

SEACOAST CHARTER ACADEMY, INC.

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

INDEPENDENT AUDITOR'S REPORT

For the fiscal year ended JUNE 30, 2017

SEACOAST CHARTER ACADEMY, INC.

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## Independent Auditor's Report

Board of Directors  
Seacoast Charter Academy, Inc.  
A Charter School and Component Unit of the  
Duval County District School Board  
9100 Regency Square Blvd  
Jacksonville, FL 32211

### 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 Seacoast Charter Academy, Inc. (Academy) (a nonprofit organization), a charter school and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy'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 Academy'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 opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Seacoast Charter Academy, Inc. (Academy) (a nonprofit organization), a component unit of the District School Board of Duval County, Florida, as of June 30, 2017, 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***

#### ***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 the Note to Required Supplementary Information, as listed 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 historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of the Seacoast Charter 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 the Academy's internal control over financial reporting and compliance.



Simonic, Simonic, Ratnecht & Associates, Inc.  
Jacksonville, Florida

September 28, 2017

SEACOAST CHARTER ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The Management's Discussion and Analysis (MD&A) section of the annual financial report of Seacoast Charter Academy, Inc.'s (the "Academy") provides an overview of the Academy's activities for the fiscal year ended June 30, 2017. 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 Academy's financial statements and notes to the financial statements.

### FINANCIAL HIGHLIGHTS

These financial statements consist of three parts: The Auditor's Report, Required Supplementary Information which included the Management's Discussion and Analysis and the Basic Financial Statements. The Basic Financial Statements also include notes which explain, in more detail, some of the information in the Basic Financial Statements.

The Basic Financial Statements consist of two kinds of financial statements. The Government-wide Financial Statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the Academy's overall financial status. Fund Financial Statements provide information regarding the financing of services in the short term and what remains for future spending. The Fund Financial Statements also report the Academy's operations in more detail than the Government-wide Financial Statements by providing information about the Academy's most significant funds.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Academy as a whole.

#### Government-wide Financial Statements

The Academy's annual report includes two Government-wide Financial Statements. These statements provide both long-term and short-term information about the Academy's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and the elimination or reclassification of internal activities.

Statements in this category are as follows:

#### Statement of Net Position

This is the School-wide statement of position presenting information that includes all of the Academy's assets and liabilities, with the difference reported as net position.

SEACOAST CHARTER ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy as a whole is improving or deteriorating. Evaluation of the overall health of the Academy would extend to other non-financial factors such as diversification of the Academy.

Statement of Activities:

The second Government-wide Financial Statement is the Statement of Activities, which reports how the Academy's net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Academy's distinct activities or functions on revenues provided by the Florida Department of Education through the Duval County School Board.

Both Government-wide Financial Statements distinguish general activities of the Academy, which are principally supported by the Department of Education revenues, such as grants from local sources activities that are intended to cover other budgetary shortfalls. Governmental activities include general government, special revenue and capital outlay.

The Academy's financial reporting includes the funds of the Academy's general fund. The Academy is blended into the Duval County School Board for financial reporting purposes as a component unit.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Academy uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Academy's most significant funds rather than the Academy as a whole. State Law requires some funds and others are established by the Academy to control and manage money for a particular purpose.

THE ACADEMY'S FUNDS

Government Fund Type

Most of the Academy's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Academy's general government operations and the basic services it provides.

SEACOAST CHARTER ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the differences between governmental activities (reported in the Statement of Activities and the Statement of Net Position) and governmental funds in the reconciliation at the bottom of the Fund Financial Statements. The general fund is used to account for all financial resources not accounted for in another fund.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt services or capital projects. The major special revenue fund reported by the Academy is for food service to its students.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the Government-wide and Fund Financial Statements. The notes to the financial statements are an integral part of the Academy's financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Academy's fund receivables, payables and payments within the reporting entity.

Major funds and component units are reported in the basic financial statements as discussed.

STATEMENT OF NET POSITION

The Academy's combined net position was \$661,686 on June 30, 2017. This was an increase of 12% from the previous year (see table below).

