

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF
ORANGE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

JUNE 30, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Nap Ford Community School (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section. The School operates as part of Nap Ford Community School, Inc. with one other charter school.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased as compared to the prior year.
- For the fiscal year ended June 30, 2016, the School's expenses exceeded revenues by \$372,626, which is a decrease from the prior year when revenues exceeded expenses by \$522,641.
- Overall, revenues decreased by approximately \$415,000, which was a 22% decrease from the prior year.
- Overall, expenses increased by approximately \$480,000, which was a 36% increase from the prior year.
- Total assets and deferred outflows of resources were \$508,172, and total liabilities and deferred inflows of resources were \$654,578, resulting in a net deficit of \$146,406 as of June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of net position information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide financial statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base, the quality of the education and the safety of the School.

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

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

Fund financial statements

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

The School currently has one type of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net position

The School's combined net position at June 30, 2016 and 2015 is summarized as follows – see table below.

	Governmental Activities		Increase (Decrease)
	2016	2015	
Current and other assets	\$ 298,113	\$ 662,284	-55%
Capital assets, net	8,750	12,987	-33%
Deferred outflows of resources	201,309	98,994	103%
Total assets and deferred outflows	<u>508,172</u>	<u>774,265</u>	<u>-34%</u>
Current and other liabilities	10,288	-	100%
Long-term liabilities	504,242	362,330	39%
Deferred inflows of resources	140,048	185,715	-25%
Total liabilities and deferred inflows	<u>654,578</u>	<u>548,045</u>	<u>19%</u>
Net position:			
Net investment in capital assets	8,750	12,987	-33%
Restricted	279,099	108,687	157%
Unrestricted	<u>(434,255)</u>	<u>104,546</u>	<u>-515%</u>
Total net position	<u><u>\$ (146,406)</u></u>	<u><u>\$ 226,220</u></u>	<u><u>-165%</u></u>

Current and other assets decreased from the prior year primarily due to a grant the School received near the end of the prior year to replicate itself and whose funds were disbursed to a related party school during the current year. The changes in deferred outflows of resources, deferred inflows of resources and long-term liabilities are all related to the remeasurement of the net pension liability for fiscal 2016. The change in total net position was due to the current year operating deficit and the activity noted above.

Change in net position

The School's total revenues decreased by 22% to \$1,442,756, and the total cost of all programs and services increased by 36% to \$1,815,382 – see table below.

	Governmental Activities		Increase
	2016	2015	(Decrease)
Revenues:			
Federal sources passed through local school district	\$ 116,445	\$ 123,117	-5%
State and local sources	959,887	934,802	3%
Contributions and other revenue	<u>366,424</u>	<u>799,884</u>	<u>-54%</u>
Total revenues	<u>1,442,756</u>	<u>1,857,803</u>	<u>-22%</u>
Expenses:			
Instruction and instruction support services	1,009,110	907,177	11%
Instruction-related technology	30,562	23,436	30%
Board	11,222	26,747	-58%
General administration	43,132	44,598	-3%
School administration	69,978	64,163	9%
Fiscal services	52,178	73,880	-29%
Food services	32,152	31,725	1%
Operation and maintenance of plant	85,339	88,436	-4%
Community services	<u>481,709</u>	<u>75,000</u>	<u>542%</u>
Total expenses	<u>1,815,382</u>	<u>1,335,162</u>	<u>36%</u>
Change in net position	<u><u>\$ (372,626)</u></u>	<u><u>\$ 522,641</u></u>	<u><u>-171%</u></u>

State and local sources increased due to an increase in enrollment. Contributions and other revenue decreased and community services expenses increased due to a one-time grant the School received near the end of the prior year to replicate itself and whose funds were disbursed to a related party school during the current year.

Instruction and instruction support services increased due to additional salaries and related expenses. Board expenses decreased due to the use of a marketing service during the prior year. Fiscal services decreased due to sharing costs with a related party school.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$287,825. Overall, revenues decreased and expenditures increased for the same reasons described above.

General fund budgetary highlights

For the year ended June 30, 2016, actual general fund revenues were approximately \$193,000 below the final budget, which represents a 13% budget variance. The variance was primarily due to lower than expected fundraising opportunities and outcomes.

For the year ended June 30, 2016, actual general fund expenditures were approximately \$237,000 above the final budget, which represents a 16% budget variance. The variance was primarily due to a higher than expected amount of funds being disbursed to a related party school to replicate itself during the current year.

