



**NAP FORD COMMUNITY SCHOOL, INC.  
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, 2013**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Nap Ford Community School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's net position decreased as compared to the prior year.
- For the fiscal year ended June 30, 2013, the School's expenses exceeded revenues by \$22,636, which is an improvement from the prior year when expenses exceeded revenues by \$129,494.
- The School served approximately 115 students (K-5) during the year.
- The School is showing a strong cash and cash equivalents and net position at the end of the year (\$53,030 and \$140,499, respectively).

### 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 compliance and internal control required by *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 Statement of revenues, expenditures and changes in fund balances
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, 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 two government-wide financial statements report the School's net position and how they have changed. Net position – the difference between the School's assets, deferred outflows of resources, 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 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, 2013 and 2012 is summarized as follows (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2013</b>	<b>2012</b>	
Current and other assets	\$ 142,870	\$ 124,141	15%
Capital assets, net	<u>24,274</u>	<u>57,266</u>	<u>-58%</u>
Total assets	<u>167,144</u>	<u>181,407</u>	<u>-8%</u>
Current and other liabilities	11,825	3,452	243%
Long-term liabilities	<u>14,820</u>	<u>14,820</u>	<u>0%</u>
Total liabilities	<u>26,645</u>	<u>18,272</u>	<u>46%</u>
Net position:			
Net investment in capital assets	24,274	57,266	-58%
Restricted	78,617	52,951	48%
Unrestricted	<u>37,608</u>	<u>52,918</u>	<u>-29%</u>
Total net position	<u>\$ 140,499</u>	<u>\$ 163,135</u>	<u>-14%</u>

Current and other assets and restricted net position increased from the prior year primarily due to an increase in unspent restricted revenues. Capital assets, net and net investment in capital assets decreased due to current year depreciation expense and the sale of a vehicle. Unrestricted net position decreased due to the current year operating deficit.

Certain reclassifications were made in the 2012 amounts to conform to their classifications in fiscal year 2013.

## Change in Net Position

The School's total revenues decreased by 3% to \$1,185,241, and the total cost of all programs and services decreased by 10% to \$1,207,877 – see table below.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2013</b>	<b>2012</b>	<b>(Decrease)</b>
Revenues:			
Federal sources passed through local school district	\$ 127,797	\$ 159,262	-20%
State and local sources	855,292	867,765	-1%
Contributions and other revenue	<u>202,152</u>	<u>189,525</u>	<u>7%</u>
Total revenues	<u>1,185,241</u>	<u>1,216,552</u>	<u>-3%</u>
Expenses:			
Instruction	818,883	920,117	-11%
General administration	37,486	40,939	-8%
Board and school administration	211,010	210,304	0%
Food services	38,199	38,654	-1%
Operation and maintenance of plant	<u>102,299</u>	<u>136,032</u>	<u>-25%</u>
Total expenses	<u>1,207,877</u>	<u>1,346,046</u>	<u>-10%</u>
Change in net position	<u>\$ (22,636)</u>	<u>\$ (129,494)</u>	<u>83%</u>

Federal sources passed through local school district decreased due to a decreased Title I award.

Instruction expenses decreased due to a decrease in salaries due to the reduction in enrollment. Operation and maintenance of plant decreased due to a decrease in rental expenses as a result of a rate reduction.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$125,362. Overall, revenues and expenditures decreased for the same reasons described above.

### General and Special Revenue Fund Budgetary Highlights

Total general fund revenues were more than budgeted amounts by approximately \$48,000. The variance was due to the School receiving more contributions and other revenue than the amount included in the budget.

For the year ended June 30, 2013, actual general fund expenditures were approximately \$64,000 above the budgeted amounts. Instruction expenditures were above budget due to additional resources allocated to instructional intervention support. Board and school administration expenditures were below budget due to lower than anticipated payroll and employee benefit expenditures.

For the year ended June 30, 2013, actual special revenue fund revenues and expenditures were approximately \$17,000 above budgeted amounts due to more federal funds received than expected. Revenues under the federal grants are only recognized to the extent that eligible expenditures have been incurred.

## **CAPITAL ASSET ADMINISTRATION**

At the end of fiscal 2013, the School had invested \$133,084 in capital assets, including computers and furniture, fixtures and equipment. The school sold a vehicle during the current year for \$20,000. More information about capital assets is included in Note 3 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 2014:

- Projected increase in student population
- Projected salary increases

Amounts available for appropriation in the general fund are approximately \$1,100,000, an increase of 7% from 2013 actual revenues of \$1,026,007.