**The Academy's Net Position**

|  | Governmental Activities for<br>the fiscal year ended June 30, |            | Percentage<br>Change |
|--|---|------------|----------------------|
|  | 2017  | 2016       |                      |
| Current assets                                     | \$ 324,315  | \$ 180,061 | 80%                  |
| Capital assets, net of accumulated<br>Depreciation | 337,371   | 408,364    | (17)%                |
| Total assets                                       | 661,686   | 588,425    | 12%                  |
| Total liabilities                                  | 218,892   | 212,133    | 3%                   |



SEACOAST CHARTER ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)

|   |            |            |       |
|---|------------|------------|-------|
| Invested in capital assets, net of related debt | 334,527    | 402,476    | (17)% |
| Unrestricted net assets (deficit)               | 108,267    | (26,184)   | 313%  |
| Total net position                              | 442,794    | 376,292    | 18%   |
| Total liabilities and net position              | \$ 661,686 | \$ 588,425 | 12%   |

Net position of the Academy's governmental activities increased to \$442,794 since the prior year. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing and contractual obligations.

The deficit for the current year results primarily from costs incurred for the planned expansion into an additional facility in the upcoming school year based on the school's growth plan. As a result of this increase in capacity enrollment has increased. The 3-year projection, based on enrollment, will result in a surplus.

The Academy has invested approximately \$330,000 in capital assets (e.g. building, improvements and equipment) less the related debt used to acquire those assets. The Academy uses these assets to provide services to its students. This portion of net assets is not available for future spending.

CHANGE IN NET POSTION

The following table reflects the condensed Change in Net Position for the year. For more detailed information see the Statement of Activities.

**Change in Net Position**

|                                  | Governmental Activities for the<br>fiscal year ended June 30 |           | Percentage<br>Change |
|----------------------------------|--|-----------|----------------------|
|                                  | 2017   | 2016      |                      |
| Federal revenues                 | \$ 108,602   | \$ 70,041 | 55%                  |
| State                            | 3,114,130  | 2,143,421 | 45%                  |
| Local sources                    | 50,590   | 38,989    | 30%                  |
| Total Revenue                    | 3,273,322  | 2,252,451 | 45%                  |
| Operating expenses               | 3,138,871  | 2,629,101 | (19)%                |
| Change in capital assets         | 70,994   | (236,096) | 130%                 |
| Obligations under capital leases | (3,045)  | (5,474)   | 44%                  |
| Total Expenses                   | 3,206,820  | 2,387,531 | (34)%                |
| Change in net assets             | 66,502   | (135,080) | 149%                 |

SEACOAST CHARTER ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS - (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(CONTINUED)

|   |            |            |       |
|---|------------|------------|-------|
| Net assets at the beginning of the year | 376,292    | 511,372    | (26)% |
| Net assets at the end of the year       | \$ 442,794 | \$ 376,292 | 18%   |

Total Revenue increased by \$1,020,871 (45%) for the year ended June 30, 2017, as shown above. The largest revenue source for the Academy is the State of Florida (90% of total revenue). Enrollment increased by 119 students from the previous school year (38%), and revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula which is based primarily on the number of enrolled students. The Capital Outlay increased by approximately \$79,000 according to the State of Florida's allocation formula based on enrollment and other factors. Food Services Revenue also increased by approximately 52% due to the increase in enrollment.

Instructional Services and related expenses increased by \$560,000 to accommodate the student increase of 119 students. An increase of \$280,000 in Plant Operations and Facilities Acquisition and Construction results from the addition of a second location for the 16/17 school year to accommodate the growth in enrollment. Additional Administrative and Food Services expenses also resulted from the increased enrollment. Board expense was due to a reduction in administrative service fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant variances from budget to actual are described as follows:

Budget / Actual – General Fund

No significant variances.

Budget / Actual – Special Revenue Fund

No significant variances.

CAPITAL ASSETS

No significant variances.

CONTACTING THE ACADEMY'S FINANCIAL MANAGEMENT

The financial report is designed to provide the citizens, taxpayers, customers, and investors with a general overview of the Academy's finances, and to show the Academy's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Board of Directors, Seacoast Charter Academy, Inc. 9100 Regency Square Blvd North, Jacksonville, FL 32211, (904) 562-7480.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT  
SCHOOL BOARD