Special revenue fund budgetary highlights

For the year ended June 30, 2016, actual special revenue fund revenues and expenditures were approximately \$1,000 above budgeted amounts due to more federal funds received than expected.

CAPITAL ASSET ADMINISTRATION

The School's investment in capital assets at the end of fiscal 2016 amounts to \$8,750 (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Furniture, fixtures and equipment	\$ 83,791	\$ 108,084	-22%
Leasehold improvements	25,000	25,000	0%
Less: accumulated depreciation	<u>(100,041)</u>	<u>(120,097)</u>	<u>-17%</u>
Total capital assets	<u>\$ 8,750</u>	<u>\$ 12,987</u>	<u>-33%</u>

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2017:

- Projected increase in student population
- Projected salary increases

Amounts available for appropriation in the general fund are approximately \$1,223,000, a decrease of 5% from 2016 actual revenues of \$1,289,374. The decrease is primarily due to an anticipated decrease in fundraising revenues.

Budgeted expenditures are expected to be approximately \$1,223,000, a decrease of 28% from 2016 actual expenditures of \$1,695,245. The decrease is due to a reduction in the amount of disbursements to a related party school to be used to replicate itself.

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 648 W Livingston Street, Orlando, Florida 32801.

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

To the Board of Directors of Nap Ford Community School, Inc. –
Nap Ford Community School, a Charter School and Component Unit of the District
School Board of Orange County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. - Nap Ford Community School (the "School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nap Ford Community School, Inc. - Nap Ford Community School as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7, the budgetary comparison information on pages 32 – 33 and the pension information on pages 34 – 35 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 30, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Winter Park, Florida
September 30, 2016

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 145,757
Accounts receivable	142,356
Endowment	10,000
Capital assets:	
Furniture, fixtures and equipment	83,791
Leasehold improvements	25,000
Less accumulated depreciation	(100,041)
Total capital assets, net	8,750
Total assets	306,863
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	201,309
Total assets and deferred outflows of resources	\$ 508,172
LIABILITIES	
Accounts payable and accrued expenses	\$ 10,288
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	14,820
Portion due or payable after one year:	
Net pension liability	489,422
Total liabilities	514,530
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	140,048
NET POSITION	
Net investment in capital assets	8,750
Restricted for:	
Endowment	10,000
Capital projects	130,099
School transition	139,000
Unrestricted	(434,255)
Total net position	(146,406)
Total liabilities, deferred inflows of resources and net position	\$ 508,172

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

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 1,009,110	\$ -	\$ 116,445	\$ -	\$ (892,665)	\$ (892,665)
Instruction-related technology	30,562	-	-	-	(30,562)	(30,562)
Board	11,222	-	-	-	(11,222)	(11,222)
General administration	43,132	-	-	-	(43,132)	(43,132)
School administration	69,978	-	-	-	(69,978)	(69,978)
Fiscal services	52,178	-	-	-	(52,178)	(52,178)
Food services	32,152	-	-	-	(32,152)	(32,152)
Operation of plant	85,339	-	-	-	(85,339)	(85,339)
Community services	481,709	-	-	-	(481,709)	(481,709)
Total primary government	<u>\$ 1,815,382</u>	<u>\$ -</u>	<u>\$ 116,445</u>	<u>\$ -</u>	<u>(1,698,937)</u>	<u>(1,698,937)</u>
General revenues:						
State and local sources				959,887	959,887	
Contributions and other revenue				366,424	366,424	
Total general revenues				<u>1,326,311</u>	<u>1,326,311</u>	
Change in net position				(372,626)	(372,626)	
Net position at beginning of year				<u>226,220</u>	<u>226,220</u>	
Net position at end of year				<u>\$ (146,406)</u>	<u>\$ (146,406)</u>	

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

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 145,757	\$ -	\$ -	\$ 145,757
Accounts receivable	2,122	10,135	130,099	142,356
Due from special revenue fund	10,135	-	-	10,135
Endowment	10,000	-	-	10,000
Total assets	\$ 168,014	\$ 10,135	\$ 130,099	\$ 308,248
LIABILITIES				
Accounts payable and accrued expenditures	\$ 10,288	\$ -	\$ -	\$ 10,288
Due to general fund	-	10,135	-	10,135
Total liabilities	10,288	10,135	-	20,423
FUND BALANCES				
Nonspendable:				
Endowment	10,000	-	-	10,000
Restricted for:				
Capital projects	-	-	130,099	130,099
School transition	139,000	-	-	139,000
Unassigned	8,726	-	-	8,726
Total fund balances	157,726	-	130,099	287,825
Total liabilities and fund balances	\$ 168,014	\$ 10,135	\$ 130,099	\$ 308,248

