

**OAK CREEK CHARTER SCHOOL OF BONITA
SPRINGS**
BONITA SPRINGS, FLORIDA
(A COMPONENT UNIT OF THE SCHOOL BOARD
OF LEE COUNTY, FLORIDA)

BASIC FINANCIAL STATEMENTS, INDEPENDENT
AUDITOR'S REPORT AND SUPPLEMENTAL
INFORMATION

JUNE 30, 2019

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
JUNE 30, 2019

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OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
(A Charter School under Oak Creek Charter School of Bonita Springs, Inc.)

28011 Performance Lane
Bonita Springs, FL 34135
(239) 498-6864

2018-2019

BOARD OF DIRECTORS

Mr. Mark McCabe, Chair
Mr. Thad Deitrich, Vice Chair
Mr. Brett Baugh

SCHOOL ADMINISTRATION

Ms. Gwen DaPore, Executive Director
Mr. Jose Rubio, Principal



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oak Creek Charter School of Bonita Springs
Bonita Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Oak Creek Charter School of Bonita Springs (the "School") a charter school under Oak Creek Charter School of Bonita Springs, Inc. and a component unit of the District School Board of Lee County, Florida as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Oak Creek Charter School of Bonita Springs as of June 30, 2019, and the respective changes in financial position for the year then ended, and it is not intended to be a complete presentation of Oak Creek Charter School of Bonita Springs, Inc. These financial statements do not purport to and do not present fairly the financial position of Oak Creek Charter School of Bonita Springs, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and budgetary comparison information on pages 25 through 28 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 16, 2019

Management’s Discussion and Analysis
Oak Creek Charter School of Bonita Springs
June 30, 2019

The corporate officers of Oak Creek Charter School of Bonita Springs (the “School”) have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

1. At year-end, the School had current assets of \$184,875
2. At year-end, the School’s net position was \$99,235.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements for the year ended June 30, 2019 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the School’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School’s assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event resulting in the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10 – 11 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance-related legal requirements. All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

Prior to the start of the School's fiscal year, the Board of the School adopts an annual budget for all of its governmental funds, if applicable. A budgetary comparison statement has been provided for the School's governmental funds to demonstrate compliance with the School's budget. The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time net position may serve as a useful indicator of the School's financial position. A summary of the School's net position as of June 30, 2019 and 2018 follows:

	Net Position	
	2019	2018
Assets		
Cash and cash equivalents	\$ 158,075	\$ 141,675
Due from other agencies	26,800	16,334
Prepaid expenses	-	2,561
Capital assets, net	576,852	340,925
Total Assets	<u>\$ 761,727</u>	<u>\$ 501,495</u>
Liabilities and Net Position		
Accounts and wages payable and accrued liabilities	\$ 335,520	\$ 74,275
Line of credit	90,054	7,377
Notes payable	236,918	359,991
Total Liabilities	<u>662,492</u>	<u>441,643</u>
Net investment in capital assets	339,934	51,934
Unrestricted	(240,699)	7,918
Total Net Position	<u>\$ 99,235</u>	<u>\$ 59,852</u>
Total Liabilities and Net Position	<u>\$ 761,727</u>	<u>\$ 501,495</u>

At June 30, 2019, the School's total assets were \$761,727 and total liabilities were \$662,492. At June 30, 2018, the School reported a total net position of \$99,235.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2019 and 2018 follows:

REVENUES	<u>2019</u>	<u>2018</u>
Program Revenues		
Federal lunch program	\$ 232,157	\$ 173,392
Revenues from state sources	10,024	-
State capital outlay funding	299,741	347,825
Charges for services	80,443	1,583
General Revenues		
FEFP nonspecific revenue	3,586,810	3,173,790
Other local revenue	124,779	139,872
Total Revenues	<u>\$ 4,333,954</u>	<u>\$ 3,836,462</u>
EXPENSES		
Instruction	\$ 2,009,551	\$ 1,669,387
Food services	267,785	231,440
General administration	714,546	625,585
School administration	189,572	187,012
Central services	14,469	-
School Board	15,897	15,996
Operation of plant	1,023,060	837,090
Maintenance of plant	13,356	-
Fiscal services	30,564	12,832
Transportation	112,933	71,521
Administrative technology services	23,041	25,740
Community services	15,904	7,676
Interest on long-term debt	15,549	17,980
Total Expenses	<u>\$ 4,446,227</u>	<u>\$ 3,702,259</u>
Change in Net Position	(112,273)	134,203
Net Position at Beginning of Year	59,852	(74,351)
Restatement	151,656	-
Net Position at End of Year	<u>\$ 99,235</u>	<u>\$ 59,852</u>