STATEMENT OF NET POSITION  
JUNE 30, 2017

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash  | \$ 292,817                         |
| Accounts Receivable                             | 18,830                             |
| Prepaid Expenses                                | 12,668                             |
| Capital Assets, net of accumulated depreciation | <u>337,371</u>                     |
| Total Assets                                    | 661,686                            |
| <b>LIABILITIES</b>                              |                                    |
| Accounts Payable                                | 35,541                             |
| Accrued Payroll                                 | 180,507                            |
| Current Portion of Capital Lease                | <u>2,844</u>                       |
| Total Liabilities                               | <u>218,892</u>                     |
| Total Assets Less Liabilities                   | <u><u>\$ 442,794</u></u>           |
| <b>NET POSITION</b>                             |                                    |
| Invested in Capital Assets, net of related debt | 334,527                            |
| Restricted Net Position                         |                                    |
| Unrestricted Net Position (Deficit)             | <u>108,267</u>                     |
| Total Net Position                              | <u><u>\$ 442,794</u></u>           |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

| FUNCTIONS  | Expenses              | Program Revenues        |  |  | Net (Expenses)<br>Revenues & Changes<br>in Net Position |
|--|-----------------------|-------------------------|--|--|---|
|  |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Component Unit<br>Activities                            |
| Component Unit Activities:                                   |                       |                         |  |  |   |
| Instructional  | \$ (1,623,686)        |                         |  |  | \$ (1,623,686)  |
| Pupil personnel services                                     | (88,910)              |                         |  |  | (88,910)  |
| Instructional media services                                 | (45,385)              |                         |  |  | (45,385)  |
| Staff development  | (16,317)              |                         | 16,317                                   |  | -   |
| Board  | (190,780)             |                         |  |  | (190,780)   |
| General administration                                       | (85,225)              |                         |  |  | (85,225)  |
| School administration  | (324,048)             |                         |  |  | (324,048)   |
| Fiscal Services  | (31,751)              |                         |  |  | (31,751)  |
| Food services  | (100,690)             | \$ 31,180               | 92,352                                   |  | 22,842  |
| Central services   | (1,225)               |                         |  |  | (1,225)   |
| Operation of plant   | (673,575)             |                         |  | \$ 122,982                             | (550,593)   |
| Maintenance of plant   | (25,228)              |                         |  |  | (25,228)  |
| <b>Total Component Units</b>                                 | <b>\$ (3,206,820)</b> | <b>\$ 31,180</b>        | <b>\$ 108,669</b>                        | <b>\$ 122,982</b>                      | <b>\$ (2,943,989)</b>                                   |
| General Revenues:  |                       |                         |  |  |   |
| Grants and Contributions Not Restricted to Specific Programs |                       |                         |  |  | \$ 3,010,491  |
| Total General Revenues                                       |                       |                         |  |  | 3,010,491   |
| Change in Net Position (Deficit)                             |                       |                         |  |  | 66,502  |
| Net Assets - Beginning                                       |                       |                         |  |  | 376,292   |
| Net Assets - Ending  |                       |                         |  |  | \$ 442,794  |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT  
SCHOOL BOARD

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

|   | General Fund      | Special<br>Revenue Fund | Total<br>Governmental<br>Funds |
|---|-------------------|-------------------------|--------------------------------|
| <b>ASSETS</b>                             |                   |                         |                                |
| Cash                                      | \$ 292,817        |                         | \$ 292,817                     |
| Accounts Receivable                       | 18,830            |                         | 18,830                         |
| Due from fund                             |                   | \$ 39,477               | 39,477                         |
| Prepaid Expenses                          | 12,668            |                         | 12,668                         |
| <b>Total Assets</b>                       | <b>\$ 324,315</b> | <b>\$ 39,477</b>        | <b>\$ 363,792</b>              |
| <br><b>LIABILITIES AND FUND BALANCE</b>   |                   |                         |                                |
| <b>Liabilities:</b>                       |                   |                         |                                |
| Accounts Payable                          | \$ 35,541         |                         | \$ 35,541                      |
| Accrued Payroll                           | 180,507           |                         | 180,507                        |
| Due to fund                               | 39,477            |                         | 39,477                         |
| <b>Total Liabilities</b>                  | 255,525           |                         | 255,525                        |
| <br><b>Fund Balances (Deficit):</b>       |                   |                         |                                |
| Nonspendable                              | 12,668            |                         | 12,668                         |
| Unassigned                                | 56,122            | \$ 39,477               | 95,599                         |
| <b>Total Fund Balance (Deficit)</b>       | 68,790            | 39,477                  | 108,267                        |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 324,315</b> | <b>\$ 39,477</b>        | <b>\$ 363,792</b>              |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017

|  |                   |
|--|-------------------|
| Fund balances - Governmental Funds (Page 11)   | \$ 108,267        |
| Amounts reported for governmental activities in the statement of activities are different because:                                     |                   |
| Capital assets used in governmental activities that are not reported in the fund financial statements, net of accumulated depreciation | 337,371           |
| Liabilities are due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.       | <u>(2,844)</u>    |
| Net position of governmental activities (Page 10)  | <u>\$ 442,794</u> |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