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

**NAP FORD COMMUNITY SCHOOL, INC.
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION**

JUNE 30, 2016

Total fund balances - total governmental funds \$ 287,825

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$108,791, and the accumulated depreciation is \$100,041. 8,750

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (14,820)

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

Pension related deferred outflows of resources	201,309
Net pension liability	(489,422)
Pension related deferred inflows of resources	(140,048)
	(146,406)

Total net position - governmental activities \$ (146,406)

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

**NAP FORD COMMUNITY SCHOOL, INC.
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ 116,445	\$ -	\$ 116,445
State and local sources	922,950	-	36,937	959,887
Contributions and other revenue	366,424	-	-	366,424
Total revenues	1,289,374	116,445	36,937	1,442,756
EXPENDITURES				
Current:				
Instruction	894,705	116,445	-	1,011,150
Instruction-related technology	30,562	-	-	30,562
Board	11,222	-	-	11,222
General administration	43,132	-	-	43,132
School administration	69,032	-	739	69,771
Fiscal services	52,178	-	-	52,178
Food services	32,152	-	-	32,152
Operation of plant	80,553	-	4,786	85,339
Community services	481,709	-	-	481,709
Total expenditures	1,695,245	116,445	5,525	1,817,215
Net changes in fund balances	(405,871)	-	31,412	(374,459)
Fund balances at beginning of year	563,597	-	98,687	662,284
Fund balances at end of year	<u>\$ 157,726</u>	<u>\$ -</u>	<u>\$ 130,099</u>	<u>\$ 287,825</u>

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

**NAP FORD COMMUNITY SCHOOL, INC.
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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds \$ (374,459)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount of depreciation expense in the current period. There were no capital
outlay expenditures in the current period. (4,237)

Pension income or expense resulting from GASB 68 included in the
statement of activities does not provide or require the use of current financial
resources and, therefore, is not reported as a net change in fund balances in
the governmental funds. 6,070

Change in net position of governmental activities \$ (372,626)

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

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nap Ford Community School, Inc. (the "Company") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. Nap Ford Community School (the "School") operates as part of the Company with one other charter school. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Orange County, Florida (the "School Board"). The current charter is effective until June 30, 2031 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be distributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**NAP FORD COMMUNITY SCHOOL, INC.
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditure for specific purposes and to provide a single source of accountability for all funds received.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

The general, special revenue and capital projects funds represent the major funds. There are no other governmental funds.

Basis of accounting

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

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The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

Cash and cash equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are held by qualified public depositories and insured by federal depository insurance. The School's cash consists primarily of demand deposits with financial institutions.

Capital assets and depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation.

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

	<u>Years</u>
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	10

Information relative to changes in capital assets is described in Note 4.

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Compensated absences

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

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Executive Director.

Revenue sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

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

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

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The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any expended amounts are reflected as restricted in the accompanying financial statements.

Income taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

Use of estimates

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

Subsequent events

The School has evaluated subsequent events through September 30, 2016, the date these financial statements were available to be issued.

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2 ACCOUNTS RECEIVABLE

Accounts receivable in the accompanying financial statements include \$130,099 in capital outlay funds receivable from the School Board. The capital outlay amount is reflected as restricted net position in the accompanying statement of net position and restricted fund balance in the accompanying balance sheet – governmental funds since it must be spent for lawful capital outlay expenditures. Remaining receivables include reimbursement for expenses incurred under a federal grant. Based on the collectibility of funds from these sources, the School believes that an allowance for doubtful accounts is not considered necessary.

3 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2016:

	Interfund Receivables	Interfund Payables
General fund	\$ 10,135	\$ -
Special revenue fund	-	10,135
Total interfund	\$ 10,135	\$ 10,135

The amounts payable by the special revenue fund to the general fund are to cover temporary cash shortages related to the timing of receipts.

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4 CHANGES IN CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture, fixtures and equipment	\$ 108,084	\$ -	\$ (24,293)	\$ 83,791
Leasehold improvements	25,000	-	-	25,000
	<u>133,084</u>	<u>-</u>	<u>(24,293)</u>	<u>108,791</u>
Total capital assets being depreciated				
	133,084	-	(24,293)	108,791
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(106,347)	(1,737)	(24,293)	(83,791)
Leasehold improvements	(13,750)	(2,500)	-	(16,250)
	<u>(120,097)</u>	<u>(4,237)</u>	<u>(24,293)</u>	<u>(100,041)</u>
Total accumulated depreciation				
	(120,097)	(4,237)	(24,293)	(100,041)
Governmental activities capital assets, net	<u>\$ 12,987</u>	<u>\$ (4,237)</u>	<u>\$ (48,586)</u>	<u>\$ 8,750</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 4,030
School administration	<u>207</u>
Total governmental activities depreciation expense	<u>\$ 4,237</u>

5 PENSION PLANS

Pension plan descriptions

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

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each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division.

