budgeted.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2016, the School had invested \$429,179 in a wide variety of capital assets, including computer software, furniture, fixtures and equipment, and motor vehicles (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Computer software	\$ 104,300	\$ 104,300	0%
Furniture, fixtures and equipment	5,115	5,115	0%
Motor vehicles	319,764	319,764	0%
Less accumulated depreciation	(215,678)	(172,638)	25%
Total capital assets, net	<u>\$ 213,501</u>	<u>\$ 256,541</u>	<u>-17%</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2017, the School expects a slight decrease in student enrollment and is anticipating a slight decrease in state funding.

Amounts available for appropriation in the general fund are \$5,682,031, a decrease of 3% from the 2016 actual revenues of \$5,886,695. Budgeted expenditures are expected to be \$5,629,395, an increase of approximately 3% from the 2016 actual expenses of \$5,491,833.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2017.

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 460 Midway Avenue, Mascotte, Florida 34753.

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

To the Board of Directors of Mascotte Elementary 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 Mascotte Elementary 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, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund and the aggregate remaining fund information of Mascotte Elementary School, Inc. as of June 30, 2016, 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, the budgetary comparison information on pages 34 – 35, the pension information on pages 36 – 37, and the other postemployment benefit information on page 38, 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 November 14, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Winter Park, Florida
November 14, 2016

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

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,483,787
Accounts receivable	22,772
Prepaid expenses	16,884
Capital assets:	
Computer software	104,300
Furniture, fixtures and equipment	5,115
Motor vehicles	319,764
Less accumulated depreciation	(215,678)
Total capital assets, net	213,501
Total assets	4,736,944
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	1,185,372
Total assets and deferred outflows of resources	\$ 5,922,316
LIABILITIES	
Accounts payable and accrued expenses	\$ 18,946
Due to the District School Board of Lake County, Florida	1,085,821
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	322,659
Portion due or payable after one year:	
Net pension liability	2,532,968
Other post employment benefits obligation	257,363
Total liabilities	4,217,757
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	746,529
NET POSITION	
Net investment in capital assets	213,501
Restricted for terminal employee benefits	30,000
Restricted for capital projects	238,338
Unrestricted	476,191
Total net position	958,030
Total liabilities, deferred inflows of resources and net position	\$ 5,922,316

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

**MASCOTTE ELEMENTARY 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, 2016

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 4,014,010	\$ -	\$ 377,960	\$ -	\$ (3,636,050)	\$ (3,636,050)
Instructional support services	294,657	-	40,591	-	(254,066)	(254,066)
Instructional media	63,303	-	-	-	(63,303)	(63,303)
Instruction and curriculum development	103,294	-	42,527	-	(60,767)	(60,767)
Instructional staff training	44,448	-	39,304	-	(5,144)	(5,144)
Instruction-related technology	60,322	-	-	-	(60,322)	(60,322)
Board	33,651	-	-	-	(33,651)	(33,651)
General administration	120,074	-	-	-	(120,074)	(120,074)
School administration and food services	507,758	-	-	-	(507,758)	(507,758)
Pupil transportation services	146,766	-	-	-	(146,766)	(146,766)
Operation of plant	482,056	-	-	-	(482,056)	(482,056)
Maintenance of plant	39,999	-	-	-	(39,999)	(39,999)
Community services	147,617	188,836	-	-	41,219	41,219
Total primary government	<u>\$ 6,057,955</u>	<u>\$ 188,836</u>	<u>\$ 500,382</u>	<u>\$ -</u>	<u>(5,368,737)</u>	<u>(5,368,737)</u>
General revenues:						
State and local sources					5,663,611	5,663,611
Contributions and other revenue					34,248	34,248
Total general revenues					<u>5,697,859</u>	<u>5,697,859</u>
Change in net position					<u>329,122</u>	<u>329,122</u>
Net position at the beginning of the year					649,746	649,746
Reclassification (see Note 1)					<u>(20,838)</u>	<u>(20,838)</u>
Net position at beginning of year, as restated (see Note 1)					<u>628,908</u>	<u>628,908</u>
Net position at end of year					<u>\$ 958,030</u>	<u>\$ 958,030</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,483,787
Accounts receivable	22,772
Prepaid expenses	16,884
	<hr/>
Total assets	<u><u>\$ 4,523,443</u></u>
 LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenditures	\$ 18,946
Due to the District School Board of Lake County, Florida	1,085,821
	<hr/>
Total liabilities	<u>1,104,767</u>
 Fund balances:	
Nonspendable:	
Prepaid expenses	16,884
Restricted for:	
Terminal employee benefits	30,000
Capital projects	238,338
Unassigned	3,133,454
	<hr/>
Total fund balances	<u>3,418,676</u>
Total liabilities and fund balances	<u><u>\$ 4,523,443</u></u>

