

**ORANGE PARK PERFORMING  
ARTS ACADEMY, INC.**

A Charter School and Component Unit of the  
District School Board of Clay County

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2016*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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# ORANGE PARK PERFORMING ARTS ACADEMY, INC.

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## Independent Auditor's Report

To the Board of Directors Orange Park Performing Arts Academy, Inc.  
a Charter School and Component Unit of the  
District School Board of Clay County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Park Performing Arts Academy, Inc. ("School"), a charter school and component unit of the District School Board of Clay 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

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

Respectfully submitted,

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

December 5, 2016  
Tampa, Florida

## **ORANGE PARK PERFORMING ARTS ACADEMY, INC.**

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Orange Park Performing Arts Academy, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2016.

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

#### **FINANCIAL HIGHLIGHTS**

- The School reported a deficit net position balance of \$109,957, as shown on the statement of net position, and a deficit fund balance of \$2,744, as shown on the balance sheet governmental funds.
- For the fiscal year ended June 30, 2016, the School's revenue exceeded expenses as shown on the School's statement of activities by \$90,113.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

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

#### **Government-Wide Financial Statements**

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

## **Fund Financial Statements**

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, and a Special Revenue Fund to account for Federal grant programs. Each of these funds are major funds.

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

## **Notes to Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's Net Position as of June 30, 2015 and 2016:

	<b>Net Position, End of Year</b>		
	Governmental Activities		
	6-30-15	6-30-16	Increase (Decrease)
<b>ASSETS</b>			
Current Assets	\$ 116,495	\$ 245,210	\$ 128,715
Capital Assets, Net	64,418	103,387	38,969
Total Assets	<u>180,913</u>	<u>348,597</u>	<u>167,684</u>
<b>LIABILITIES</b>			
Current Liabilities	82,383	247,954	165,571
Collateralized Borrowing	298,600	187,600	(111,000)
Long Term Liabilites	-	23,000	23,000
Total Liabilities	<u>380,983</u>	<u>458,554</u>	<u>77,571</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	64,418	80,387	15,969
Unrestricted	<u>(264,488)</u>	<u>(190,344)</u>	<u>74,144</u>
Total Net Position	<u>\$ (200,070)</u>	<u>\$ (109,957)</u>	<u>\$ 90,113</u>

Current Assets consist of cash and an amounts due from the District. Liabilities mainly consist of salaries and benefits payable, short term loan and collateralized borrowing.



The key elements of the changes in the School's Net Position for the fiscal years ended June 30, 2015 and 2016, are as follows:

	<b>Operating Results for the Year</b>		
	Governmental Activities		
	6-30-15	6-30-16	Increase (Decrease)
<b>Revenues:</b>			
Federal through Local	\$ 196,891	\$ 260,374	\$ 63,483
State	1,210,325	1,555,999	345,674
Local and Other	40,580	44,847	4,267
<b>Total Revenues</b>	<b>1,447,796</b>	<b>1,861,220</b>	<b>413,424</b>
<b>Expenses:</b>			
Instruction	747,503	876,490	128,987
Pupil Personnel Services	8,900	38,986	30,086
Instruction and Curriculum Development	400	5,297	4,897
Instructional Staff Training	6,008	4,500	(1,508)
Instruction Related Technology	150	-	(150)
Board	15,643	7,853	(7,790)
General Administration	60,260	77,588	17,328
School Administration	176,974	211,395	34,421
Facilities, Acquisition & Construction	197,700	133,020	(64,680)
Fiscal Services	34,920	21,918	(13,002)
Food Services	92,946	74,022	(18,924)
Central Services	14,639	1,339	(13,300)
Student Transportation	91,856	97,950	6,094
Operation of plant	110,044	104,899	(5,145)
Maintenance of plant	34,752	27,300	(7,452)
Administrative Technology	863	18,025	17,162
Debt Service - Interest & Fees	31,403	34,772	3,369
Depreciation	22,955	35,753	12,798
<b>Total Expenses</b>	<b>1,647,916</b>	<b>1,771,107</b>	<b>123,191</b>
<b>Decrease in Net Position</b>	<b>\$ (200,120)</b>	<b>\$ 90,113</b>	<b>\$ 290,233</b>

The largest revenue source for the School is the State of Florida (84%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The School also received funding through the Charter School Implementation Program which amounted to 10% of total revenues.