Budgeted expenditures are expected to increase to approximately \$1,100,000, an increase of 6% over 2013 actual expenditures of \$1,041,317. The increase is due to an anticipated increase in spending associated with serving a larger number of students. The School has not budgeted for certain contributions for fiscal 2014 due to the unpredictability of the amount.

If these estimates are realized, the School's general fund balance is expected to remain unchanged by the close of fiscal 2014.

## **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 325 North Parramore Avenue, Orlando, Florida 32801.



## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Nap Ford Community School, Inc., 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. (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, 2013, 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. as of June 30, 2013, 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 – 6 and the budgetary comparison information on pages 25 – 26 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 16, 2013 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.

*BKHM, P.A.*

Winter Park, Florida  
September 16, 2013

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 53,030
Accounts receivable	79,840
Endowment	10,000
Capital assets:	
Furniture, fixtures and equipment	108,084
Leasehold improvements	25,000
Less accumulated depreciation	<u>(108,810)</u>
Total capital assets, net	<u>24,274</u>
Total assets	<u><u>\$ 167,144</u></u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 11,825
Long-term liabilities:	
Due within one year:	
Compensated absences payable	<u>14,820</u>
Total liabilities	<u>26,645</u>
 <b>NET POSITION</b>	
Net investment in capital assets	24,274
Restricted for:	
Capital projects	62,934
Gift-in-kind rent	5,683
Endowment	10,000
Unrestricted	<u>37,608</u>
Total net position	<u>140,499</u>
Total liabilities and net position	<u><u>\$ 167,144</u></u>

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

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

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<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	\$ 818,883	\$ -	\$ 127,797	\$ -	\$ (691,086)	\$ (691,086)
General administration	37,486	-	-	-	(37,486)	(37,486)
Board and school administration	211,010	-	-	-	(211,010)	(211,010)
Food services	38,199	-	-	-	(38,199)	(38,199)
Operation and maintenance of plant	102,299	-	-	-	(102,299)	(102,299)
Total primary government	<u>\$ 1,207,877</u>	<u>\$ -</u>	<u>\$ 127,797</u>	<u>\$ -</u>	<u>(1,080,080)</u>	<u>(1,080,080)</u>
General revenues:						
State and local sources				855,292	855,292	855,292
Contributions and other revenue				202,152	202,152	202,152
Total general revenues				<u>1,057,444</u>	<u>1,057,444</u>	<u>1,057,444</u>
Change in net position				(22,636)	(22,636)	(22,636)
Net position at beginning of year				<u>163,135</u>	<u>163,135</u>	<u>163,135</u>
Net position at end of year				<u>\$ 140,499</u>	<u>\$ 140,499</u>	<u>\$ 140,499</u>

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 53,030	\$ -	\$ -	\$ 53,030
Accounts receivable	3,998	7,225	62,934	74,157
Due from special revenue fund	7,225	-	-	7,225
Endowment	10,000	-	-	10,000
	<b>\$ 74,253</b>	<b>\$ 7,225</b>	<b>\$ 62,934</b>	<b>\$ 144,412</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued expenditures	\$ 11,825	\$ -	\$ -	\$ 11,825
Due to general fund	-	7,225	-	7,225
	11,825	7,225	-	19,050
 Fund balances:				
Nonspendable:				
Endowment	10,000	-	-	10,000
Restricted for:				
Capital projects	-	-	62,934	62,934
Unassigned	52,428	-	-	52,428
	62,428	-	62,934	125,362
Total fund balances	62,428	-	62,934	125,362
Total liabilities and fund balances	<b>\$ 74,253</b>	<b>\$ 7,225</b>	<b>\$ 62,934</b>	<b>\$ 144,412</b>