The Florida Retirement System (“FRS”) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

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

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

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

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Contribution rates were as follows:

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

- (A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.04% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

Information about the employer’s proportionate share of the collective net pension liability

Assumptions and other inputs

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

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

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

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The following changes in actuarial assumptions occurred in 2015:

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

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

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.65%	7.65%	8.65%	2.80%	3.80%	4.80%
\$ 586,551	\$ 226,360	\$ (73,377)	\$ 299,746	\$ 263,062	\$ 232,472

The pension plans' fiduciary net positions

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

	FRS	HIS
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
Net pension liability	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>
Plan fiduciary net position as a percentage of the total pension liability	92%	0%

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

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

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

As of June 30, 2016, the School reported a liability of \$489,422 for its proportionate share of the net pension liabilities. The School’s proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System’s fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School’s proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense. The School’s proportions are as follows:

	<u>FRS</u>	<u>HIS</u>
June 30, 2015	0.0018%	0.0026%
June 30, 2014	0.0018%	0.0026%
Change	<u>0.0000%</u>	<u>0.0000%</u>

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

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).

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- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

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

For the year ended June 30, 2016, the School recognized pension expense of \$44,625. As of June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,897	\$ 5,369
Changes of assumptions	35,720	-
Net difference between projected and actual earnings on pension plan investments	79,872	133,781
Changes in proportion and differences between School contributions and proportionate share of contributions	16,687	898
School contributions subsequent to the measurement date	45,133	-
Total	\$ 201,309	\$ 140,048

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

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting period ended June 30:	Amount
2017	\$ (11,711)
2018	(11,711)
2019	(37,793)
2020	32,854
2021	11,336
Thereafter	6,275

6 RESTRICTED NET POSITION AND FUND BALANCE

Restricted net position and fund balance represents amounts that have been collected or are receivable by the School for specific purposes, which are restricted as to the use of such funds. Included in the restricted fund balance is \$139,000 in funds to assist the School in finding a new facility. In addition, the School has \$130,399 in the capital projects fund as of June 30, 2016. This balance represents the unspent portion of capital outlay funds, which must be used for lawful capital outlay expenditures.

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7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 536,039
Class size reduction	154,802
Special millage	65,988
Discretionary millage funds	48,172
Capital outlay	36,937
Supplemental academic instruction	25,410
ESE guaranteed allocation	17,732
Miscellaneous state funds	15,204
Instructional materials	9,472
Safe schools	2,925
Compression adjustment	<u>2,203</u>
	914,884
Community coordinated care	<u>45,003</u>
Total	<u><u>\$ 959,887</u></u>

The administration fee paid to the School Board during the year ended June 30, 2016 totaled approximately \$43,000, which is reflected as general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

8 RISK MANAGEMENT PROGRAM

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

9 CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs

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are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2016 may be impaired.

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

Legal matters

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

10 SCHOOL FACILITY

The use of the school facilities was provided to the School during fiscal 2016 from The City of Orlando with no rental or leasing fee. In management's opinion, the value of facilities utilized by the School was significant; therefore, any substantial changes in this arrangement could have a material effect on the School's operations. The value of the facilities was not estimated or recorded in the financial statements during fiscal 2016 since the School has not yet determined a reasonable value for the use of the facilities.

11 ENDOWMENT

During fiscal year 2011, the School established the Nap Ford Community School Endowment Fund (the "Fund") with the Community Foundation of Central Florida (the "Foundation") with an initial contribution of \$10,000. The purpose of this Fund is to assist with advancing the mission of the School. Under the terms of the agreement, the Foundation shall administer the funds in accordance with its policies and shall make distributions from the Fund in accordance with a spending policy adopted by the Foundation's board. According to the Foundation's spending policy, the amount available for distribution from the Fund shall be four percent of the Fund's market value of invested assets over the preceding 20 quarters and funds must be invested for at least 12 months before any distributions can be made.

12 RELATED PARTY TRANSACTIONS

During the routine course of business, invoices and payroll, which apply to both the School and other related entities or schools, may be paid by a single entity. Also, schools with surplus funds may pay expenses on behalf of other related entities or schools. The School tracks these

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amounts due to or from each related entity or school separately. As of June 30, 2016, no amounts are due to or from related parties.