The School's total revenues for the year ended June 30, 2019 were \$4,333,954 while its total expenses were \$4,446,227 for a net decrease of \$112,273. The School's net position at year-end totaled \$99,235.

SCHOOL LOCATION

The School operates in the Bonita Springs area located at 28011 Performance Lane, Bonita Springs, FL, 34135.

CAPITAL IMPROVEMENT REQUIREMENT

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For the year ended June 30, 2019, the School's governmental funds reported a deficit in its net change in fund balance of \$182,282 and reported a combined fund balance deficit at year-end of \$240,699.

CAPITAL ASSETS

The School's investment in capital assets, as of June 30, 2019, amounts to \$576,852 (net of accumulated depreciation). This investment in capital assets includes improvements, vehicles, furniture, fixtures and equipment.

LONG-TERM DEBT

During the year ended June 30, 2019, the School entered into a loan agreement with Building Hope, Inc. for \$250,000 to help finance the construction of a recreational field at the School. In addition, the School entered into a note payable arrangement for \$28,000 for the purchase of buses. Balances on notes payable totaled \$236,918 at June 30, 2019.

GOVERNMENTAL FUND BUDGET ANALYSIS

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	All Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local district	\$ 3,346,823	\$ 3,346,823	\$ 3,586,810
State capital outlay funding	115,000	115,000	299,741
Federal passed through state	172,000	172,000	242,181
Local and other revenue	145,000	145,000	205,222
TOTAL REVENUES	\$ 3,778,823	\$ 3,778,823	\$ 4,333,954
EXPENDITURES			
Instruction	\$ 1,678,005	\$ 1,678,005	\$ 2,009,551
Food services	172,000	172,000	267,785
General administration	638,901	638,901	714,546
School administration	204,533	204,533	189,572
Central services	21,500	21,500	14,469
School Board	-	-	15,897
Operation of plant	1,070,027	1,070,027	960,548
Maintenance of plant	-	-	13,356
Fiscal services	-	-	30,564
Transportation	109,408	109,408	106,933
Administrative technology services	-	-	23,041
Community services	38,057	38,057	15,904
Capital Outlay:			
Other capital outlay	-	-	304,439
Debt service	76,744	76,744	127,631
TOTAL EXPENDITURES	\$ 4,009,175	\$ 4,009,175	\$ 4,794,236
 Net change in fund balance	 \$ (230,352)	 \$ (230,352)	 \$ (460,282)
OTHER FINANCING SOURCES			
Payments received on notes receivable	250,000	250,000	278,000
 Net change in fund balance	 \$ 19,648	 \$ 19,648	 \$ (182,282)

The School's initial budget reflected a projected full-time equivalent (FTE) student population of 470 students, while their actual FTE population was 492 at year-end. As a result and in an effort to further grow the student population in future years, the School invested in additional capital outlay and instruction expenditures.