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

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

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

**JUNE 30, 2013**

<b>Total fund balances - total governmental funds</b>	<b>\$ 125,362</b>
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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 \$133,084, and the accumulated depreciation is \$108,810.	24,274
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Gift-in-kind rent receivable in future periods is not a financial resource and, therefore, is not reported as an asset in the governmental funds.	5,683
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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.	<u>(14,820)</u>
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<b>Total net position - governmental activities</b>	<b><u><u>\$ 140,499</u></u></b>
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The accompanying notes to financial statements are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 127,797	\$ -	\$ 127,797
State and local sources	812,255	-	43,037	855,292
Contributions and other revenue	213,752	-	-	213,752
<b>Total revenues</b>	<b>1,026,007</b>	<b>127,797</b>	<b>43,037</b>	<b>1,196,841</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	679,911	127,797	117	807,825
General administration	37,486	-	-	37,486
Board and school administration	208,253	-	-	208,253
Food services	38,199	-	-	38,199
Operation and maintenance of plant	77,468	-	9,459	86,927
<b>Total expenditures</b>	<b>1,041,317</b>	<b>127,797</b>	<b>9,576</b>	<b>1,178,690</b>
Net changes in fund balances	(15,310)	-	33,461	18,151
Fund balances at beginning of year	77,738	-	29,473	107,211
<b>Fund balances at end of year</b>	<b>\$ 62,428</b>	<b>\$ -</b>	<b>\$ 62,934</b>	<b>\$ 125,362</b>

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

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

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

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 18,151</b>
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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.	(13,815)
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Governmental funds report the proceeds from the sale of capital assets as an increase in financial resources. However, in the statement of activities, only the gain on the sale of capital assets is reported. This is the amount by which proceeds from the sale of capital assets (\$20,000) exceed gain on disposal of capital assets (\$823) in the current period.	(19,177)
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Governmental funds do not report gift-in-kind rental activity. This is the amount by which gift-in-kind expenses (\$15,372) exceed gift-in-kind rent revenue (\$7,577) in the current period.	(7,795)
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<b>Change in net position of governmental activities</b>	<b>\$ (22,636)</b>
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The accompanying notes to financial statements are an integral part of this statement.

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Nap Ford Community School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of ten members.

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, 2020 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.

**Recently adopted accounting pronouncements**

During fiscal year 2013, the School adopted guidance issued by the GASB that requires entities to present a Statement of Net Position in place of the previously issued Statement of Net Assets. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The School also adopted guidance issued by the GASB regarding the reclassification of items previously reported as assets and liabilities, which are now reported as deferred outflows and inflows of resources.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Basis of presentation**

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

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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, 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.

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A CHARTER SCHOOL AND COMPONENT UNIT OF  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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.

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
Vehicle	10

Information relative to changes in capital assets is described in Note 3.

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

**Restricted fund balance**

Restricted fund balance in the capital projects fund as of June 30, 2013 represents the unspent portion of capital outlay funds, which must be used for lawful capital outlay expenditures.

**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 2009.

**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 FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18),

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**NOTES TO FINANCIAL STATEMENTS  
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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.

**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 up to the amount of \$50,000. There are no minimum fund balance requirements for any of the School's funds.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 16, 2013, which is the date the financial statements were available to be issued.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 ACCOUNTS RECEIVABLE**

Accounts receivable in the accompanying financial statements include \$7,225 for Title I reimbursements and \$62,934 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. Based on the collectibility of funds from these sources, the School believes that an allowance for doubtful accounts is not considered necessary.

Accounts receivable also includes gift-in-kind rent for certain facilities usage from the City of Orlando that totals \$5,683. This amount is reflected as restricted net position in the accompanying statement of net position since this restriction is released with monthly usage of the facility. It is not considered a current financial resource and, therefore, is not reported as an asset in the governmental funds.

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Furniture, fixtures and equipment	\$ 108,084	\$ -	\$ -	\$ 108,084
Leasehold improvements	25,000	-	-	25,000
Vehicle	25,015	-	25,015	-
	<u>158,099</u>	<u>-</u>	<u>25,015</u>	<u>133,084</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(89,579)	(10,481)	-	(100,060)
Leasehold improvements	(6,250)	(2,500)	-	(8,750)
Vehicle	(5,004)	(834)	(5,838)	-
	<u>(100,833)</u>	<u>(13,815)</u>	<u>(5,838)</u>	<u>(108,810)</u>
Total accumulated depreciation				
Governmental activities capital assets, net	<u>\$ 57,266</u>	<u>\$ (13,815)</u>	<u>\$ 19,177</u>	<u>\$ 24,274</u>

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Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 11,058
School administration	<u>2,757</u>
Total governmental activities depreciation expense	<u><u>\$ 13,815</u></u>

**4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts in the general fund:

District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 448,855
Class size reduction	151,899
Special millage	50,413
Discretionary millage funds	38,414
Supplemental academic instruction	24,493
ESE guaranteed allocation	20,392
Miscellaneous state funds	13,705
Instructional materials	8,981
Compression adjustment	3,548
Safe schools	<u>2,725</u>
	763,425
Community coordinated care	<u>48,830</u>
Total	<u><u>\$ 812,255</u></u>

The administration fee paid to the School Board during the year ended June 30, 2013 totaled approximately \$37,000, 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.