The Company has entered into lease agreements for various equipment used by the School. The leases require monthly rent payments of approximately \$346. The School pays the monthly rent on behalf of the Company. Equipment lease rental expense for the year ended June 30, 2016 totaled approximately \$5,000 and is included in instruction expense/expenditure in the accompanying financial statements.

During 2016, the School contributed approximately \$482,000 to Legends Academy, a related party, for operating expenses. This is included in community services expense/expenditure in the accompanying financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 974,387	\$ 974,387	\$ 922,950	\$ (51,437)
Contributions and other revenue	508,280	508,280	366,424	(141,856)
Total revenues	<u>1,482,667</u>	<u>1,482,667</u>	<u>1,289,374</u>	<u>(193,293)</u>
EXPENDITURES				
Current:				
Instruction	879,304	879,304	894,705	(15,401)
Instructional-related technology	33,065	33,065	30,562	2,503
Board	18,706	18,706	11,222	7,484
General administration	46,469	46,469	43,132	3,337
School administration	41,306	41,306	69,032	(27,726)
Fiscal services	34,592	34,592	52,178	(17,586)
Food services	30,655	30,655	32,152	(1,497)
Operation of plant	73,828	73,828	80,553	(6,725)
Community services	<u>300,000</u>	<u>300,000</u>	<u>481,709</u>	<u>(181,709)</u>
Total expenditures	<u>1,457,925</u>	<u>1,457,925</u>	<u>1,695,245</u>	<u>(237,320)</u>
Net changes in fund balance	24,742	24,742	(405,871)	(430,613)
Fund balances at beginning of year	<u>563,597</u>	<u>563,597</u>	<u>563,597</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 588,339</u></u>	<u><u>\$ 588,339</u></u>	<u><u>\$ 157,726</u></u>	<u><u>\$ (430,613)</u></u>

See independent auditor's report.

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THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources passed through local school district	\$ 115,451	\$ 115,451	\$ 116,445	\$ 994
Total revenues	115,451	115,451	116,445	994
EXPENDITURES				
Current:				
Instruction	115,451	115,451	116,445	(994)
Total expenditures	115,451	115,451	116,445	(994)
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Florida Retirement System (FRS) Pension Plan										
School's proportion of the net pension liability (asset)	0.0018%	0.0018%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 226,360	\$ 107,347								
School's covered-employee payroll	\$ 783,216	\$ 768,029								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29%	14%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	92%	96%								
Retiree Health Insurance Subsidy (HIS) Program										
School's proportion of the net pension liability (asset)	0.0026%	0.0026%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 263,062	\$ 240,163								
School's covered-employee payroll	\$ 783,216	\$ 768,029								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34%	31%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	1%	1%								

See independent auditor's report.

**NAP FORD COMMUNITY SCHOOL, INC.
NAP FORD COMMUNITY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 33,614	\$ 42,728	\$ 38,537							
Contributions in relation to the contractually required contribution	<u>33,614</u>	<u>42,728</u>	<u>38,537</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll	\$ 748,258	\$ 783,216	\$ 768,029							
Contributions as a percentage of covered-employee payroll	4%	5%	5%							
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 11,519	\$ 9,860	\$ 8,799							
Contributions in relation to the contractually required contribution	<u>11,519</u>	<u>9,860</u>	<u>8,799</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll	\$ 748,258	\$ 783,216	\$ 768,029							
Contributions as a percentage of covered-employee payroll	2%	1%	1%							

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

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

See independent auditor's report.

**Independent Auditor’s Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Nap Ford Community School, Inc. –
Nap Ford Community School, a Charter School and Component Unit of the District
School Board of Orange County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. - Nap Ford Community School (the “School”), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



Winter Park, Florida
September 30, 2016

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

To the Board of Directors of Nap Ford Community School, Inc. –
Nap Ford Community School, a Charter School and Component Unit of the District
School Board of Orange County, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. - Nap Ford Community School (the “School”), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016.

Auditor’s Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The official name of the entity is Nap Ford Community School, Inc. - Nap Ford Community School.

Financial Condition

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



To the Board of Directors of Nap Ford Community School, Inc. –
Nap Ford Community School, a Charter School and Component Unit of the District
School Board of Orange County, Florida
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Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

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

Other Matters

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

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

Purpose of This Letter

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

BKHM, P.A.

Winter Park, Florida
September 30, 2016