

**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, 2018



CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1 - 7
Independent Auditor’s Report on Basic Financial Statements and Supplementary Information	8 - 9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Assets and Liabilities	16
Notes to Financial Statements	17 - 35
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	36
Budgetary Comparison Schedule – Special Revenue Fund	37
Schedule of Proportionate Share of Net Pension Liability (Asset)	38
Schedule of Contributions – Pension Plans	39
Schedule of Changes in the School’s Total OPEB Liability and Related Ratios	40
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 <i>Government Auditing Standards</i>	41 - 42
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i>	
Management Letter	43 - 45

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, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's net position increased compared to the prior year.
- For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses by \$520,408, which is an increase from the prior year when expenses exceeded revenues by \$236,318.
- Overall, revenues decreased by approximately \$326,000, which was a 5% decrease from the prior year.
- Overall, expenses decreased by approximately \$1,083,000, which was a 17% decrease from the prior year.
- Total assets and deferred outflows of resources were \$6,818,947, total liabilities and deferred inflows of resources were \$5,814,309, resulting in net position of \$1,004,638 as of June 30, 2018.

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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 quality of the education and the safety of the School.

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

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

Fund Financial Statements

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

The School has two types of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's combined net position as of June 30, 2018 and 2017 is summarized as follows - see table below.

	Governmental Activities		Increase (Decrease)
	2018	(as restated) 2017	
Current and other assets	\$ 4,992,152	\$ 4,709,053	6%
Capital assets, net	127,421	170,461	-25%
Deferred outflows of resources	1,699,374	2,296,097	-26%
Total assets and deferred outflows	<u>6,818,947</u>	<u>7,175,611</u>	<u>-5%</u>
Current and other liabilities	842,714	894,215	-6%
Long-term liabilities	4,707,773	5,149,697	-9%
Deferred inflows of resources	263,822	647,469	-59%
Total liabilities and deferred outflows	<u>5,814,309</u>	<u>6,691,381</u>	<u>-13%</u>
Net position:			
Net investment in capital assets	127,421	170,461	-25%
Restricted for terminal employee benefits	30,000	30,000	0%
Restricted for capital projects	281,446	350,230	-20%
Unrestricted	565,771	(66,461)	951%
Total net position	<u>\$ 1,004,638</u>	<u>\$ 484,230</u>	<u>107%</u>

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

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 2018.

The net position restricted for capital projects decreased due to expenditures in the current year to satisfy the restriction. The change in unrestricted net position is due to the result of current year operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Certain reclassifications were made in the 2017 amounts to conform to their classifications in fiscal year 2018.

Change in Net Position

The School's total revenues decreased by 5% to \$5,990,786, and the cost of all programs and services decreased by 17% to \$5,470,378 - see table below.

	<u>Governmental Activities</u>		Increase (Decrease)
	2018	(as restated) 2017	
Revenues:			
Federal sources passed through local school district	\$ 630,219	\$ 487,151	29%
State and local sources	5,166,657	5,623,661	-8%
Contributions and other revenue	193,910	205,842	-6%
Total revenues	5,990,786	6,316,654	-5%
Expenses:			
Instruction and instruction-related services	4,190,973	5,039,663	-17%
Board	27,929	31,921	-13%
General administration	136,138	136,101	0%
School administration	359,740	562,838	-36%
Pupil transportation services	142,932	149,000	-4%
Operation of plant	422,401	433,031	-2%
Maintenance of plant	41,638	41,354	1%
Community services	148,627	159,064	-7%
Total expenses	5,470,378	6,552,972	-17%
Change in net position	\$ 520,408	\$ (236,318)	320%

Federal sources passed through local school district increased primarily due to an increase in Title I funding in the current year.

Instruction and instruction-related services decreased due to a decrease in overall staff, the salaries and bonuses, the related benefits expenses and a decrease in pension related expenses for the current year. School administration decreased due to a decrease in pension related expenses in the current year and a decrease in the number of support personnel needed in the current year.