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

**MASCOTTE ELEMENTARY 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, 2016

Total fund balances - governmental fund	\$	3,418,676
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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 \$429,179, and the accumulated depreciation is \$215,678.		213,501
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Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		(322,659)
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The following balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental fund:

Pension related deferred outflows of resources		1,185,372
Net pension liability		(2,532,968)
Other post employment benefits obligation		(257,363)
Pension related deferred inflows of resources		(746,529)
		(746,529)

Total net position - governmental activities	\$	958,030
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The accompanying notes to financial statements are an integral part of this statement.

**MASCOTTE ELEMENTARY 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, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal sources passed through local school district	\$ -	\$ 500,382	\$ 500,382
State and local sources	5,663,611	-	5,663,611
Contributions and other revenue	223,084	-	223,084
	5,886,695	500,382	6,387,077
EXPENDITURES			
Current:			
Instruction	3,594,284	377,960	3,972,244
Instructional support services	254,066	40,591	294,657
Instructional media	63,303	-	63,303
Instruction and curriculum development	60,767	42,527	103,294
Instructional staff training	5,144	39,304	44,448
Instruction-related technology	60,322	-	60,322
Board	33,651	-	33,651
General administration	120,074	-	120,074
School administration and food services	526,824	-	526,824
Pupil transportation services	103,726	-	103,726
Operation of plant	482,056	-	482,056
Maintenance of plant	39,999	-	39,999
Community services	147,617	-	147,617
	5,491,833	500,382	5,992,215
Net changes in fund balances	394,862	-	394,862
Fund balances at beginning of year, as previously reported	3,044,652	-	3,044,652
Reclassification (See Note 1)	(20,838)	-	(20,838)
Fund balances at beginning of year, as restated	3,023,814	-	3,023,814
Fund balances at end of year	\$ 3,418,676	\$ -	\$ 3,418,676

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

**MASCOTTE ELEMENTARY 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, 2016

Net changes in fund balances - total governmental funds	\$	394,862
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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 of depreciation expense in the current period. There were no capital outlay expenditures in the current period.		(43,040)
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Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the change in the payable during the fiscal year.		(26,631)
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Some income or expense included in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as a net change in fund balances in the governmental funds.

Change in net pension liability and related deferred inflows and outflows		57,058
Change in other post employment benefits obligation and related deferred outflows		(53,127)

Change in net position of governmental activities	\$	329,122
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The accompanying notes to financial statements are an integral part of this statement.

**MASCOTTE ELEMENTARY 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, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 22,936
Total assets	<u>\$ 22,936</u>
LIABILITIES	
Due to others	\$ 22,936
Total liabilities	<u>\$ 22,936</u>

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

**MASCOTTE ELEMENTARY 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, 2016

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mascotte Elementary 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 ten members. Effective July 1, 2006, the School converted from a traditional public school to a public charter school.

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, 2022 and may be renewed 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 revert back to the School Board. 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's ("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's *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.

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.

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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.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and special revenue funds constitute 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.

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.

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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 general 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/or 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 and savings 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 their approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Computer software	3
Furniture, fixtures and equipment	3
Motor vehicles	10

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

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Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The full balance of the liability for compensated absences is classified as a long-term liability that is due within one year as the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

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 Florida Department of Education ("FDOE") by 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.

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 statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to the first 250 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2016, the School had restricted funds for this purpose in the amount of \$238,338.

The School also receives federal 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 expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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.

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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 2012.