REQUESTS FOR INFORMATION

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Mr. Charles Maletesta of FORZA Education Management at P.O. Box 830, Parrish, FL, 34219.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	158,075
Due from other agencies	<u>26,800</u>
TOTAL CURRENT ASSETS	184,875
CAPITAL ASSETS, NET	
Depreciable capital assets, net of accumulated depreciation	<u>576,852</u>
TOTAL CAPITAL ASSETS, NET	576,852
TOTAL ASSETS	<u><u>\$ 761,727</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 116,450
Accrued payroll and related expenses	219,070
Line of credit	90,054
Notes payable- current portion	<u>54,617</u>
TOTAL CURRENT LIABILITIES	480,191
Notes payable- long-term portion	<u>182,301</u>
TOTAL LIABILITIES	662,492
NET POSITION	
Invested in capital assets, net of related debt	339,934
Deficit in unrestricted	<u>(240,699)</u>
TOTAL NET POSITION	99,235
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 761,727</u></u>

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

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
STATEMENT OF ACTIVITIES
JUNE 30, 2019

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 2,009,551	\$ -	10,024	\$ -
Food services	267,785	10,718	232,157	-
General administration	714,546	-	-	-
School administration	189,572	-	-	-
Central services	14,469	-	-	-
School Board	15,897	-	-	-
Operation of plant	1,023,060	-	-	299,741
Maintenance of plant	13,356	-	-	-
Fiscal services	30,564	-	-	-
Transportation	112,933	-	-	-
Administrative technology services	23,041	-	-	-
Community services	15,904	69,725	-	-
Interest on long-term debt	15,549	-	-	-
Total Governmental Activities	\$ 4,446,227	\$ 80,443	\$ 242,181	\$ 299,741
GENERAL REVENUES:				
State through local school district				3,586,810
Local and other revenue				124,779
Total general revenues				3,711,589
Change in Net Position				(112,273)
Net position as previously reported, July 1, 2018				59,852
Restatement				151,656
NET POSITION - BEGINNING				211,508
NET POSITION - ENDING				\$ 99,235

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

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
STATEMENT OF ACTIVITIES
JUNE 30, 2019

	<u>Governmental Fund</u>
ASSETS	
Cash and cash equivalents	\$ 158,075
Due from related parties	<u>26,800</u>
TOTAL ASSETS	<u><u>\$ 184,875</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 116,450
Accrued payroll and related expenses	<u>219,070</u>
TOTAL CURRENT LIABILITIES	335,520
Line of credit	<u>90,054</u>
TOTAL LIABILITIES	425,574
FUND BALANCE (DEFICIT)	
Deficit in unassigned	<u>(240,699)</u>
TOTAL FUND BALANCE (DEFICIT)	<u><u>(240,699)</u></u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u><u>\$ 184,875</u></u>

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

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balance - Governmental Funds	\$	(240,699)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		576,852
Long term liabilities are not due in the current period and accordingly, are not reported as fund liabilities.		(236,918)
		<hr/>
Total Net Position - Governmental Activities	\$	<u>99,235</u>

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

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
REVENUES				
State passed through local school district	\$ 3,586,810	\$ -	\$ -	\$ 3,586,810
Federal lunch program	-	232,157	-	232,157
Federal passed through state	-	10,024	-	10,024
State capital outlay funding	-	-	299,741	299,741
Local and other revenue:				
Charges for services	80,443	-	-	80,443
Other	124,779	-	-	124,779
TOTAL REVENUES	\$ 3,792,032	\$ 242,181	\$ 299,741	\$ 4,333,954
EXPENDITURES				
Current:				
Instruction #	\$ 1,999,527	\$ 10,024	\$ -	\$ 2,009,551
Food services	35,628	232,157	-	267,785
General administration	714,546	-	-	714,546
School administration #	189,572	-	-	189,572
Central services	14,469	-	-	14,469
School Board #	15,897	-	-	15,897
Operation of plant	660,807	-	299,741	960,548
Maintenance of plant	13,356	-	-	13,356
Fiscal services	30,564	-	-	30,564
Transportation	106,933	-	-	106,933
Administrative technology services	23,041	-	-	23,041
Community services	15,904	-	-	15,904
Capital Outlay:				
Other capital outlay	304,439	-	-	304,439
Debt service:				
Principal retirement #	112,082	-	-	112,082
Interest	15,549	-	-	15,549
TOTAL EXPENDITURES	\$ 4,252,314	\$ 242,181	\$ 299,741	\$ 4,794,236
Deficiency of revenues over expenditures	(460,282)	-	-	(460,282)
OTHER FINANCING SOURCES				
Proceeds from debt	278,000	-	-	278,000
Total other financing sources	278,000	-	-	278,000
NET CHANGE IN FUND BALANCE	(182,282)	-	-	(182,282)
Fund balance at beginning of year as previously reported	78,918	-	-	78,918
Restatement	(137,335)	-	-	(137,335)
Fund balance (deficit) at beginning of year	(58,417)	-	-	(58,417)
Fund balance (deficit) at end of year	<u>\$ (240,699)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (240,699)</u>