Certain reclassifications were made in the 2017 amounts to conform to their classifications in fiscal year 2018.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a fund balance of \$4,149,438. Both revenues and expenditures changed for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School revised its general fund budget several times. These budget amendments were due to:

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

Actual general fund revenues were approximately \$16,000 above final budgeted amounts, which represents a budget variance of less than 1%. Actual general fund expenditures were approximately \$55,000 below budgeted amounts, which represents a budget variance of 1%. The variance was 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 consistent with the budgeted amounts.

CAPITAL ASSET ADMINISTRATION

The School's investment in capital assets at the end of fiscal 2018 amounts to \$127,421 (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2018</u>	<u>2017</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	(301,758)	(258,718)	-17%
Total capital assets, net	<u>\$ 127,421</u>	<u>\$ 170,461</u>	<u>-25%</u>

There were no major capital asset additions or disposals during the current year. 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 2019, the School expects a slight increase in student enrollment and is anticipating a slight increase in state funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Amounts available for appropriation in the general fund are \$5,421,036, an increase of 1% from the 2018 actual revenues of \$5,360,567. This increase is primarily due to an anticipated increase in enrollment. Budgeted expenditures are expected to be \$5,407,022, an increase of approximately 8% from the 2018 actual expenditures of \$5,025,967. This increase is primarily due to an increase in staffing, group insurance costs and administrative fees. The School has added no major new programs to the fiscal 2019 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2019.

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, 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 *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, 2018, 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 36 – 37, the pension information on pages 38 – 39, and the other postemployment benefit information on page 40, 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 December 19, 2018 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 solely 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
December 19, 2018

**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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,982,326
Prepaid expenses	9,826
Capital assets:	
Computer software	104,300
Furniture, fixtures and equipment	5,115
Motor vehicles	319,764
Less accumulated depreciation	(301,758)
Total capital assets, net	127,421
Total assets	5,119,573
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	1,699,374
Total assets and deferred outflows of resources	\$ 6,818,947
LIABILITIES	
Accounts payable and accrued expenses	\$ 14,271
Due to the District School Board of Lake County, Florida	828,443
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	330,191
Portion due or payable after one year:	
Net pension liability	3,942,515
Other post employment benefits obligation	435,067
Total liabilities	5,550,487
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	263,822
NET POSITION	
Net investment in capital assets	127,421
Restricted for terminal employee benefits	30,000
Restricted for capital projects	281,446
Unrestricted	565,771
Total net position	1,004,638
Total liabilities, deferred inflows of resources and net position	\$ 6,818,947

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, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 3,542,398	\$ -	\$ 420,944	\$ -	\$ (3,121,454)	\$ (3,121,454)
Instructional support services	299,805	-	56,426	-	(243,379)	(243,379)
Instructional media	65,873	-	-	-	(65,873)	(65,873)
Instruction and curriculum development	100,184	-	36,210	-	(63,974)	(63,974)
Instructional staff training	119,647	-	116,639	-	(3,008)	(3,008)
Instruction-related technology	63,066	-	-	-	(63,066)	(63,066)
Board	27,929	-	-	-	(27,929)	(27,929)
General administration	136,138	-	-	-	(136,138)	(136,138)
School administration	359,740	-	-	-	(359,740)	(359,740)
Pupil transportation services	142,932	-	-	-	(142,932)	(142,932)
Operation of plant	422,401	-	-	-	(422,401)	(422,401)
Maintenance of plant	41,638	-	-	-	(41,638)	(41,638)
Community services	148,627	151,970	-	-	3,343	3,343
Total primary government	<u>\$ 5,470,378</u>	<u>\$ 151,970</u>	<u>\$ 630,219</u>	<u>\$ -</u>	<u>(4,688,189)</u>	<u>(4,688,189)</u>
General revenues:						
State and local sources					5,166,657	5,166,657
Contributions and other revenue					41,940	41,940
Total general revenues					<u>5,208,597</u>	<u>5,208,597</u>
Change in net position					<u>520,408</u>	<u>520,408</u>
Net position at beginning of the year, as previously reported					602,971	602,971
Prior period adjustment (see Note 1)					<u>(118,741)</u>	<u>(118,741)</u>
Net position at beginning of year, as restated					484,230	484,230
Net position at end of year					<u>\$ 1,004,638</u>	<u>\$ 1,004,638</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, 2018