**5 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.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2013 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.

**Lease commitments**

The School leases its facilities and certain property under non-cancelable operating leases. These leases contain varying renewal options and require the School to pay insurance and other costs. The lease agreement for the School's facility expires in March 2014.

During the year ended June 30, 2013, the City of Orlando donated the use of office space to the School. Gift-in-kind rent revenue in the amount of \$7,577 is included in contributions and other revenue and expenses associated with gift-in-kind rent of \$15,372 have been recorded for the year ended June 30, 2013 in the accompanying statement of activities. The net receivable of \$5,683 is included in the statement of net position. These amounts are not reflected in the fund financial statements since they do not involve the receipt or use of current financial resources.

Rental expense for the fiscal year ended June 30, 2013 was approximately \$20,000 and is included in operation and maintenance of plant in the accompanying financial statements.

**7 RETIREMENT PROGRAM**

**Defined benefit plan**

All regular employees of the School are covered by the Florida Retirement System ("FRS"). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan ("Plan"). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System

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Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service for employees enrolled prior to July 1, 2011 and eight years for employees enrolled subsequent to July 1, 2011. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (“DROP”) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had no DROP participants during fiscal 2013.

**Funding policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2013 fiscal year, 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%	5.18%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the Retiree Health Insurance Subsidy and 0.03% 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.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2013 totaled \$41,383, which was equal to the required contributions for the fiscal year.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Defined contribution plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program ("PEORP") was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2013.

**Pension reporting**

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**8 SCHOOL FACILITY**

The use of the school facilities was provided to the School during fiscal 2013 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 2013 since the School has not yet determined a reasonable value for the use of the facilities.

**9 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 800,554	\$ 800,554	\$ 812,255	\$ 11,701
Contributions and other revenue	177,087	177,087	213,752	36,665
Total revenues	<u>977,641</u>	<u>977,641</u>	<u>1,026,007</u>	<u>48,366</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	587,036	587,036	679,911	(92,875)
General administration	37,778	37,778	37,486	292
Board and school administration	250,420	250,420	208,253	42,167
Food services	33,141	33,141	38,199	(5,058)
Operation and maintenance of plant	69,266	69,266	77,468	(8,202)
Total expenditures	<u>977,641</u>	<u>977,641</u>	<u>1,041,317</u>	<u>(63,676)</u>
Net changes in fund balance	-	-	(15,310)	(15,310)
Fund balances at beginning of year	<u>77,738</u>	<u>77,738</u>	<u>77,738</u>	-
Fund balance at end of year	<u><u>\$ 77,738</u></u>	<u><u>\$ 77,738</u></u>	<u><u>\$ 62,428</u></u>	<u><u>\$ (15,310)</u></u>

See report of independent auditors.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 110,460	\$ 110,460	\$ 127,797	\$ 17,337
Total revenues	<u>110,460</u>	<u>110,460</u>	<u>127,797</u>	<u>17,337</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	<u>110,460</u>	<u>110,460</u>	<u>127,797</u>	<u>(17,337)</u>
Total expenditures	<u>110,460</u>	<u>110,460</u>	<u>127,797</u>	<u>(17,337)</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.



**Independent Auditors 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., 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. (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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 16, 2013.

**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.

*BKHM, P.A.*

Winter Park, Florida  
September 16, 2013

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



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

We have audited the financial statements of the governmental activities and each major fund of Nap Ford Community School, Inc. (the "School") as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 16, 2013.

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. We have issued our Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 16, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- 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. Corrective actions have been taken to address the significant deficiency in internal control included in the prior year financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- 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.
- Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school. The name of the School is Nap Ford Community School, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

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, and applicable management and the Board of Directors of the School 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 16, 2013