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

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
JUNE 30, 2019**

Change in Fund Balance - Governmental Funds \$ (182,282)

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 as depreciation expense.

Capital outlays	304,439
Depreciation expense	(68,512)

Proceeds from issuance of long-term debt are reported as an other financing source in the governmental funds. However, in the statement of net position, the amount of funds borrowed is reported as an increase in notes payable. (278,000)

Repayment of long term liabilities are expenditures in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. 112,082

Change in Net Position of Governmental Activities \$ (112,273)

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

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

Oak Creek Charter School of Bonita Springs (the “School”) is a charter school sponsored by the School Board of Lee County, Florida (the “District”) and is a component unit of the District. The School’s charter is held by Oak Creek Charter School of Bonita Springs, Inc., 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 governed by a Board of Directors composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School recently renewed their charter for a term of five years beginning July 1, 2019 through June 30, 2034. The charter may be renewed as provided in Section 1002.33 or 1002.331, Florida Statutes, upon mutual consent between the School and the District and execution of a written renewal. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least ninety days prior to the charter's expiration. The School contract provides in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2019, when approximately 492 students were enrolled in grades Kindergarten through 8th grade.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits per State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes under standards set by the Governmental Accounting Standards Board (“GASB”).

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. These statements do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds, namely, the general, special revenue, debt service, and capital project funds are reported as separate columns in the fund financial statements:

The School utilizes the following major governmental funds:

General Fund – is the School’s primary operating fund. The General Fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Fund – used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects.

Capital Projects Fund – used to account for financial resources used for the acquisition or construction of major capital facilities and for the proceeds and related expenditures of charter school capital outlay funding.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidelines*.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Codification Section 1600.111 and Section N50 “*Accounting and Financial Reporting for Non-Exchange Transactions*.” On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means the amount of the transaction can be determined. 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 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Basis of Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g. instructional, pupil personnel services and school administration). Any revisions to the annual budget are approved by the Board.

Cash

Cash deposits consist primarily of demand deposits included in pooled cash, held by banks which are qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Depository Insurance Corporation (the "FDIC") and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Capital Assets and Depreciation

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$1,000 on tangible personal property. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	Estimated Useful Lives <u>(years)</u>
Improvements other than building	10
Leasehold improvements	15
Furniture, fixtures, and equipment	10
Vehicles	3 - 5

Compensated Absences

The School grants a specific number of days for sick/personal leave. Full-time office and administrative employees are eligible for up to ten days of active work during the ten-month period (a “benefit year”). Teachers are eligible for up to seven days of active work during the benefit year. In the event that available time is not used by the end of the benefit year, employees may not “rollover” all unused days for use in future benefit years. There is an opportunity for teachers to “cash out” unused days; however, teachers may only cash out if they have not used their seven eligible days by the end of the benefit year.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated days available to be used in future benefit years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Fund Net Position

Government-wide fund net position are divided into three components:

- Net investment in capital assets – consists of the historical cost capital assets less accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets plus deferred outflows of resources less deferred inflows of resources. The net investment in capital assets for the year ending June 30, 2019, was \$553,852.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments less related liabilities and deferred inflows of resources. There were no restricted net assets at June 30, 2019.
- Unrestricted – all other net position is reported in this category