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,982,326
Prepaid expenses	9,826
	<hr/>
Total assets	<u><u>\$ 4,992,152</u></u>
 LIABILITIES	
Accounts payable and accrued expenditures	\$ 14,271
Due to the District School Board of Lake County, Florida	828,443
	<hr/>
Total liabilities	<u>842,714</u>
 FUND BALANCE	
Nonspendable:	
Prepaid expenses	9,826
Restricted for:	
Terminal employee benefits	30,000
Capital projects	281,446
Unassigned	3,828,166
	<hr/>
Total fund balance	<u>4,149,438</u>
	<hr/>
Total liabilities and fund balance	<u><u>\$ 4,992,152</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, 2018

Total fund balance - governmental fund	\$	4,149,438
---	----	-----------

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 \$301,758.		127,421
---	--	---------

Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		(330,191)
--	--	-----------

The following balances do not use current financial resources or are not due and payable in the current period and, therefore, are not reported in the governmental fund:

Deferred outflows of resources		1,699,374
Net pension liability		(3,942,515)
Other postemployment benefits obligation		(435,067)
Deferred inflows of resources		(263,822)
		1,004,638
Total net position - governmental activities	\$	1,004,638

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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal sources passed through local school district	\$ -	\$ 630,219	\$ 630,219
State and local sources	5,166,657	-	5,166,657
Contributions and other revenue	193,910	-	193,910
	<u>5,360,567</u>	<u>630,219</u>	<u>5,990,786</u>
EXPENDITURES			
Current:			
Instruction	3,324,513	420,944	3,745,457
Instructional support services	243,379	56,426	299,805
Instructional media	65,873	-	65,873
Instruction and curriculum development	63,974	36,210	100,184
Instructional staff training	3,008	116,639	119,647
Instruction-related technology	63,066	-	63,066
Board	27,929	-	27,929
General administration	136,138	-	136,138
School administration	385,529	-	385,529
Pupil transportation services	99,892	-	99,892
Operation of plant	422,401	-	422,401
Maintenance of plant	41,638	-	41,638
Community services	148,627	-	148,627
	<u>5,025,967</u>	<u>630,219</u>	<u>5,656,186</u>
Net changes in fund balances	334,600	-	334,600
Fund balances at beginning of year	<u>3,814,838</u>	<u>-</u>	<u>3,814,838</u>
Fund balances at end of year	<u>\$ 4,149,438</u>	<u>\$ -</u>	<u>\$ 4,149,438</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 STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - total governmental funds	\$	334,600
--	----	---------

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)
--	--	----------

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.		3,487
--	--	-------

Some revenues or expenses 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, deferred outflows and deferred inflows		230,034
Change in other postemployment benefits obligation, deferred outflows and deferred inflows		(4,673)

Change in net position of governmental activities	\$	520,408
--	-----------	----------------

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, 2018

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 32,278
Total assets	<u>\$ 32,278</u>
LIABILITIES	
Due to others	\$ 32,278
Total liabilities	<u>\$ 32,278</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, 2018

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide 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

Investments with an original maturity of three months or less at the time they are purchased are considered to be 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 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. Information relative to changes in long-term liabilities is described in Note 5.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Information relative to changes in long-term liabilities is described in Note 5.

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 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, 2018.

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 the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

The School 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.

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.

Use of Estimates

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Subsequent Events

The School has evaluated subsequent events through December 19, 2018, the date these financial statements were available to be issued.

