

Woodmont Charter School

A Department of Bay Area Charter Foundation, LLC
(A Component Unit of the School
Board of Hillsborough County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2018

Woodmont Charter School

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Woodmont Charter School
A Department of Bay Area Charter Foundation, LLC
Hillsborough County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodmont Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC ("BACF") and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2018, 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2018, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of BACF that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of BACF as of June 30, 2018 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 3 through 7 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 20, 2018, 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 solely 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 the effectiveness of the School's 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Woodmont Charter School (the "School"), A Department of Bay Area Charter Foundation, LLC and a component unit of the School Board of Hillsborough County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2018 and 2017.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplementary information.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2018, the School's fund balance was \$ 183,621 as compared to \$ 663,331 at June 30, 2017.
- As of June 30, 2018 the School had a net position (deficit) of \$ (2,741,133) as compared to \$ (2,094,909) at June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Special Revenue Fund and Debt Service Fund are considered to be the School's major funds.

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

The governmental fund financial statements can be found on pages 10 through 15 of this report.

Agency Fund: In addition, the School has one Agency Fund which is a student activity fund. This fund is formed for education and school purposes.

The Agency Fund financial statement can be found on page 16 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 27 of this report.

Government-Wide Financial Analysis

This is the School's seventh year of operations; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (2,741,133) at June 30, 2018. This amount represents net investment in capital assets (deficit) of \$ (2,450,861) and unrestricted net position (deficit) of \$ (290,272). The School's net position (deficit) was \$ (2,094,909) at June 30, 2017 and of this amount \$ (2,739,442) represents net investment in capital assets (deficit) and \$ 644,533 represents unrestricted net position.

**Woodmont Charter School
Management's Discussion and Analysis
June 30, 2018**

Our analysis in the table below focuses on the net position of the School's governmental activities:

Woodmont Charter School Net Position (Deficit)		
	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Assets:		
Current and other assets	\$ 1,109,984	\$ 1,092,796
Capital assets, net of depreciation	<u>9,704,154</u>	<u>9,564,736</u>
Total assets	<u>10,814,138</u>	<u>10,657,532</u>
Liabilities:		
Current liabilities	1,222,585	698,123
Noncurrent liabilities	<u>12,332,686</u>	<u>12,054,318</u>
Total liabilities	<u>13,555,271</u>	<u>12,752,441</u>
Net Position (Deficit):		
Net investment in capital assets (deficit)	(2,450,861)	(2,739,442)
Unrestricted (deficit)	<u>(290,272)</u>	<u>644,533</u>
Total net position (deficit)	<u>\$ (2,741,133)</u>	<u>\$ (2,094,909)</u>

Current assets were in line with the previous year but saw an increase in receivables for grant revenues which was offset by a decrease in cash and investments. Capital assets, net of depreciation increased mostly from additions in improvements other than building. Current liabilities increased due to an increase in the amount owed to the School's management company. Noncurrent liabilities increased as a result of the loan from related party entered into during the year.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2018 and 2017:

Woodmont Charter School Change in Net Position (Deficit)		
	June 30, 2018	June 30, 2017
	<u> </u>	<u> </u>
Revenues:		
General revenues	\$ 4,994,262	\$ 5,424,310
Program revenues	<u>1,544,912</u>	<u>1,079,118</u>
Total revenues	<u>6,539,174</u>	<u>6,503,428</u>
Functions/Program Expenses:		
Instruction	3,115,118	2,856,418
Instructional support services	2,396,677	2,230,135
Non-instructional services	<u>1,673,603</u>	<u>1,615,605</u>
Total expenses	<u>7,185,398</u>	<u>6,702,158</u>
Change in net position (deficit)	<u>\$ (646,224)</u>	<u>\$ (198,730)</u>

**Woodmont Charter School
Management's Discussion and Analysis
June 30, 2018**

General revenues decreased due to a decrease in enrollment of 78 students. Program revenues increased due to grant funding from 21st Century, Title I, and Unified School Improvement Grant. Instruction and instructional support expenses increased as a result of increased spending covered by the additional grant funding.