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – 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). At June 30, 2019, the School did not report a non-spendable fund balance.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At June 30, 2019, there is no restricted fund balance.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. At June 30, 2019, there is no committed fund balance.
- Assigned – fund balance classification are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2019, there is no assigned fund balance.
- Unassigned – fund balance is the residual classification 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 considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The finance officer will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds, and funds passed through the District. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the School.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Lee County (the "School Board") pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School may also receive federal grant awards and State financial assistance for the enhancement of various educational programs. Federal awards and State financial assistance are generally received based on an application submitted to and approved by various granting agencies. For federal awards and state financial assistance 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. This activity is recorded in the Special Revenue Fund and Capital Outlay Fund. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Income Taxes

Oak Creek Charter School of Bonita Springs, Inc. qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements. The School has evaluated its tax position for all open tax years and has not identified any uncertain tax positions prior to year ending June 30, 2016.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through September 16, 2019, which is the date the financial statements were available to be issued.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - CASH DEPOSITS

All School deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act". Under the act, all public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from fifty percent to one-hundred-twenty-five percent depending upon the depository's financial condition and the length of time the depository has been established. All collateral must be deposited with the State Treasurer. All bank balances of the School are fully insured or collateralized. As of June 30, 2019, the carrying amount of the School's bank deposits was \$158,075 and the respective bank balances totaled \$199,544.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
Capital Assets				
Improvements other than building	\$ 33,896	\$ 234,900	\$ -	\$ 268,796
Leasehold improvements	222,053	-	-	222,053
Furniture, fixtures, and equipment	160,461	41,539	-	202,000
Vehicles	-	28,000	-	28,000
Total Capital Assets	<u>416,410</u>	<u>304,439</u>	<u>-</u>	<u>720,849</u>
Less Accumulated Depreciation				
Improvements other than building	\$ (6,780)	\$ (13,526)	\$ -	\$ (20,306)
Leasehold improvements	(30,327)	(15,514)	-	(45,841)
Furniture, fixtures, and equipment	(38,378)	(33,472)	-	(71,850)
Vehicles	-	(6,000)	-	(6,000)
Total Accumulated Depreciation	<u>\$ (75,485)</u>	<u>\$ (68,512)</u>	<u>\$ -</u>	<u>\$ (143,997)</u>
Capital Assets, net	<u>\$ 340,925</u>	<u>\$ 235,927</u>	<u>\$ -</u>	<u>\$ 576,852</u>

For the year ended June 30, 2019, depreciation expense was allocated in the statement of activities as follows:

Operation of plant	\$ 62,512
Transportation	6,000
Total	<u>\$ 68,512</u>

NOTE 5 - LINE OF CREDIT

The school has secured a revolving line of credit with a financial institution for borrowings up to \$100,000. Interest is paid monthly at a variable interest rate based on the Wall Street Journal Prime Rate plus 1.04% with a floor of 3.75% interest annualized. At June 30, 2019 the variable interest rate associated with the line of credit was 6.24%. The line of credit is collateralized by deposit accounts at the financial institution, intangible assets, supplies, equipment, and accounts receivable. At June 30, 2019, the line of credit balance was \$90,054.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 – LONG – TERM LIABILITIES

In June 2018, the School entered into a loan agreement with Forza Education Management, LLC (“FORZA”), the management company, in the amount of \$71,000 to provide financial aid to the School until reimbursement was obtained from FEMA for uninsured damage to the School caused by Hurricane Irma. The Note bears interest at 5% per annum. The note was due by the earlier of reimbursement by FEMA or June 30, 2019 and was paid in full as of June 30, 2019. See NOTE 7 and 9.

In July 2018, the School entered into a loan agreement in the amount of \$250,000, with Building Hope, Inc. (“Building Hope”) for the purpose of constructing a recreational field at the School. The note calls for monthly equal payments of principal and interest at an annual interest rate of 6% through June 30, 2023.

During the year ended June 30, 2019, the School purchased seven buses from Gulf Coast Charter Academy South (“Gulf Coast”), a charter school of the District School Board of Collier County, FL, and a related party through common control, for a total of \$28,000 under four separate arrangements. The arrangements call for equal monthly non-interest bearing payments commencing and ending at various dates from August 2018 through August 2020.