Fund Balance Spending Policy

The School’s adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. 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 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 governing body or by an official body to which the governing body delegates the authority. Under the School’s charter, the School is required to develop a fund balance reserve of \$30,000 for terminal employee benefits. The School is also required to maintain a minimum fund balance within the general fund at the percentage of the total annual operating fund revenues from the general fund that is equal to the percentage defined by the School Board’s policies for the school district. The School is in compliance with these requirements as of June 30, 2016.

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 balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

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Subsequent Events

The School has evaluated subsequent events through November 14, 2016, the date these financial statements were available to be issued.

Reclassifications

During the year ended June 30, 2016, 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.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Computer software	\$ 104,300	\$ -	\$ -	\$ 104,300
Furniture, fixtures and equipment	5,115	-	-	5,115
Motor vehicles	319,764	-	-	319,764
Total capital assets at historical cost	<u>429,179</u>	<u>-</u>	<u>-</u>	<u>429,179</u>
Less accumulated depreciation for:				
Computer software	(104,300)	-	-	(104,300)
Furniture, fixtures and equipment	(5,115)	-	-	(5,115)
Motor vehicles	(63,223)	(43,040)	-	(106,263)
Total accumulated depreciation	<u>(172,638)</u>	<u>(43,040)</u>	<u>-</u>	<u>(215,678)</u>
Total other capital assets, net	<u>256,541</u>	<u>(43,040)</u>	<u>-</u>	<u>213,501</u>
Governmental activities capital assets, net	<u>\$ 256,541</u>	<u>\$ (43,040)</u>	<u>\$ -</u>	<u>\$ 213,501</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Pupil transportation services	<u>\$ 43,040</u>
Total governmental activities depreciation expense	<u>\$ 43,040</u>

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3 DUE TO THE SCHOOL BOARD

The amount due to the School Board as of June 30, 2016 of \$1,085,821 is comprised of \$748,307 in payroll and other service expenses paid by the School Board on behalf of the School, as well as \$345,214 in student services and other expenses. In addition, \$7,700 in amounts due from the School Board to the School has been offset against the amount due to the School Board.

4 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 296,028	\$ 26,631	\$ -	\$ 322,659	\$ 322,659
Net pension liability	1,647,767	885,201	-	2,532,968	-
Other post employment benefits obligation	238,134	19,229	-	257,363	-
Governmental activities, long-term liabilities	<u>\$ 2,181,929</u>	<u>\$ 931,061</u>	<u>\$ -</u>	<u>\$ 3,112,990</u>	<u>\$ 322,659</u>

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 3,699,914
Class size reduction	1,055,667
Discretionary local efforts	264,868
Supplemental academic instruction	191,387
ESE guaranteed allocation	153,767
Discretionary millage funds	97,525
Instructional materials	62,176
Student transportation	56,927
Best and brightest	33,025
Digital classroom allocation	17,490
Safe schools	16,536
Teacher lead	14,329
Total	<u>\$5,663,611</u>

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The School Board administrative fee for the year ended June 30, 2016 totaled approximately \$85,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

6 **CAMPUS FACILITY**

Title to the school building and facilities and other capital assets acquired prior to July 1, 2006 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion schools could have a material effect on the School's operations.

7 **RISK MANAGEMENT PROGRAM**

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

8 **PENSION PLANS**

Pension Plan Descriptions

The Florida Department of Management Services, Division of Retirement ("Division"), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems ("System"). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited comprehensive annual financial report ("CAFR") on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division.

The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is

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compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School does not include these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	7.26%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.04% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

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Information About the Employer's Proportionate Share of the Collective Net Pension Liability

Assumptions and other inputs

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans are assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program (Bond Buying General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

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The following presents the School's proportionate share of the net pension liabilities calculated using the discount rates, as well as what the School's proportionate share of the net pension liabilities would be if they were calculated using discount rates that are 1% lower or 1% higher than the current rates as of June 30, 2015:

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Increase	Current Discount Rate	1% Decrease	1% Increase	Current Discount Rate	1% Decrease
6.65%	7.65%	8.65%	2.80%	3.80%	4.80%
\$ 3,298,769	\$ 1,236,122	\$ (400,703)	\$ 1,477,708	\$ 1,296,846	\$ 1,146,054