The largest concentration of expenses were in Instruction related functions (52%) and the school administrative function (12%).

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined deficit fund balance of \$2,744.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2016, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget. Refer to the Budgetary Comparison Schedule for additional information.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$103,387 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, and furniture, fixtures and equipment. Additional information regarding the School's capital assets can be found in note 4 to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Orange Park Performing Arts Academy, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Orange Park Performing Arts Academy, Inc., 1324 Kingsley Avenue Orange Park, Florida, 32073.

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2016*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 27,214
Due From Other Agency	211,150
Prepaid Expenses and Other Assets	6,846
Capital Assets:	
Leasehold Improvements, Net	5,923
Furniture, Fixtures and Equipment, Net	97,464
Total Capital Assets, Net	<u>103,387</u>
<b>TOTAL ASSETS</b>	<u><u>348,597</u></u>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	65,280
Accounts Payable	24,897
Loan Payable	157,777
Collateralized Borrowing	187,600
Long Term Liabilities:	
Note Payable, Due Within One Year	2,265
Note Payable, Due After One Year	20,735
<b>TOTAL LIABILITIES</b>	<u><u>458,554</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	80,387
Unrestricted	<u>(190,344)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ (109,957)</u></u>

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2016*

		Program Revenues				Net (Expenses) Revenue and Changes Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total	
<b>Governmental Activities:</b>							
Instruction	\$ 876,490	\$ -	\$ 131,312	\$ -	\$ (745,178)	\$ (745,178)	
Pupil Personnel Services	38,986		4,014		(34,972)	(34,972)	
Instruction & Curriculum Development	5,297		5,297		-	-	
Instructional Staff Training	4,500		4,500		-	-	
Board	7,853		3,943		(3,910)	(3,910)	
General Administration	77,588				(77,588)	(77,588)	
School Administration	211,395		2,856		(208,539)	(208,539)	
Facilities Acquisition & Construction	133,020		20,421		(112,599)	(112,599)	
Fiscal Services	21,918				(21,918)	(21,918)	
Food Services	74,022	17,070	86,751		29,799	29,799	
Central Services	1,339		1,280		(59)	(59)	
Pupil Transportation	97,950		23,790		(74,160)	(74,160)	
Operation of Plant	104,899				(104,899)	(104,899)	
Maintenance of Plant	27,300				(27,300)	(27,300)	
Administrative Technology	18,025				(18,025)	(18,025)	
Debt Service - Interest & Fiscal Charges	34,772				(34,772)	(34,772)	
Unallocated Depreciation	35,753				(35,753)	(35,753)	
<b>Total Governmental Activities</b>	<b>\$ 1,771,107</b>	<b>\$ 17,070</b>	<b>\$ 284,164</b>	<b>\$ -</b>	<b>\$ (1,469,873)</b>	<b>(1,469,873)</b>	
 <b>General Revenues:</b>							
State Sources					1,532,209	1,532,209	
Local and Other					27,777	27,777	
Total General Revenues					1,559,986	\$ 1,559,986	
Change in Net Position					90,113	90,113	
Net Position - July 1, 2015					(200,070)	(200,070)	
Net Position - June 30, 2016					\$ (109,957)	\$ (109,957)	

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***

***June 30, 2016***

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 27,214	\$ -	\$ 27,214
Due From Other Agency	70,431	140,719	211,150
Prepaid Expenses and Other Assets	6,846		6,846
Due from Other Funds	140,719		140,719
Total Assets	<u>\$ 245,210</u>	<u>\$ 140,719</u>	<u>\$ 385,929</u>
<b>LIABILITIES</b>			
Salaries and Benefits Payable	\$ 65,280	\$ -	\$ 65,280
Accounts Payable	24,897		24,897
Due to Other Funds	-	140,719	140,719
Loan Payable	157,777		157,777
Total Liabilities	<u>247,954</u>	<u>140,719</u>	<u>388,673</u>
<b>FUND BALANCE</b>			
Nonspendable	6,846		6,846
Unassigned	(9,590)	-	(9,590)
Total Fund Balances	<u>(2,744)</u>	<u>-</u>	<u>(2,744)</u>
Total Liabilities and Fund Balances	<u>\$ 245,210</u>	<u>\$ 140,719</u>	<u>\$ 385,929</u>