|   | General Fund     | Special Revenue Fund |                |                 | Total Governmental Funds |
|---|------------------|----------------------|----------------|-----------------|--------------------------|
|   |                  | Food Services        | Capital Outlay | Other (Federal) |                          |
| <b>REVENUES</b>                             |                  |                      |                |                 |                          |
| Federal through state revenue               |                  | \$ 92,352            | \$ 122,982     | \$ 16,250       | \$ 231,584               |
| State sources                               | \$ 2,991,148     |                      |                |                 | 2,991,148                |
| Local sources                               | 19,410           | 31,180               |                |                 | 50,590                   |
| <b>Total revenue</b>                        | <b>3,010,558</b> | <b>123,532</b>       | <b>122,982</b> | <b>16,250</b>   | <b>3,273,322</b>         |
| <b>EXPENDITURES</b>                         |                  |                      |                |                 |                          |
| Education:                                  |                  |                      |                |                 |                          |
| Instructional                               | 1,588,788        |                      |                |                 | 1,588,788                |
| Pupil personnel services                    | 88,910           |                      |                |                 | 88,910                   |
| Instructional media services                | 45,385           |                      |                |                 | 45,385                   |
| Staff development                           |                  |                      |                | 16,317          | 16,317                   |
| Board                                       | 190,780          |                      |                |                 | 190,780                  |
| General administration                      | 85,225           |                      |                |                 | 85,225                   |
| School administration                       | 312,173          |                      |                |                 | 312,173                  |
| Fiscal services                             | 31,751           |                      |                |                 | 31,751                   |
| Food services                               |                  | 100,690              |                |                 | 100,690                  |
| Central services                            | 1,225            |                      |                |                 | 1,225                    |
| Operation of plant                          | 529,417          |                      | 122,982        |                 | 652,399                  |
| Maintenance of plant                        | 25,228           |                      |                |                 | 25,228                   |
| <b>Total Expenditures</b>                   | <b>2,898,882</b> | <b>100,690</b>       | <b>122,982</b> | <b>16,317</b>   | <b>3,138,871</b>         |
| Excess of revenues over expenditures        | 111,676          | 22,842               |                | (67)            | 134,451                  |
| Fund balances, beginning of year            | (42,886)         | 16,702               |                |                 | (26,184)                 |
| <b>Fund balances (deficit), end of year</b> | <b>\$ 68,790</b> | <b>\$ 39,544</b>     | <b>\$ -</b>    | <b>\$ (67)</b>  | <b>\$ 108,267</b>        |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DUVAL COUNTY DISTRICT SCHOOL  
BOARD

RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2017

Excess of revenues over expenditures (Page 13) \$ 134,451

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount that capital outlays in the current period exceeded depreciation. (70,994)

Obligations under capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,045

Change in Net Assets of Governmental Activities (Page 10) \$ 66,502

See independent auditor's report and accompanying notes to financial statements.



SEACOAST CHARTER ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
DUVAL COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Seacoast Charter Academy, Inc., (the “Academy”) is a nonprofit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing board of the Academy is the not-for-profit corporation Board of Directors, which is comprised of five members.

The general operating authority of the Academy is contained in Section 1002.33, Florida Statutes. The Academy operates under a charter of the sponsoring school district, the Duval County District School Board (the District). The current charter for the Primary School is effective until June 30, 2019 and may be renewed in increments of one to fifteen years by mutual agreement between the Academy and the District. At the end of the term in the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the Academy 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. The Academy is considered a component unit of the District.

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 – In order to ensure observance of limitations and restrictions placed on the use of resources available to the Academy, the financial records and accounts are maintained in accordance with the principles of “fund accounting.” This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds and account groups that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in some of the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions have been recorded and reported by fund type and account group. The fund types and account groups used are classified as follows:

General Fund – used to account for all financial resources not accounted for and reported in another fund.

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Special Revenue Fund – 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.

Basis of Accounting - The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Academy. For the most part, the effect of inter-fund activity has been eliminated.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues consist of charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The revenues of the Academy are classified as general revenues and are further classified as unrestricted and restricted based on the particular function for which they were received. Unrestricted revenues are applied to the general operations of the Academy.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Academy's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. The Government-wide Financial Statements are reported 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 the related cash flows. Inter-governmental revenue is recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. For this purpose, the Academy considers revenues available if they are collected within 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for 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.