The pension plans' fiduciary net positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2015, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
Net pension liability	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>
 Plan fiduciary net position as a percentage of the total pension liability	 92%	 0.0%

The total pension liability for the FRS Pension Plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

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Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

As of June 30, 2016, the School reported a liability of \$2,532,968 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense. The School's proportions are as follows:

	FRS	HIS
June 30, 2015	0.0096%	0.0127%
June 30, 2014	0.0089%	0.0118%
Change	0.0007%	0.0009%

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2015, was 6.3 years for FRS and 7.2 years for HIS.

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For the year ended June 30, 2016, the School recognized pension expense of \$211,883. As of June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 130,498	\$ 29,317
Changes of assumptions	184,074	-
Net differences between projected and actual earnings on pension plan investments	436,098	730,561
Changes in proportion and differences between School contributions and proportionate share of contributions	188,816	(13,349)
School contributions subsequent to the measurement date	<u>279,784</u>	<u>-</u>
Total	<u>\$ 1,219,270</u>	<u>\$ 746,529</u>

Deferred outflows of resources related to the School's contributions paid subsequent to the measurement date and prior to the School's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<u>Reporting period ended June 30:</u>	
2017	\$ 36,532
2018	36,532
2019	36,532
2020	26,463
2021	31,066
Thereafter	25,832

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9 POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The Postemployment Health Care Plan is a single-employer defined benefit plan administered by the School Board for which employees of the School may participate. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the School or School Board are eligible to participate in the School Board's self-insured health and hospitalization plan for medical and prescription drug coverages. The School Board subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The Postemployment Health Care Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

The School Board plans to fund this postemployment benefit on a pay-as-you-go basis. The plan as established by the School Board, would require this Board's action to amend. For the 2015 - 2016 fiscal year, 138 covered participants of the School received postemployment health care benefits. The School provided required contributions of \$33,898 toward the annual other postemployment benefits (OPEB) cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The School Board's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and then allocated to the School.

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The following table shows the School's annual allocated OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation for Postemployment Health Care Benefits:

<u>Description</u>	<u>Amounts</u>
Normal Cost (service cost for one year)	\$ 30,712
Amortization of Unfunded Actuarial Accrued Liability	24,832
Interest on Normal Cost and Amortization	<u>-</u>
Annual Required Contribution	55,544
Interest on Net OPEB Cost	8,088
Adjustment to Annual Required Contribution	<u>(10,505)</u>
Annual OPEB Cost (Expense)	53,127
Contribution Toward the OPEB Cost	<u>(33,898)</u>
Increase in Net OPEB Obligation	19,229
Net OPEB Obligation, Beginning of Year	<u>238,134</u>
Net OPEB Obligation, End of Year	<u>\$ 257,363</u>

The School's annual allocated OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows (note that the preceding years' allocated information is unavailable and will be completed for each year going forward as it becomes available):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-2015	\$ 40,878	59.25%	\$ 238,134
2015-2016	53,127	63.80%	257,363

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits for the School's allocated portion was \$536,986, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability for the School's allocated portion of \$536,986. The covered payroll (annual payroll of active participating employees) was \$2,653,712 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability for the School's allocated portion to the covered payroll was 20.24%.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Actuarial Method and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The School Board's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the School Board's 2007-08 fiscal year annual required contribution. This method was selected because it produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5% rate of return on invested assets, which is the School Board's long-term expectation of investment returns under its investment policy. As of January 1, 2016, the actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 16% initially for the 2007-08 fiscal year, reduced by 6% in the first year and 0.5% thereafter to an ultimate rate of 4.49% after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016, was 22 years.