Governmental Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2018		2017	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,936,965	39%	\$ 2,705,673	41%
Debt service	1,318,829	18%	1,337,144	20%
Plant operations and maintenance	703,308	9%	678,287	10%
Facilities acquisition and construction	583,548	8%	167,908	3%
Instructional support services	513,376	7%	536,961	8%
All other functions/programs	<u>1,412,858</u>	<u>19%</u>	<u>1,212,562</u>	<u>18%</u>
Total governmental expenditures	\$ <u>7,468,884</u>	<u>100%</u>	\$ <u>6,638,535</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2018, the School had capital assets of \$ 9,704,154, net of accumulated depreciation, invested in buildings, furniture, fixtures and equipment, computer equipment and improvements other than buildings as compared to \$ 9,564,736 at June 30, 2017.

Debt: At June 30, 2018, the School had outstanding debt of \$ 12,155,015 as compared to \$ 12,304,178 at June 30, 2017. Additional information on the School's debt can be found in Notes 9 and 10 on pages 23 and 24.

General Fund Budgetary Highlights

Total revenues were unfavorable to the budget mainly due to an enrollment shortfall of approximately 160 students resulting in less FEFP funding than budgeted. Total expenditures were favorable to the budget as a result of savings in instruction expenditures due to the enrollment shortfall. The School also had savings in operation of plant and food service expenditures due to unbudgeted special revenue funding that covered the expenditures. The School made unbudgeted capital outlay purchases which resulted in an unfavorable variance in facilities acquisition and construction. The budget anticipated approximately \$ 246,000 in capital outlay funding that the School did not receive, resulting in an unfavorable variance in other financing sources and uses. Overall the School ended the year with a change in fund balance unfavorable to the budget by approximately \$ 670,000.

Economic Factors and Next Year's Budget

In fiscal year 2018, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool initially decreased from \$ 75 million to \$ 50 million, however it was later revised to \$ 91 million as a consequence of HB 7069. A 2% merit increase was also paid out to eligible staff.

**Woodmont Charter School
Management's Discussion and Analysis
June 30, 2018**

For fiscal year 2019, capital outlay revenue was assumed at \$ 567.45 per student which includes the additional funds associated with HB 7055. The budgets reflect the Florida Education Finance Program funding increase of approximately 1%. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resources officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please contact Hillary Daigle, Vice President of Finance; Charter Schools USA; 800 Corporate Drive, Suite 700; Ft. Lauderdale, FL 33334.

BASIC
FINANCIAL STATEMENTS

Woodmont Charter School
Statement of Net Position (Deficit)
June 30, 2018

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 383,947
Other receivables	39,805
Due from other governments	208,205
Due from related parties	43,418
Investments	258,522
Prepaid items	157,512
Deposits	<u>18,575</u>
Total current assets	1,109,984
Noncurrent Assets:	
Capital assets (depreciable), net of accumulated depreciation	<u>9,704,154</u>
Total assets	<u>10,814,138</u>
Current Liabilities:	
Accounts payable and accrued liabilities	66,401
Salaries and wages payable	217,222
Due to Trustee	14,785
Due to management company	627,955
Compensated absences	17,732
Capital lease	261,240
Loan from related party	17,000
Accrued interest payable	<u>250</u>
Total current liabilities	<u>1,222,585</u>
Noncurrent Liabilities:	
Compensated absences	5,911
Capital lease	11,893,775
Loan from related party	<u>433,000</u>
Total noncurrent liabilities	<u>12,332,686</u>
Total liabilities	<u>13,555,271</u>
Commitments (Note 13)	-
Net Position (Deficit):	
Net investment in capital assets (deficit)	(2,450,861)
Unrestricted (deficit)	<u>(290,272)</u>
Total net position (deficit)	<u>\$ (2,741,133)</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**Woodmont Charter School
Statement of Activities
For the Year Ended June 30, 2018**