The following schedule provides a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Balance 7/1/2018	Borrowings	Repayments	Balance at 6/30/2019
Note payable - FORZA	\$ 71,000	\$ -	\$ (71,000)	\$ -
Note payable - Building Hope	-	250,000	(36,082)	213,918
Note payable - Gulf Coast	-	28,000	(5,000)	23,000
Total notes payable	<u>\$ 71,000</u>	<u>\$ 278,000</u>	<u>\$ (112,082)</u>	<u>\$ 236,918</u>

Future payments to be received are as follows:

Fiscal Year Ending June 30,	
2020	\$ 54,617
2021	56,719
2022	53,759
2023	56,987
2024	11,737
2025-2027	3,099
	<u>\$ 236,918</u>

NOTE 7 - MANAGEMENT STRUCTURE

All policy decisions, including the annual budget, are formulated by the Board of Directors. The Board of Directors has the powers reasonably necessary to manage, operate, maintain and discharge the duties of the School to include adopting budgets; enter into contracts; adopt, publish, promulgate and enforce rules and regulations; employ on behalf of the School; managers, independent contractors, and any other employees deemed necessary; and acquire, sell, operate, lease, manage, and otherwise trade and deal with property, real and personal.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 - MANAGEMENT STRUCTURE (Continued)

On July 1, 2016, the School entered into an agreement with Forza Education Management, L.L.C. (“FORZA”), a Florida limited liability company, to facilitate the continuation of the School by performing certain functions relating to the provision of educational services, transportation, food service, personnel management, and the administration and operation of the School in accordance with enrollment, age, and grade level specifications for the School. This agreement will be effective and remain effective through the last day of the Charter Contract and will automatically renew upon the renewal of the Charter Contract, unless written notice is provided one-hundred-eighty (180) days prior to the Charter Contract expiring. The agreement may be terminated with cause by either party upon a sixty-day notice of material breach, as defined in the contract. The Agreement will automatically renew for a period equal to the charter school agreement extension with the District, unless written notice to terminate by either party is received one-year prior to the expiration date of the agreement.

FORZA shall be responsible for the following services: 1) implementation and administration of the educational program, 2) management of all personnel functions, 3) sound financial operation of the School, 4) business administration of the School, and 5) installation of necessary technology. The annual management fee for these services is 14% of all sources of gross receipts of the School excluding borrowings undertaken by the School. During the year ended June 30, 2019, the School incurred management fees of \$625,648. At June 30, 2019, the School owed \$8,169 for fiscal year 2019 management fees, which are included in accounts payable.

NOTE 8 – PROFESSIONAL SERVICES CONTRACT

The School entered into an agreement with Building Hope Services to provide accounting services to the School. The contract, renewable annually, calls for an annual fee of \$100 per student based on enrollment at the beginning of the school year, payable in monthly installments. For the year ended June 30, 2019, the School incurred fees related to this agreement totaling \$38,036.

NOTE 9 - RELATED PARTY TRANSACTIONS

In July 2017, the School entered into an agreement to rent space to FORZA Child Development Center, Inc. for a PreK Program that is operated by the management company, FORZA Education Management, L.L.C. (FORZA). The rental agreement is for a term of three years and requires monthly payments of \$600. Rental income for the year ended June 30, 2019 totaled \$7,200 and is included in local and other revenue.

During the year ending June 30, 2019. The School purchased buses from Gulf Coast Charter Academy South, a charter school with common board of directors and management. See Note 6.

In June 2018, the School entered into a loan agreement with Forza Education Management, L.L.C. (“FORZA”), which was paid in full as of June 30, 2019. See Notes 6 and 7.