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, purchased services and capital outlay).

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Recently Issued Accounting Principles - In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2017. The Academy does not have any items that qualify for reporting in this category.

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

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash deposits consist of demand deposits and a money market account with a financial institution. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

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

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Fixed Assets and Depreciation - Capital assets, which include property and equipment, are reported in the Government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are capitalized (recorded) at historical cost. Donated assets are recorded at fair market value at the date of the donation. Property and equipment are depreciated using the straight-line method over the useful lives of the respective assets.

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 Academy 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 Academy does not have any items that qualify for reporting in this category.

*Government-wide Financial Statements*

Net Position and Fund Balance Classification

The Academy reports its governmental fund balances under the following categories:

- 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.”

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*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 – The net current financial resources that cannot be spent because they are either nonspendable in form or legally or contractually required to be maintained intact. Generally these funds are not expected to be converted into cash.
- Restricted – The portion of the fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. This is considered to be the most binding level of constraint on the use of the fund balance.
- Committed – The portion of the fund balance that can be used only for specific purposes pursuant to constraints imposed by formal action of the highest level of decision making authority – the district school board. These amounts cannot be used for any other purpose unless the district school board removes or changes the specified use by taking the same action it employed to previously commit the amounts.
- Assigned – The portion of the fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed.
- Unassigned – The portion of the fund balance that is the residual classification for the general fund. This balance represents amounts that have not been assigned to other funds and that have not have been restricted, committed or assigned for specific purposes. For the funds other than the general fund, if the residual balance is still negative after eliminating any assigned fund balances, the negative residual amount will be classified as an unassigned fund balance.

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The following is a summary schedule of the Academy's Governmental Funds for the fiscal year ended June 30, 2017.

| Fund Balances       | General Fund | Special<br>Revenue Fund | Total<br>Governmental<br>Fund |
|---------------------|--------------|-------------------------|-------------------------------|
| Nonspendable        | \$ 12,668    |                         | \$ 12,668                     |
| Restricted          |              |                         |                               |
| Committed           |              |                         |                               |
| Assigned            |              |                         |                               |
| Unassigned          | 56,122       | \$ 39,477               | 95,599                        |
| Total Fund Balances | \$ 68,790    | \$ 39,477               | \$ 108,267                    |

In accordance with the implementation of GASB No. 54, the Academy considers restricted amounts to have been spent first when expenditure is incurred for purposes for which both are available. When the expenditure is incurred it is used in the order of committed, assigned, or unassigned.

Order of Fund Balance Spending Policy

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

Reclassifications – Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format.

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

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Academy 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 Academy during the designated full-time equivalent student survey periods.

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

The Academy received revenue from Federal, State and Local sources for the following purposes: Charter School Start-up Grant, Planning Design Implementation Grant, safe schools, school improvements, instructional materials, class size reduction, technology improvement, and teacher training.

2. COMPONENT UNITS AND RELATED ORGANIZATIONS

Criteria for determining if other entities are potential component units of the Academy which should be reported with the Academy's general-purpose financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Section 2100 and 2600 (GASB 39). As follows, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents. 2) The primary government, or its component units, is entitled to or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. 3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The Academy appears in compliance with the above criteria.

3. BANK ACCOUNTS

The Academy maintains a bank account for the charter school programs as required by the Duval County District School Board contract.

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4. CHANGES IN FIXED ASSETS

The following schedule represents changes in fixed assets for the year ended June 30, 2017:

|                           | <u>Beginning<br/>Book Value</u> | <u>Additions</u>  | <u>Disposals</u>  | <u>Ending<br/>Book Value</u> |
|---------------------------|---------------------------------|-------------------|-------------------|------------------------------|
| Building                  | \$ 17,707                       | \$ 259,600        |                   | \$ 277,307                   |
| Furniture and Equipment   | 55,510                          | 9,490             |                   | 65,000                       |
| Computer Equipment        | 117,139                         |                   | \$ 15,007         | 102,132                      |
| Computer Software         | 37,374                          |                   | 3,124             | 34,250                       |
| Capital Improvements      | 319,885                         |                   | 259,600           | 60,285                       |
| Total Capital Assets      | 547,615                         | 269,090           | 277,731           | 538,974                      |
| Accumulated Depreciation  | (139,250)                       | (62,353)          |                   | (201,603)                    |
| Total Capital Assets, Net | <u>\$ 408,365</u>               | <u>\$ 206,737</u> | <u>\$ 277,731</u> | <u>\$ 337,371</u>            |