Recently Adopted Accounting Pronouncement

During 2018, the School adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("OPEB")*, which replaces GASB 45. GASB Statement No. 75 requires governments to report a liability on the face of their financial statements for the OPEBs provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities. The effect of this change was to decrease beginning net position by \$118,741.

Recently Issued Accounting Pronouncement

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	429,179	-	-	429,179
Less accumulated depreciation for:				
Computer software	(104,300)	-	-	(104,300)
Furniture, fixtures and equipment	(5,115)	-	-	(5,115)
Motor vehicles	(149,303)	(43,040)	-	(192,343)
Total accumulated depreciation	(258,718)	(43,040)	-	(301,758)
Governmental activities capital assets, net	\$ 170,461	\$ (43,040)	\$ -	\$ 127,421

Depreciation expense was charged to functions as follows:

Governmental activities:	
Pupil transportation services	\$ 43,040
Total governmental activities depreciation expense	\$ 43,040

3 DUE TO THE SCHOOL BOARD

The amount due to the School Board as of June 30, 2018 of \$828,443 is comprised of \$672,527 in payroll and other service expenses paid by the School Board on behalf of the School, as well as \$155,916 in student services and other expenses.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 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, 2018 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

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

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2018 was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 333,678	\$ -	\$ (3,487)	\$ 330,191	\$ 330,191
Net pension liability	4,381,552	-	(439,037)	3,942,515	-
Other postemployment benefit obligation	434,467	600	-	435,067	-
Governmental activities, long-term liabilities	<u>\$ 5,149,697</u>	<u>\$ 600</u>	<u>\$ (442,524)</u>	<u>\$ 4,707,773</u>	<u>\$ 330,191</u>

6 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 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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, 2017, 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 may 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%	7.92%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% 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.

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,

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that 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 is 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 7.10%. 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 3.58% was used to determine the total pension liability for the program (Bond Buyer 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 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2017:

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$ 4,706,283	\$ 2,600,243	\$ 851,748	\$ 1,531,711	\$ 1,342,272	\$ 1,184,481

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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, 2017, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 183,632,592	\$ 10,870,772
Plan fiduciary net position	(154,053,263)	(178,311)
Net pension liability	\$ 29,579,329	\$ 10,692,461
Plan fiduciary net position as a percentage of the total pension liability	83.89%	1.64%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's valuation dated June 30, 2017. 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, 2016, and update procedures were used to determine liabilities as of June 30, 2017. 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the School reported a liability of \$3,942,515 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 through June 30, 2017 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The School's proportions are as follows:

	FRS	HIS
June 30, 2017	0.0088%	0.0126%
June 30, 2016	0.0104%	0.0150%
Change	-0.0016%	-0.0024%

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 reporting 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 life 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, 2017, was 6.4 years for FRS and 7.2 years for HIS.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

For the year ended June 30, 2018, the School recognized pension expense of \$15,987. As of June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 238,640	\$ 17,199
Changes of assumptions	1,062,542	116,068
Net differences between projected and actual earnings on pension plan investments	744	64,441
Changes in proportion and differences between School contributions and proportionate share of contributions	66,717	41,691
Company contributions subsequent to the measurement date	306,762	-
Total	\$ 1,675,405	\$ 239,399

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:

Reporting Period Ended June 30:	Amount
2019	\$ 167,526
2020	387,636
2021	281,279
2022	76,180
2023	180,819
Thereafter	35,804

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	86
Total	88

Total OPEB Liability

The School's total OPEB liability of \$435,067 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	Salary increase rates used in the July 1, 2016 actuarial valuation of the Florida Retirement System; 3.7% - 7.8%, including inflation.
Discount rate	3.56%

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Healthcare cost trend rates	7.0% for 2017, decreasing 0.5% per year to an ultimate rate of 4.24% plus 0.55% increase for excise taxes
Retirement age	Retirement rates used in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.
Mortality	Mortality tables used in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

The discount rate was based on the municipal bond rate of 3.56% (based on the daily rate of Fidelity's "20-Year Municipal GO AA Index" closest to but not later than the measurement date).