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

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

*June 30, 2016*

<b>Total Fund Balances - Governmental Funds</b>	\$ (2,744)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	103,387
Long-term liabilities are not due and payable in the current period governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	(23,000)
Liabilities for collateralized borrowings are reported in the Statement of Net Position as a liability and not in the Balance Sheet - Governmental Funds.	<u>(187,600)</u>
<b>Total Net Position - Governmental Activities</b>	<u><u>\$ (109,957)</u></u>

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2016*

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
Federal through Local	\$ -	\$ 260,374	\$ 260,374
State	1,555,999	-	1,555,999
Local and Other	27,777	17,070	44,847
Total Revenues	1,583,776	277,444	1,861,220
<b>Expenditures</b>			
Current - Education:			
Instruction	777,277	99,212	876,489
Pupil Personnel Services	34,972	4,014	38,986
Instruction & Curriculum Development		5,297	5,297
Instructional Staff Training		4,500	4,500
Board	3,910	3,943	7,853
General Administration	77,588		77,588
School Administration	208,540	2,856	211,396
Facilities Acquisition & Construction	133,020		133,020
Fiscal Services	21,918		21,918
Food Services		74,022	74,022
Central Services	59	1,280	1,339
Pupil Transportation	97,950		97,950
Operation of Plant	104,899		104,899
Maintenance Of Plant	27,300		27,300
Administrative Technology	18,025		18,025
Fixed Capital Outlay:			
Other Capital Outlay	22,201	52,521	74,722
Debt Service:			
Principal	113,000		113,000
Interest & Fiscal Charges	34,772		34,772
Total Expenditures	1,675,431	247,645	1,923,076
Excess (Deficiency) of Revenues			
Over/(Under) Expenditures	(91,655)	29,799	(61,856)
Other Financing Sources (Uses):			
Proceeds from Long-Term Debt	25,000		25,000
Transfers In/(Out)	29,799	(29,799)	-
Total Other Financing Sources (Uses)	54,799	(29,799)	25,000
Net Change in Fund Balances	(36,856)	-	(36,856)
Fund Balances, July 1, 2015	34,112	-	34,112
Fund Balances, June 30, 2016	\$ (2,744)	\$ -	\$ (2,744)

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF CLAY COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2016*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	(36,856)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays (\$74,722) in excess of depreciation expense (\$35,753) in the current period.		38,969
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Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Position.

		(25,000)
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Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.

Notes Payable		2,000
Collateralized Borrowing		111,000

<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b>90,113</b>
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The accompanying notes to the financial statements are an integral part of this statement.



**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

Orange Park Performing Arts Academy, Inc. (“School”), is a component unit of the School Board of Clay County, 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 School is designated as an educational organization under Section 501(c)(3) of the Internal Revenue Code. The governing body of the School is the Board of Directors, which is composed of eight members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Clay County, Florida, (“District”). The current charter is effective until June 30, 2019. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter agreement in which case the District 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 District may also terminate the charter if good cause is shown. Orange Park Performing Arts Academy, Inc. is considered a component unit of the School Board of Clay County Florida.

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

➤ **Basis of Presentation**

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

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

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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

The School considers all of its funds as major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for certain Federal grant program resources and food service operations.

➤ **Basis of Accounting**

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

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

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

➤ **Deposits and Investments**

Cash deposits consist primarily of demand deposits and certificates of deposit held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **Capital Assets**

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Leasehold Improvements	3 - 5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Deferred Outflows/Inflows of Resources**

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

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
A Charter School and Component Unit of the District School Board of Clay County, Florida  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

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

*Fund Financial Statements*

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

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

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

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplies by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2016, the School reported 229.25 unweighted and 246.2137 weighted FTE.