	Program Revenues			Governmental Activities Net Revenue (Expense) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Instruction	\$ 3,115,118	\$ -	\$ 677,899	\$ -	\$ (2,437,219)
Instructional support services	513,376	-	195,263	-	(318,113)
Board services	77,358	-	-	-	(77,358)
General administration - District administrative fee	83,451	-	-	-	(83,451)
Administrative services	519,579	-	66,045	-	(453,534)
Facilities acquisition and construction - facilities rent	229,835	-	-	-	(229,835)
Fiscal services	13,800	-	-	-	(13,800)
Food services	323,851	21	323,851	-	21
Central services	11,138	-	-	-	(11,138)
Transportation services	76,306	-	3,355	-	(72,951)
Operation of plant	761,703	-	177,830	-	(583,873)
Maintenance of plant	212,427	-	-	-	(212,427)
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	77,540	78,930	21,718	-	23,108
Interest on long-term debt	1,169,916	-	-	-	(1,169,916)
Total governmental activities	\$ 7,185,398	\$ 78,951	\$ 1,465,961	\$ -	(5,640,486)
General revenues:					
Grants and entitlements					4,783,653
Contributions from management company					191,778
Miscellaneous					18,831
Total general revenues					4,994,262
Change in net position (deficit)					(646,224)
Net position (deficit), July 1, 2017					(2,094,909)
Net position (deficit), June 30, 2018					\$ (2,741,133)

The accompanying notes to basic financial statements are an integral part of these statements.

Woodmont Charter School
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 383,947	\$ -	\$ -	\$ 383,947
Other receivables	39,805	-	-	39,805
Due from other governments	151,316	56,889	-	208,205
Due from related parties	43,418	-	-	43,418
Due from other funds	56,889	-	-	56,889
Investments	258,522	-	-	258,522
Prepaid items	157,512	-	-	157,512
Deposits	18,575	-	-	18,575
	<u>1,109,984</u>	<u>56,889</u>	<u>-</u>	<u>1,166,873</u>
Total assets	\$ <u>1,109,984</u>	\$ <u>56,889</u>	\$ <u>-</u>	\$ <u>1,166,873</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 66,401	\$ -	\$ -	\$ 66,401
Salaries and wages payable	217,222	-	-	217,222
Due to management company	627,955	-	-	627,955
Due to Trustee	14,785	-	-	14,785
Due to other funds	-	56,889	-	56,889
	<u>926,363</u>	<u>56,889</u>	<u>-</u>	<u>983,252</u>
Total liabilities	<u>926,363</u>	<u>56,889</u>	<u>-</u>	<u>983,252</u>
Commitments (Note 13)	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	157,512	-	-	157,512
Deposits	18,575	-	-	18,575
Assigned to subsequent year's budget	7,534	-	-	7,534
	<u>183,621</u>	<u>-</u>	<u>-</u>	<u>183,621</u>
Total fund balances	<u>183,621</u>	<u>-</u>	<u>-</u>	<u>183,621</u>
Total liabilities and fund balances	\$ <u>1,109,984</u>	\$ <u>56,889</u>	\$ <u>-</u>	\$ <u>1,166,873</u>

The accompanying notes to basic financial statements are an integral part of these statements.

Woodmont Charter School
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position (Deficit)
June 30, 2018

Total Fund Balances - Governmental Funds \$ 183,621

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position (deficit) includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$	12,386,816	
Less accumulated depreciation		<u>(2,682,662)</u>	9,704,154

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Compensated absences	\$	(23,643)	
Capital lease		(12,155,015)	
Loan from related party		(433,000)	
Accrued interest payable		<u>(250)</u>	<u>(12,611,908)</u>

Net Position (Deficit) of Governmental Activities \$ (2,724,133)

The accompanying notes to basic financial statements are an integral part of these statements.