The actuarial assumptions used in the June 30, 2017 valuation were the same as those employed in the July 1, 2016 actuarial valuation of the FRS Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2016 actuarial valuation of FRS Pension Plan.

Changes in the Total OPEB Liability

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:

	<u>Amounts</u>
Balance at 6/30/17, as restated	\$ 434,467
Service cost	44,610
Interest	13,541
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(26,890)
Benefit payments	<u>(30,661)</u>
Net changes	<u>600</u>
Balance at 6/30/2018	<u><u>\$ 435,067</u></u>

Changes in assumptions or other inputs include the change in the discount rate from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate as of June 30, 2017:

School's Proportionate Share of OPEB Liability		
1% Decrease	Current Discount Rate	1% Increase
2.56%	3.56%	4.56%
\$ 477,943	\$ 435,067	\$ 396,953

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates as of June 30, 2017:

School's Proportionate Share of Healthcare Cost Trend Rates		
1% Decrease		1% Increase
(6.0% down to 3.24%)	(7.0% down to 4.24%)	(8.0% down to 5.24%)
\$ 388,024	\$ 435,067	\$ 491,760

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources related to the School's benefits paid subsequent to the measurement date and prior to the School's fiscal year end will be recognized as a reduction of the other postemployment benefits obligation in the reporting period ending June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Reporting Period Ended June 30:	Amount
2019	\$ (2,467)
2020	(2,467)
2021	(2,467)
2022	(2,467)
2023	(2,467)
Thereafter	(12,088)

8 RESTRICTED NET POSITION AND FUND BALANCE

Restricted net position and fund balance represents amounts that have been collected or received by the School for specific purposes and are restricted as to the use of such funds. Included in restricted net position and fund balance is \$30,000 held for terminal leave reserve and \$281,446 held for capital projects.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

9 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	\$ 3,316,124
Class size reduction	929,429
Discretionary local effort	264,654
Supplemental academic instruction	170,949
ESE guaranteed allocation	134,775
Discretionary millage funds	99,861
Best and brightest	65,025
Instructional materials	58,215
Student transportation	44,775
Reading allocation	33,134
Digital classroom allocation	20,172
Safe schools	15,254
Teacher lead	12,985
Discretionary lottery funds	<u>1,305</u>
Total	<u>\$ 5,166,657</u>

The School Board administrative fee for the year ended June 30, 2018 totaled approximately \$86,000, which is included in general administration expense/expenditure in the accompanying financial statements.

10 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 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.

**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, 2018

	<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	\$ 5,057,980	\$ 5,154,999	\$ 5,166,657	\$ 11,658
Contributions and other revenue	205,000	190,000	193,910	3,910
Total revenues	<u>5,262,980</u>	<u>5,344,999</u>	<u>5,360,567</u>	<u>15,568</u>
EXPENDITURES				
Current:				
Instruction	3,386,146	3,340,808	3,324,513	16,295
Instructional support services	267,608	247,931	243,379	4,552
Instructional media	65,869	64,910	65,873	(963)
Instruction and curriculum development	65,172	63,483	63,974	(491)
Instructional staff training	2,300	2,375	3,008	(633)
Instruction-related technology	63,666	62,571	63,066	(495)
Board	32,000	30,000	27,929	2,071
General administration	125,000	125,000	136,138	(11,138)
School administration	498,301	447,430	385,529	61,901
Pupil transportation services	172,497	101,447	99,892	1,555
Operation of plant	386,286	407,417	422,401	(14,984)
Maintenance of plant	44,708	42,270	41,638	632
Community services	146,471	145,721	148,627	(2,906)
Total expenditures	<u>5,256,024</u>	<u>5,081,363</u>	<u>5,025,967</u>	<u>55,396</u>
Net change in fund balance	6,956	263,636	334,600	70,964
Fund balance at beginning of year	<u>3,814,838</u>	<u>3,814,838</u>	<u>3,814,838</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 3,821,794</u></u>	<u><u>\$ 4,078,474</u></u>	<u><u>\$ 4,149,438</u></u>	<u><u>\$ 70,964</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, 2018