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

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School has filed for exemption from Federal tax under Section 501(c)(3) of the Internal Revenue Code. The School has not received approval, but is in anticipation of approval. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

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

➤ **Subsequent Events**

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

**2. CASH DEPOSITS**

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

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**3. DUE FROM OTHER AGENCY**

Amounts Due from Other Agency included in the accompanying statement of Net Position and balance sheet – governmental funds consists of amounts due from the Clay County District School Board for FEFP funds and reimbursements due under the Charter School Grant. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Leasehold Improvements	\$ 7,635	\$ 3,615	\$ -	\$ 11,250
Furniture, Fixtures and Equipment	79,738	71,107		150,845
Total Capital Assets Being Depreciated	<u>87,373</u>	<u>74,722</u>	<u>-</u>	<u>162,095</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	(2,421)	(2,906)		(5,327)
Furniture, Fixtures and Equipment	(20,534)	(32,847)		(53,381)
Total Accumulated Depreciation	<u>(22,955)</u>	<u>(35,753)</u>	<u>-</u>	<u>(58,708)</u>
Governmental Activities Capital Assets, net	<u>\$ 64,418</u>	<u>\$ 38,969</u>	<u>\$ -</u>	<u>\$ 103,387</u>

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

**5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2016, the School’s Special Revenue Fund owed the General Fund \$140,719 for expenditures accrued under the Charter School Grant. The Special Revenue Fund transferred \$29,799 to the General Fund from the School’s food service operations. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net position.

**6. SHORT-TERM LOAN**

The School entered into a loan agreement with Ameris Bank on May 18, 2016 for \$157,777 to fund the payment of reimbursable expenses under the School’s Charter School Grant. The loan had a term of two months maturing July 18, 2016 bearing an annual interest rate of 5.5 percent.

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**7. COLLATERALIZED BORROWING**

The School entered into a collateralized borrowing agreement with Charter School Capital, Inc. The agreement calls for advances to the School of \$187,600 to fund operating costs which equated to 3 months of fiscal year 2015-16 FEFP revenues. The amount is reflected in the accompanying Statement of Net Position and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**8. NOTE PAYABLE**

As of June 30, 2016, the School's long-term debt included the following loan payable:

	<u>Balance at 6-30-16</u>
<u>Kreative Kid's Learning Academy</u>	
Borrowed \$25,000 in May 2016 from Kreative Kidz Academy to provide short-term resources for operations. Loan repayment is scheduled to start January 1, 2017 through February 1, 2021. Interest rate of 3.119 percent. One payment was made in May 2016 of \$2,000.	<u>\$ 23,000</u>
Total Notes Payable	<u><u>\$ 23,000</u></u>

Amounts payable for the loan payable is as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2017	\$ 3,000	\$ 2,265	\$ 735
2018	6,000	5,430	570
2019	6,000	5,601	399
2020	6,000	5,779	221
2021	4,000	3,925	75
Total	<u>\$ 25,000</u>	<u>\$ 23,000</u>	<u>\$ 2,000</u>

**9. CHANGES IN LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ -	\$ 25,000	\$ (2,000)	\$ 23,000	\$ 2,265
Total Governmental Activities	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ (2,000)</u>	<u>\$ 23,000</u>	<u>\$ 2,265</u>



**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**10. DEFICIT FUND BALANCE AND NET POSITION**

The School reported a deficit total net position of \$109,957 and a total deficit fund balance of \$2,744 at June 30, 2016. Management expects increased FEFP revenue and the periodic monitoring of expenses throughout the new school year will alleviate the deficit by the end of the 2016-17 fiscal year.

**11. SCHEDULE OF STATE REVENUE SOURCES**

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

Source	Amount
Florida Education Finance Program	\$ 1,012,617
Class Size Reduction	287,138
Supplementary Academic Instruction	59,068
Discretionary Millage Compression	54,139
Discretionary Local Effort	44,339
ESE Guarantee	43,622
Transportation	23,790
Instructional Materials	18,222
Digital Classroom Allocation	5,048
Florida Teachers' Classroom Assistance	4,241
Safe Schools	3,775
Total State Revenue	\$ 1,555,999

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$77,588.