NOTE 10 – COMMITMENTS

The School entered into an agreement to lease facilities from Alliance Bonita Springs, LLC under a 25 year non-cancelable operating lease that expires June 30, 2041. There are no additional options to renew the lease. For the year ending June 30, 2019, the agreement called for an annual rent of \$500,000 payable in equal monthly installments. On July 1 each year, the annual base rent is subject to increase by the percentage of increase in Full Time Equivalent (“FTE”) student allocation. Under the terms of the agreement, annual rent will not decrease from the preceding year.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 – COMMITMENTS (Continued)

Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	
2020	\$ 500,000
2021	500,000
2022	500,000
2023	500,000
2024	500,000
2025 - 2029	2,500,000
2030 - 2034	2,500,000
2035 - 2039	2,500,000
2040 - 2041	1,000,000
Total	<u><u>\$ 11,000,000</u></u>

NOTE 11 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 12 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage in the past. In addition, there were no reductions in insurance coverage from those in the prior year. The School does not sponsor a public entity risk pool and has had no settlements that have exceeded their insurance coverage.

NOTE 13 – RESTATEMENT

The School's 2018 net position is being adjusted to correct an amount that continued to be reflected as a loan payable in error and to properly reflect accrued wages at year-end. The School's 2018 fund balance is being adjusted to properly reflect accrued wages at year-end and is not adjusted for the removal of the loan payable as long-term liabilities are not recorded in the governmental funds. The School's 2018 net position and fund balances are adjusted as follows:

School's net position as previously reported, June 30, 2018	\$ 59,852
Adjustment for loan	288,991
Adjustment for accrued wages	<u>(137,335)</u>
School's beginning net position at June 30, 2018, as restated	<u><u>\$ 211,508</u></u>
School's fund balance as previously reported, June 30, 2018	\$ 78,918
Adjustment for accrued wages	<u>(137,335)</u>
School's beginning fund balance at June 30, 2018, as restated	<u><u>\$ (58,417)</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local school district	\$ 3,346,823	\$ 3,346,823	\$ 3,586,810
Local and other revenue	145,000	145,000	205,222
TOTAL REVENUES	\$ 3,491,823	\$ 3,491,823	\$ 3,792,032
EXPENDITURES			
Instruction	\$ 1,678,005	\$ 1,678,005	\$ 1,999,527
Food services	-	-	35,628
General administration	638,901	638,901	714,546
School administration	204,533	204,533	189,572
Central services	21,500	21,500	14,469
School Board	-	-	15,897
Operation of plant	955,027	955,027	660,807
Maintenance of plant	-	-	13,356
Fiscal services	-	-	30,564
Transportation	109,408	109,408	106,933
Administrative technology services	-	-	23,041
Community services	38,057	38,057	15,904
Capital Outlay:			
Other capital outlay	-	-	304,439
Debt service	76,744	76,744	127,631
TOTAL EXPENDITURES	\$ 3,722,175	\$ 3,722,175	\$ 4,252,314
Change in fund balance before other financing sources	(230,352)	(230,352)	(460,282)
OTHER FINANCING SOURCES			
Payments received on notes receivable	250,000	250,000	278,000
Net change in fund balance	\$ 19,648	\$ 19,648	\$ (182,282)

See accompanying note to the required supplemental information.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal passed through state	\$ 172,000	\$ 172,000	\$ 242,181
TOTAL REVENUES	<u>\$ 172,000</u>	<u>\$ 172,000</u>	<u>\$ 242,181</u>
EXPENDITURES			
Instruction	-	-	10,024
Food services	172,000	172,000	232,157
TOTAL EXPENDITURES	<u>\$ 172,000</u>	<u>\$ 172,000</u>	<u>\$ 242,181</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Capital Projects Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 115,000	\$ 115,000	\$ 299,741
TOTAL REVENUES	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 299,741</u>
EXPENDITURES			
Operation of plant	\$ 115,000	\$ 115,000	\$ 299,741
TOTAL EXPENDITURES	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 299,741</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplemental information.

**OAK CREEK CHARTER SCHOOL OF BONITA SPRINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019**

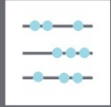
NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2019, has been prepared according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general, special revenue and capital projects funds for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).



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*

Board of Directors of
Oak Creek Charter School of Bonita Springs
Bonita Springs, 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 and each major fund of Oak Creek Charter School of Bonita Springs (the "School") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 16, 2019.

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 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*.

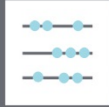
Purpose of this Report

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.