Depreciation expense was charged to functions as follows:

|   | <u>Amount</u>    |
|---|------------------|
| Government activities                               |                  |
| Basic instruction                                   | \$ 26,257        |
| School administration                               | 11,875           |
| Facilities acquisition and construction             | 24,221           |
| Total governmental activities' depreciation expense | <u>\$ 62,353</u> |

5. OPERATING LEASES AND CONTRACTUAL OBLIGATIONS

The following is a schedule of the Academy's operating leases and contractual obligations that are outstanding for minimum payments as of June 30, 2017.

|  |                     |
|--|---------------------|
| Academy facilities lease, with original term of 60 months, with monthly payments of \$21,132 per month, maturing June 30, 2021. This agreement is with a related organization. See footnote 9. | \$ 1,014,336        |
| Academy facilities lease, with original term of 24 months, with monthly payments of \$18,750 per month, maturing June 1, 2019. This agreement is with a related organization. See footnote 9.  | 450,000             |
| Total amount of minimum payments over the life of the contracts.   | <u>\$ 1,464,336</u> |



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The following is a schedule of future minimum payments required under contract agreements that have initial or remaining non-cancelable lease term as of June 30, 2017.

|                        |              |
|------------------------|--------------|
| 2018                   | \$ 478,584   |
| 2019                   | 478,584      |
| 2020                   | 253,584      |
| 2021                   | 253,584      |
| 2022                   | 0            |
| Thereafter             | 0            |
| Total minimum payments | \$ 1,464,336 |

The Academy has various other operating leases that are on a month to month basis. Total rent expense was \$492,656 for the year ending June 30, 2017.

6. OBLIGATIONS UNDER CAPITAL LEASE

The School is currently leasing a copier machine. Future minimum capital lease payments as of June 30, 2017 are as follows:

| Fiscal Year Ending June 30:  | Total    | Principal | Interest |
|------------------------------|----------|-----------|----------|
| 2018                         | 2,872    | 2,844     | 28       |
| Total Minimum Lease Payments | \$ 2,872 | \$ 2,844  | \$ 28    |

7. CHANGES IN LONG-TERM LIABILITIES

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

|                                  | Beginning<br>Balance | Additions | Deductions | Ending<br>Balance | Due in One<br>Year |
|----------------------------------|----------------------|-----------|------------|-------------------|--------------------|
| GOVERNMENTAL<br>ACTIVITIES:      |                      |           |            |                   |                    |
| Copier Capital Lease             | \$ 5,888             |           | \$ (3,044) | \$ 2,844          | \$ 2,844           |
| Total Governmental<br>Activities | \$ 5,888             |           | \$ (3,044) | \$ 2,844          | \$ 2,844           |

Interest paid was \$90 for the year ended June 30, 2017.

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8. SCHEDULE OF STATE REVENUE SOURCES

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

| Source                                | Amount              |
|---------------------------------------|---------------------|
| <u>STATE</u>                          |                     |
| Florida Education Finance Program     | \$ 1,976,794        |
| Class Size Reduction                  | 571,121             |
| ESE Guaranteed Allocation             | 253,132             |
| Supplementary Academic Instruction    | 99,015              |
| Class Size Reallocation & Restoration | 348                 |
| Instructional Materials               | 32,211              |
| School Improvement                    | 7,424               |
| Safe School                           | 11,794              |
| Florida Teachers' Lead Program        | 7,830               |
| Digital Classroom Allocation          | 8,551               |
| Research-based Reading Instruction    | 19,310              |
| Student Attired for Education         | 3,112               |
| Science Lab                           | 506                 |
| Total State Revenue                   | <u>\$ 2,991,148</u> |

As provided in the charter school contract, the District has charged the Academy an administrative fee totaling \$85,225.

Accounting policies relating to certain State revenue sources are described in Note 1.

9. RELATED PARTY TRANSACTIONS

HCMC, Inc. (HCMC) provides administrative support services and maintenance oversight to the Academy. The Academy renewed its management agreement with HCMC, Inc. effective July 1, 2017 and expiring on June 30, 2019. Terms of the agreement provide a service fee of 5% of collected funds for year 1, 8% of collected funds for year 2, and 9% of collected funds for year 3. HCMC is owned and controlled by the Parents of the Administrator. Decisions relative to the contract are approved by the independent Charter School Board.