**Woodmont Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018**

	<u>Account</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Revenues:					
Federal through state and local State sources:	3200	\$ -	\$ 1,350,944	\$ -	\$ 1,350,944
Florida Education Finance Program	3310	4,783,653	-	-	4,783,653
Other state revenue	3330	17,548	-	-	17,548
Transportation revenue	3354	3,355	-	-	3,355
National School Lunch Program	3370	-	3,749	-	3,749
Contribution from management company	3440	191,778	-	-	191,778
Food service revenue	3450	21	-	-	21
Childcare revenue	3470	78,930	21,718	-	100,648
Miscellaneous local source revenue	3490	87,478	-	-	87,478
Total revenues		<u>5,162,763</u>	<u>1,376,411</u>	<u>-</u>	<u>6,539,174</u>
Expenditures:					
Instruction	5000	2,276,614	660,351	-	2,936,965
Instructional support services	6000	318,113	195,263	-	513,376
Board services	7100	77,358	-	-	77,358
General administration - District administrative fee	7200.30	83,451	-	-	83,451
Administrative services	7300	453,534	66,045	-	519,579
Facilities acquisition and construction	7400	583,548	-	-	583,548
Facilities acquisition and construction - facilities rent	7400.36	229,835	-	-	229,835
Fiscal services	7500	13,800	-	-	13,800
Food services	7600	-	323,851	-	323,851
Central services	7700	11,138	-	-	11,138
Transportation services	7800	76,306	-	-	76,306
Operation of plant	7900	381,698	109,183	-	490,881
Maintenance of plant	8100	212,427	-	-	212,427
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	55,822	21,718	-	77,540
Debt service:					
Principal	9200	-	-	254,560	254,560
Interest	9200	-	-	1,064,269	1,064,269
Total expenditures		<u>4,773,644</u>	<u>1,376,411</u>	<u>1,318,829</u>	<u>7,468,884</u>
Excess (deficiency) in revenues over expenditures		389,119	-	(1,318,829)	(929,710)
Other Financing Sources (Uses):					
Loan from related party	3700	450,000	-	-	450,000
Transfer in	9700	-	-	1,318,829	1,318,829
Transfer out	9700	(1,318,829)	-	-	(1,318,829)
Total other financing sources (uses)		<u>(868,829)</u>	<u>-</u>	<u>1,318,829</u>	<u>450,000</u>
Net change in fund balances		(479,710)	-	-	(479,710)
Fund Balances, July 1, 2017		<u>663,331</u>	<u>-</u>	<u>-</u>	<u>663,331</u>
Fund Balances, June 30, 2018		<u>\$ 183,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,621</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**Woodmont Charter School
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances of the
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2018**

Net Change in Fund Balances - Governmental Funds \$ (479,710)

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, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$	583,548	
Less provision for depreciation		<u>(444,130)</u>	139,418

Loan from related party provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position (deficit) (450,000)

Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position. 254,560

Certain items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	\$	(4,845)	
Increase in accrued interest payable		(250)	
Provision for amortization of costs associated with capital lease		<u>(105,397)</u>	<u>(110,492)</u>

Change in Net Position of Governmental Activities \$ (646,224)

The accompanying notes to basic financial statements are an integral part of these statements.

**Woodmont Charter School
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2018**

	<u>Account</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:					
State sources:					
Florida Education Finance Program	3310	\$ 5,884,561	\$ 5,884,561	\$ 4,783,653	\$ (1,100,908)
Other state revenue	3330	64,432	64,432	17,548	(46,884)
Transportation revenue	3354	-	-	3,355	3,355
Contribution from management company	3440	250,528	250,528	191,778	(58,750)
Food service revenue	3450	98,654	98,654	21	(98,633)
Childcare revenue	3470	70,407	70,407	78,930	8,523
Miscellaneous local source revenue	3490	53,898	53,898	87,478	33,580
Total revenues		<u>6,422,480</u>	<u>6,422,480</u>	<u>5,162,763</u>	<u>(1,259,717)</u>
Expenditures:					
Instruction	5000	2,887,893	2,887,893	2,276,614	611,279
Instructional support services	6000	351,146	351,146	318,113	33,033
Board services	7100	25,645	25,645	77,358	(51,713)
General administration - District administrative fee	7200.30	83,587	83,587	83,451	136
Administrative services	7300	431,849	431,849	453,534	(21,685)
Facilities acquisition and construction	7400	456,235	456,235	583,548	(127,313)
Facilities acquisition and construction - facilities rent	7400.36	229,835	229,835	229,835	-
Fiscal services	7500	20,230	20,230	13,800	6,430
Food services	7600	127,128	127,128	-	127,128
Central services	7700	13,918	13,918	11,138	2,780
Transportation services	7800	111,117	111,117	76,306	34,811
Operation of plant	7900	530,553	530,553	381,698	148,855
Maintenance of plant	8100	169,840	169,840	212,427	(42,587)
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	170,695	170,695	55,822	114,873
Total expenditures		<u>5,609,671</u>	<u>5,609,671</u>	<u>4,773,644</u>	<u>836,027</u>
Excess (deficiency) in revenues over expenditures		812,809	812,809	389,119	(423,690)
Other Financing Sources (Uses):					
Loan from related party	3700	-	450,000	450,000	-
Transfer out	9700	<u>(1,072,296)</u>	<u>(1,072,296)</u>	<u>(1,318,829)</u>	<u>(246,533)</u>
Total other financing sources (uses)		<u>(1,072,296)</u>	<u>(622,296)</u>	<u>(868,829)</u>	<u>(246,533)</u>
Net change in fund balances		<u>\$ (259,487)</u>	<u>\$ 190,513</u>	<u>\$ (479,710)</u>	<u>\$ (670,223)</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**Woodmont Charter School
Statement of Revenues and Expenditures -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2018**