A handwritten signature in blue ink that reads "Veedy-DeArman Tracy".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 16, 2019



MANAGEMENT LETTER

Board of Directors of
Oak Creek Charter School of Bonita Springs
Bonita Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Oak Creek Charter School of Bonita Springs (the “School”), a non-major component unit of the District School Board of Lee County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 16, 2019.

Auditor’s Responsibility

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

Other Reporting Requirements

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 that report, which is dated September 16, 2019, 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 made in the preceding audit report

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Oak Creek Charter School of Bonita Springs and 364281.

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 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 financials 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 procedures applied in connection with our audit, has lead us to believe that the School's overall financial condition as of June 30, 2019 is not deteriorating.

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 have the following recommendations:

2019-1: Payroll Taxes Withheld

Observation

At June 30 2019, the School has a liability recorded related to amounts owed to the Internal Revenue Service (IRS) for penalties associated with the untimely transfer of taxes withheld on the income of employees and the employer and employee contribution for Federal Social Security and Medicare taxes.

Condition

In prior years, the School failed to transfer at the appropriate time, the taxes withheld on the income of employees and the employer and employee contributions for Federal Social Security and Medicare taxes. This occurred for the first three quarters of the calendar year 2017, during the 2016-2017 and 2017-2018 school years. At June 30, 2019, amounts owed to the Internal Revenue Service (IRS) totaled \$39,390 and are included in accrued payroll and related expenses.

Cause

In prior years, the School did not transfer the taxes withheld on the income of employees and the employer and employee contributions for Federal Social Security and Medicare taxes due to error.

Effect

The above condition occurred in prior school years. For the 2018-2019 school year, the School transferred all funds withheld on the income of employees as well as the employer and employee contributions for Federal Social Security and Medicare taxes and filed all reports timely. The condition occurred during the first 3 quarters of the calendar year 2017 (school years 2016-2017 and 2017-2018). There is a balance of \$39,390 related to penalties owed to the IRS which is recorded as of June 30, 2019 in accrued payroll and related expenses. The School currently has an installment agreement with the IRS to pay the balance owed over time.

Recommendation

The School should continue to ensure that there is appropriate oversight so that untimely filing does not occur. The School should also maintain current with their agreed upon installment payments.

Management's Response

The School appropriately transferred all funds withheld on the income of employees as well as the employer and employee contributions for Federal Social Security and Medicare taxes on a timely basis in the current year. In addition, upon discovery of the error, the payroll tax amounts owed were paid in full. The liability that exists as of June 30, 2019 is strictly related to penalties. Management notes that the incident was not related to a deteriorating financial condition as it occurred in prior years and the School has maintained current on the payments and filings since the incident occurred. The School contacted the IRS in order to develop a payment plan to pay the remaining balance and will be making timely monthly payments beginning in September 2019.

2019-2 : Total fund balance deficit

Observation

Pursuant to Sections 218.39(5), Florida Statutes, the auditor must notify each member of the governing body for which a fund balance deficit in total or for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the local governmental entity, charter school, charter technical career center, or district school board, as reported on the fund financial statements, are not available to cover the deficit.

Condition

The School has a total fund balance deficit of \$240,699 at June 30, 2019.

Cause

Although the School reflected a positive change in net position during the year, the School reflected a deficit in fund balance due to their investments in capital assets and instruction in the current year. In addition, an adjustment was made to properly reflect accrued wages for teacher salaries, which reduced prior year fund balances by approximately \$133,000.

Effect

The School has a total fund balance deficit of \$240,699 at June 30, 2019.

Recommendation

The School needs to continue to properly budget its expected expenditures and revenues for the following school year so that it can continue to improve its financial position.

Management response

While management agrees with the adjustment to properly record accrued wages, management notes that this was a reduction to the fund balance that was not accounted for. In addition, the School made necessary capital and maintenance expenditures. Management notes that the School's net position is positive as of June 30, 2019. A budget for the School's 2019-2020 has been adopted which reflects an increase in fund balance and net position.

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 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.

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 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 School Board of Lee County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 16, 2019