After a thorough analysis of alternatives to accommodate anticipated growth, the Academy entered into a lease agreement with Seacoast Christian Academy Realty Nominee Trust (the Trust). Per the lease agreement, a prepayment of \$250,000 was made to the Trust during the 2015/2016 school year to fund approximately 50% of the anticipated leasehold improvements needed to prepare the building for occupancy in July, 2017. The lease is

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9. RELATED PARTY TRANSACTIONS – (continued)

further discussed in Note 5. The beneficiary of the Trust is Seacoast Christian Academy, Inc., a non-profit corporation. The Trustees of the Trust are the parents of the Administrator. Decisions relative to the lease agreement are approved by the independent Charter School Board.

10. FUNDING AND CREDIT CONCENTRATIONS

The Academy 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 Academy is greatly dependent upon the continued support of these governmental agencies.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through September 28, 2017 which is the date the financial statements were available to be issued.

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NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – (UNAUDITED)  
JUNE 30, 2017

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.

SEACOAST CHARTER ACADEMY, INC.

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

|  | Original<br>Budget  | Final<br>Amended<br>Budget | Actual              | Variance -<br>Favorable<br>(Unfavorable) |
|--|---------------------|----------------------------|---------------------|--|
| <b>REVENUES</b>                              |                     |                            |                     |  |
| State sources                                | \$ 2,984,054        | \$ 2,990,974               | \$ 2,991,148        | \$ 174                                   |
| Local sources                                | 9,250               | 19,407                     | 19,410              | 3  |
| Total revenue                                | <u>\$ 2,993,304</u> | <u>\$ 3,010,381</u>        | <u>\$ 3,010,558</u> | <u>\$ 177</u>                            |
| <b>EXPENDITURES</b>                          |                     |                            |                     |  |
| Education:                                   |                     |                            |                     |  |
| Instructional                                | \$ 1,605,678        | \$ 1,592,554               | \$ 1,588,788        | \$ 3,766                                 |
| Pupil personnel services                     | 87,484              | 87,662                     | 88,910              | (1,248)                                  |
| Instructional media services                 | 44,322              | 44,653                     | 45,385              | (732)                                    |
| Board  | 186,731             | 190,780                    | 190,780             |  |
| General administration                       | 127,720             | 85,225                     | 85,225              |  |
| School administration                        | 316,765             | 312,153                    | 312,083             | 70                                       |
| Fiscal services                              | 37,704              | 31,752                     | 31,751              | 1  |
| Central services                             | 1,110               | 1,225                      | 1,225               |  |
| Operation of plant                           | 477,463             | 472,465                    | 472,465             |  |
| Maintenance of plant                         | 74,144              | 79,135                     | 79,135              |  |
| Debt service:                                |                     |                            |                     |  |
| Principal                                    | 3,015               | 3,044                      | 3,045               | (1)                                      |
| Interest and fiscal charges                  |                     |                            | 90                  | (90)                                     |
| Total Expenditures                           | <u>\$ 2,962,136</u> | <u>\$ 2,900,648</u>        | <u>\$ 2,898,882</u> | <u>\$ 1,766</u>                          |
| Excess of revenues over (under) expenditures | 31,168              | 109,733                    | 111,676             | <u>\$ 1,943</u>                          |
| Fund balances, beginning of year             | <u>(42,886)</u>     | <u>(42,886)</u>            | <u>(42,886)</u>     |  |
| Fund balances (deficit), end of year         | <u>\$ (11,718)</u>  | <u>\$ 66,847</u>           | <u>\$ 68,790</u>    |  |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND - (UNAUDITED)  
 FOR THE YEAR ENDED JUNE 30, 2017