10 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, 2016 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 5,526,552	\$ 5,630,752	\$ 5,663,611	\$ 32,859
Contributions and other revenue	156,000	222,500	223,084	584
Total revenues	<u>5,682,552</u>	<u>5,853,252</u>	<u>5,886,695</u>	<u>33,443</u>
EXPENDITURES				
Current:				
Instruction	3,511,854	3,576,909	3,594,284	(17,375)
Instructional support services	251,516	258,006	254,066	3,940
Instructional media	64,480	64,650	63,303	1,347
Instruction and curriculum development	59,948	60,928	60,767	161
Instructional staff training	11,290	10,450	5,144	5,306
Instruction-related technology	53,973	60,433	60,322	111
Board	41,500	36,000	33,651	2,349
General administration	134,764	121,000	120,074	926
School administration and food services	524,249	536,934	526,824	10,110
Pupil transportation services	128,750	111,550	103,726	7,824
Operation of plant	557,319	493,539	482,056	11,483
Maintenance of plant	41,276	42,056	39,999	2,057
Community services	131,388	150,218	147,617	2,601
Total expenditures	<u>5,512,307</u>	<u>5,522,673</u>	<u>5,491,833</u>	<u>30,840</u>
Net changes in fund balance	170,245	330,579	394,862	64,283
Fund balance at beginning of year, as restated	<u>3,023,814</u>	<u>3,023,814</u>	<u>3,023,814</u>	-
Fund balance at end of year	<u><u>\$ 3,194,059</u></u>	<u><u>\$ 3,354,393</u></u>	<u><u>\$ 3,418,676</u></u>	<u><u>\$ 64,283</u></u>

See independent auditor's report.

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources passed through local school district	\$ 500,463	\$ 500,463	\$ 500,382	\$ (81)
Total revenues	<u>500,463</u>	<u>500,463</u>	<u>500,382</u>	<u>(81)</u>
EXPENDITURES				
Current:				
Instruction	378,032	378,032	377,960	72
Instructional support services	40,600	40,600	40,591	9
Instruction and curriculum development	42,527	42,527	42,527	-
Instructional staff training	39,304	39,304	39,304	-
Total expenditures	<u>500,463</u>	<u>500,463</u>	<u>500,382</u>	<u>81</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

MASCOTTE ELEMENTARY SCHOOL, INC.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Florida Retirement System (FRS) Pension Plan										
Company's proportion of the net pension liability (asset)	0.0096%	0.0089%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
Company's proportionate share of the net pension liability (asset)	\$ 1,236,122	\$ 545,962								
Company's covered-employee payroll	\$ 3,392,681	\$ 3,151,443								
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36%	17%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	92%	96%								
Retiree Health Insurance Subsidy (HIS) Program										
Company's proportion of the net pension liability (asset)	0.0127%	0.0118%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
Company's proportionate share of the net pension liability (asset)	\$ 1,296,846	\$ 1,101,805								
Company's covered-employee payroll	\$ 3,392,681	\$ 3,151,443								
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38%	35%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	0%	1%								

See independent auditor's report.

MASCOTTE ELEMENTARY SCHOOL, INC.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 228,517	\$ 233,330	\$ 196,000							
Contributions in relation to the contractually required contribution	<u>228,517</u>	<u>233,330</u>	<u>196,000</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Company's covered-employee payroll	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443							
Contributions as a percentage of covered-employee payroll	6%	7%	6%							
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 51,267	\$ 48,609	\$ 40,367							
Contributions in relation to the contractually required contribution	<u>51,267</u>	<u>48,609</u>	<u>40,367</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Company's covered-employee payroll	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443							
Contributions as a percentage of covered-employee payroll	1%	1%	1%							

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

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

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAAL as a Percentage of Covered Payroll [(B-A)/C]
Information for the periods prior to the implementation of GASB 45 is unavailable and will be completed for each year going forward as it becomes available.						
January 1, 2014	\$ -	\$ 390,245	\$ 390,245	0.0%	\$ 2,269,189	17.20%
January 1, 2016	\$ -	\$ 536,986	\$ 536,986	0.0%	\$ 2,653,712	20.24%

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 Mascotte Elementary 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 Mascotte Elementary 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, 2016, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated November 14, 2016.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Winter Park, Florida
November 14, 2016

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

To the Board of Directors of Mascotte Elementary 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 Mascotte Elementary 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, 2016, and have issued our report thereon dated November 14, 2016

Auditor's Responsibility

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 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 November 14, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 Mascotte Elementary 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. 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 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
November 14, 2016