	<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	\$ 630,221	\$ 630,221	\$ 630,219	\$ (2)
Total revenues	<u>630,221</u>	<u>630,221</u>	<u>630,219</u>	<u>(2)</u>
EXPENDITURES				
Current:				
Instruction	420,944	420,944	420,944	-
Instructional support services	56,425	56,425	56,426	(1)
Instruction and curriculum developmen	36,211	36,211	36,210	1
Instructional staff training	116,641	116,641	116,639	2
Total expenditures	<u>630,221</u>	<u>630,221</u>	<u>630,219</u>	<u>2</u>
Net change 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.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Florida Retirement System (FRS) Pension Plan										
School's proportion of the net pension liability (asset)	0.0088%	0.0104%	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.					
School's proportionate share of the net pension liability (asset)	\$ 2,600,243	\$ 2,637,042	\$ 1,236,122	\$ 545,962						
School's covered-employee payroll	\$ 4,253,130	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443						
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	61%	73%	36%	17%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	84%	85%	92%	96%						
Retiree Health Insurance Subsidy (HIS) Program										
School's proportion of the net pension liability (asset)	0.0126%	0.0150%	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.					
School's proportionate share of the net pension liability (asset)	\$ 1,342,272	\$ 1,744,510	\$ 1,296,846	\$ 1,101,805						
School's covered-employee payroll	\$ 4,253,130	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443						
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32%	48%	38%	35%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	2%	1%	1%	1%						

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 241,435	\$ 275,564	\$ 228,517	\$ 233,330	\$ 196,000	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.				
Contributions in relation to the contractually required contribution	241,435	275,564	228,517	233,330	196,000					
Contribution deficiency (excess)	<u>\$ -</u>									
School's covered-employee payroll	\$ 3,064,518	\$ 4,253,130	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443					
Contributions as a percentage of covered-employee payroll	8%	6%	6%	7%	6%					
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 65,327	\$ 80,000	\$ 51,267	\$ 48,609	\$ 40,367	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.				
Contributions in relation to the contractually required contribution	65,327	80,000	51,267	48,609	40,367					
Contribution deficiency (excess)	<u>\$ -</u>									
School's covered-employee payroll	\$ 3,064,518	\$ 4,253,130	\$ 3,600,223	\$ 3,392,681	\$ 3,151,443					
Contributions as a percentage of covered-employee payroll	2%	2%	1%	1%	1%					

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 CHANGES IN THE SCHOOL'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability										
Service cost	\$ 44,610									
Interest	13,541									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes of assumptions or other inputs	(26,890)									
Benefit payments	(30,661)									
Net change in total OPEB liability	600									
Total OPEB liability - beginning	434,467									
Total OPEB liability - ending	435,067									
School's covered-employee payroll	\$ 3,287,625									
Total OPEB liability as a percentage of covered-employee payroll	13%									

Information for the periods prior to the implementation of GASB 75 is unavailable and will be completed for each year going forward as it becomes available.

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, 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 December 19, 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 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
December 19, 2018

**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, 2018, and have issued our report thereon dated December 19, 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 REPORTING REQUIREMENTS

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 Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 19, 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 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 entity be disclosed in this management letter. The official title of the entity is Mascotte Elementary School, Inc..

FINANCIAL CONDITION AND MANAGEMENT

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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. The financial condition assessment was done as of the fiscal year-end.

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

TRANSPARENCY

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to 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.

ADDITIONAL MATTERS

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 note 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.



Winter Park, Florida
December 19, 2018