|   | Original<br>Budget | Final<br>Amended<br>Budget | Actual            | Variance -<br>Favorable<br>(Unfavorable) |
|---|--------------------|----------------------------|-------------------|--|
| <b>REVENUES</b>                             |                    |                            |                   |  |
| Federal through state                       | \$ 99,751          | \$ 105,776                 | \$ 108,602        | \$ 2,826                                 |
| Local sources                               | 29,671             | 31,180                     | 31,180            |  |
| <b>Total revenue</b>                        | <b>\$ 129,422</b>  | <b>\$ 136,956</b>          | <b>\$ 139,782</b> | <b>\$ 2,826</b>                          |
| <b>EXPENDITURES</b>                         |                    |                            |                   |  |
| Education:                                  |                    |                            |                   |  |
| Instructional                               |                    |                            |                   |  |
| Staff Development                           | 12,725             | 12,725                     | 16,317            | (3,592)                                  |
| Board                                       |                    |                            |                   |  |
| General Administration                      |                    |                            |                   |  |
| School administration                       |                    |                            |                   |  |
| Facilities acquisition and construction     |                    |                            |                   |  |
| Food services                               | 93,469             | 100,690                    | 100,690           |  |
| <b>Total Expenditures</b>                   | <b>\$ 106,194</b>  | <b>\$ 113,415</b>          | <b>\$ 117,007</b> | <b>\$ (3,592)</b>                        |
| Excess of revenues over (under) expenditure | 23,228             | 23,541                     | 22,775            | \$ (766)                                 |
| Fund balances, beginning of year            | 16,702             | 16,702                     | 16,702            |  |
| <b>Fund balances, end of year</b>           | <b>\$ 39,930</b>   | <b>\$ 40,243</b>           | <b>\$ 39,477</b>  |  |

See independent auditor's report and accompanying notes to financial statements.

SEACOAST CHARTER ACADEMY, INC.

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - CAPITAL OUTLAY FUND - (UNAUDITED)  
 FOR THE YEAR ENDED JUNE 30, 2017

|   | Original<br>Budget | Final<br>Amended<br>Budget | Actual            | Variance -<br>Favorable<br>(Unfavorable) |
|---|--------------------|----------------------------|-------------------|--|
| <b>REVENUES</b>                             |                    |                            |                   |  |
| Federal through state                       | \$ 122,798         | \$ 122,982                 | \$ 122,982        |  |
| Local sources                               |                    |                            |                   |  |
| <b>Total revenue</b>                        | <b>\$ 122,798</b>  | <b>\$ 122,982</b>          | <b>\$ 122,982</b> |  |
| <b>EXPENDITURES</b>                         |                    |                            |                   |  |
| Education:                                  |                    |                            |                   |  |
| Instructional                               |                    |                            |                   |  |
| Staff Development                           |                    |                            |                   |  |
| Board                                       |                    |                            |                   |  |
| General Administration                      |                    |                            |                   |  |
| School administration                       |                    |                            |                   |  |
| Operation of plant                          | 90,154             | 122,982                    | 122,982           |  |
| Food services                               |                    |                            |                   |  |
| <b>Total Expenditures</b>                   | <b>\$ 90,154</b>   | <b>\$ 122,982</b>          | <b>\$ 122,982</b> | <b>\$ -</b>                              |
| Excess of revenues over (under) expenditure | 32,644             | -                          | -                 | <u>\$ -</u>                              |
| Fund balances, beginning of year            | -                  | -                          | -                 |  |
| <b>Fund balances, end of year</b>           | <b>\$ 32,644</b>   | <b>\$ -</b>                | <b>\$ -</b>       |  |

See independent auditor's report and accompanying notes to financial statements.



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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*

*Independent Auditor's Report*

Board of Directors  
Seacoast Charter Academy, Inc.  
A Charter School and Component Unit of  
District School Board, Duval County, Florida  
9100 Regency Square Blvd  
Jacksonville, FL 32211

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Seacoast Charter Academy, Inc., a Charter School (nonprofit organization), and component unit of the District School Board of Duval County, Florida as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise Seacoast Charter Academy, Inc.'s basic financial statements and have issued our report thereon dated September 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Academy'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 Academy'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 Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Simonie, Simonic, Ratnecht & Associates, Inc.  
Jacksonville, Florida

September 28, 2017



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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 of Seacoast Charter Academy, Inc.  
a Charter School and Component Unit of the  
District School Board of Duval County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Seacoast Charter Academy, Inc. (“The Academy”), a charter school and component unit of the District School Board of Duval County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 28, 2017.

**Auditor’s Responsibility**

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

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

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 28, 2017, 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. The Academy did not have findings and recommendations made in the preceding annual financial audit report.

**Official Title**

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

## **Financial Condition**

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Academy 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 Academy 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 Academy. It is management's responsibility to monitor the Academy's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Academy 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 Academy maintained on its Web site the information specified in Section 1002.33(9)(p).

## **Other Matters**

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

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

## **Purpose of this Letter**

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



Simonie, Simonie, Ratnecht & Associates, Inc.  
Jacksonville, Florida

September 28, 2017