**12. FUNDING AND CREDIT CONCENTRATIONS**

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

**13. FACILITY LEASE**

The school entered into a facility lease agreement on December 10, 2013 for a term of five years. During the first year, the School agreed to pay the landlord a base annual rent of \$84,080 per year plus applicable sales tax for the year 2013-2014, before the School's first year operation. Current year facility lease expense charged to operations was \$145,000.

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**14. OPERATING LEASE**

The School leases copier equipment under a 60 month non-cancellable lease agreement. Terms of the lease require the School to make monthly lease payments of \$235 July 2020. Rental expenditures under this lease agreement for the fiscal year were \$2,588.

Future minimum lease payments under the non-cancellable operating lease as of June 30, 2016 are as follows:

Fiscal Year Ending June 30:	Minimum Lease Payments
2017	\$ 2,823
2018	2,823
2019	2,823
2020	235
Total	<u>\$ 8,705</u>

**15. RISK MANAGEMENT PROGRAMS**

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

**16. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2016, may be impaired.

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

**17. 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.

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF CLAY COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND - (Unaudited)**  
*For the Fiscal Year Ended June 30, 2016*

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
<b>Intergovernmental:</b>								
Federal Through State	\$ -	\$ -	\$ -	\$ -	\$ 184,821	255,385	\$ 260,374	\$ 4,989
State	1,997,716	1,543,215	1,555,999	12,784	-	-	-	-
Local and Other	2,385	30,000	27,777	(2,223)	-	-	17,070	17,070
<b>Total Revenues</b>	<b>2,000,101</b>	<b>1,573,215</b>	<b>1,583,776</b>	<b>10,561</b>	<b>184,821</b>	<b>255,385</b>	<b>277,444</b>	<b>17,070</b>
<b>Expenditures:</b>								
<b>Current - Education:</b>								
Instruction	1,161,263	815,577	777,277	38,300	42,046	99,212	99,212	-
Pupil Personnel Services	10,550	24,220	34,972	(10,752)	9,427	4,014	4,014	-
Instruction & Curriculum Development	-	3,743	-	3,743	-	5,297	5,297	-
Instructional Staff Training	-	-	-	-	-	4,500	4,500	-
Board	8,390	10,097	3,910	6,187	-	3,943	3,943	-
General Administration	-	77,161	77,588	(427)	-	-	-	-
School Administration	24,856	148,208	208,540	(60,332)	4,398	2,856	2,856	-
Facilities Acquisition & Construction	197,700	140,460	133,020	7,440	-	-	-	-
Fiscal Services	174,045	33,820	21,918	11,902	-	-	-	-
Food Services	-	-	-	-	81,000	96,754	74,022	22,732
Central Services	23,173	-	59	(59)	-	1,280	1,280	-
Pupil Transportation	89,046	98,100	97,950	150	-	-	-	-
Operation of Plant	144,989	95,467	104,899	(9,432)	-	-	-	-
Maintenance of Plant	10,200	10,000	27,300	(17,300)	-	-	-	-
Technology	-	6,000	18,025	(12,025)	-	-	-	-
<b>Fixed Capital Outlay:</b>								
Other Capital Outlay	-	18,408	22,201	(3,793)	47,950	52,521	52,521	-
<b>Debt Service:</b>								
Principal	-	-	113,000	(113,000)	-	-	-	-
Interest & Fiscal Charges	-	75,841	34,772	41,069	-	-	-	-
<b>Total Expenditures</b>	<b>1,844,212</b>	<b>1,557,102</b>	<b>1,675,431</b>	<b>(118,329)</b>	<b>184,821</b>	<b>270,377</b>	<b>247,645</b>	<b>22,732</b>
<b>Excess (Deficiency) of Revenues Over/(Under) Expenditures</b>	<b>155,889</b>	<b>16,113</b>	<b>(91,655)</b>	<b>128,890</b>	<b>-</b>	<b>(14,992)</b>	<b>29,799</b>	<b>(5,662)</b>
<b>Other Financing Sources (Uses):</b>								
Proceeds from Loan	-	-	25,000	(25,000)	-	-	-	-
Transfers In/(Out)	(2,792)	(14,992)	29,799	(44,791)	-	14,992	(29,799)	44,791
<b>Total Other Financing Sources (Uses)</b>	<b>(2,792)</b>	<b>(14,992)</b>	<b>54,799</b>	<b>(44,791)</b>	<b>-</b>	<b>14,992</b>	<b>(29,799)</b>	<b>44,791</b>
<b>Net Change in Fund Balance</b>	<b>153,097</b>	<b>1,121</b>	<b>(36,856)</b>	<b>(37,977)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, July 1, 2015</b>	<b>34,112</b>	<b>34,112</b>	<b>34,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, June 30, 2016</b>	<b>\$ 187,209</b>	<b>\$ 35,233</b>	<b>\$ (2,744)</b>	<b>\$ (37,977)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Independent Auditor's Report.

**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County, Florida**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

**1. BUDGETARY BASIS OF ACCOUNTING**

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

Members:  
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**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 Orange Park Performing Arts Academy, Inc.  
a Charter School and Component Unit of the  
District School Board of Clay County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Park Performing Arts Academy, Inc. ("School"), a charter school and component unit of the District School Board of Clay 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 December 5, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did identify one instance as shown in the Schedule of Findings and Recommendations, finding number **2016-01**, we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which are shown in the Schedule of Findings and Recommendations, finding numbers **2016-2** and **2016-3**.

### **Purpose of this Report**

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

Respectfully submitted,

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

December 5, 2016  
Tampa, Florida



Members:  
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Government Audit Quality Center

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

To the Board of Directors Orange Park Performing Arts Academy, Inc.,  
a Charter School and Component Unit of the  
District School Board of Clay County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Orange Park Performing Arts Academy, Inc. (“School”), a charter school and component unit of the District School Board of Clay County, Florida, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 5, 2016.

**Auditor’s Responsibility**

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

**Other Reports and Schedules**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated December 5, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. All items noted as findings in the prior year have been corrected.

**Official Title**

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

**Financial Condition**

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

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

**Transparency**

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

**Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we do not have any such findings or 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 Clay County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



December 5, 2016  
Tampa, Florida



**ORANGE PARK PERFORMING ARTS ACADEMY, INC.**  
**A Charter School and Component Unit of the District School Board of Clay County,**  
**Florida**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2016**

**Finding No.**

**2016-01 Financial Reporting:** Proper internal control over financial reporting should assure that all adjustments necessary to ensure that the financial statements are prepared in accordance with Generally Accepted Accounting Procedures (GAAP). During our audit, we identified numerous adjustments to the School's accounting records that were necessary to make a fair presentation of their financial statements. Adjustments were needed to accrue payroll liabilities, reclassify grant expenditures, and reclassify collateralized borrowing. These adjustments resulted in a significant change in fund balance from that which was reported to the District at June 30, 2016. We recommend the School augment its controls over financial reporting to ensure that all necessary adjustments and accruals are recorded in the accounting records.

**2016-02 Grant Reporting:** The School submitted a report (FA-399) for reimbursement of grant expenditures to the District in June 2016. During our audit, we reviewed the reimbursement report and noted that a duplicate payment of grant expenses was reported in the amount of \$14,925. We recommend the School repay the \$14,925 when received from the District and establish procedures to ensure the proper reporting of reimbursed grant expenditures.

**2016-03 Financial Management/Budgeting:** As prescribed by Chapter 1002.33(9)(h), Florida Statutes, the governing body of the Charter School shall annually adopt and maintain an operating budget. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted expenditures. In addition, expenditures should not exceed appropriations authorized by the Board.

The School adopted an operating budget at the beginning of the year and later amended the budget based on the change in enrollment. As reported on the Budgetary Comparison Schedule (page 24), total General Fund expenditures exceeded the budgeted appropriations by \$118,329.

We recommend the School's Board establish procedures to monitor its budget in order to amend if necessary and to assist the Board in making informed financial decisions.