	<u>Account</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal sources:				
21st Century	3220	\$ 310,000	\$ 327,048	\$ 17,048
Title I	3240	289,565	401,857	112,292
Unified School Improvement Grant	3240	-	192,754	192,754
National School Lunch Program	3260	226,462	451,003	224,541
State sources:				
National School Lunch Program	3370	-	3,749	3,749
Total revenues		<u>826,027</u>	<u>1,376,411</u>	<u>550,384</u>
Expenditures:				
Instruction	5000	357,046	660,351	(303,305)
Instructional support services	6000	162,837	195,263	(32,426)
Administrative services	7300	63,760	66,045	(2,285)
Food services	7600	215,781	323,851	(108,070)
Operation of plant	7900	15,922	109,183	(93,261)
Community services - childcare or VPK salaries, benefits, materials and supplies, etc.	9100	10,681	21,718	(11,037)
Total expenditures		<u>826,027</u>	<u>1,376,411</u>	<u>(550,384)</u>
Net change in fund balance		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to basic financial statements are an integral part of these statements.

Woodmont Charter School
Statement of Assets and Liabilities - Agency Fund
June 30, 2018

	<u>Student Activities</u>
Assets:	
Cash and cash equivalents	\$ <u>25,106</u>
Total assets	\$ <u><u>25,106</u></u>
Liabilities:	
Due to students	\$ <u>25,106</u>
Total liabilities	\$ <u><u>25,106</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

Note 1 - Organization and Operations

Woodmont Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC and a component unit of the School Board of Hillsborough County, Florida, was established in 2011 as a public charter school to serve students from kindergarten to eighth grade in Hillsborough County. Bay Area Charter Foundation, LLC ("BACF") is a Florida limited liability company organized in April 2011. Florida Charter Educational Foundation, Inc. ("FCEF") is a Florida nonprofit corporation organized pursuant to Chapter 617, Florida Statutes, and is the sole member of BACF. The governing body of the School consists of the officers and directors of BACF. FCEF operates Henderson Hammock Charter School, SouthShore Charter Academy, and Waterset Charter School in Hillsborough County, Clay Charter Academy in Clay County and Keys Gate Charter School in Miami-Dade County. BACF also operates Winthrop Charter School in Hillsborough County. There were 718 students enrolled for the 2017/2018 school year.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of BACF or FCEF as of June 30, 2018, and their changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the School Board of Hillsborough County (the "Board"). The current charter is effective until June 30, 2021 and may be renewed by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown. Woodmont Charter School is considered a component unit of the School Board of Hillsborough County.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

Basis of presentation: Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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

The School's major governmental funds are as follows:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for federal and certain state grants that are legally restricted to expenditures for particular purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on long-term obligations of governmental funds.

Additionally, the School reports separately the following fiduciary fund type:

Agency Fund - This fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting.

Cash and cash equivalents: The School considers all demand accounts and short-term investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorata basis over the ten month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes: The School is a Department of Bay Area Charter Foundation, LLC ("BACF"). Florida Charter Educational Foundation, Inc. ("FCEF"), is a Florida not-for-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code. FCEF is the sole member of BACF. For federal income tax purposes, BACF is considered a "disregarded entity." Because BACF is treated as a "disregarded entity," BACF is considered to be, for federal income tax purposes, a division of FCEF and, therefore, BACF is considered to be a tax-exempt organization.

Capital assets: Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated capital assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	45 years
Improvements other than buildings	10 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

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

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

Unearned revenue: Unearned revenue arises when the School receives resources before it has legal claim to them.

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out the General Fund.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted (deficit) - indicates that portion of net position that will need to be funded by future operations.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- **Nonspendable** - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- **Committed** - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- **Assigned** - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- **Unassigned** - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Date of management review: Subsequent events were evaluated by management through September 20, 2018, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2018, the carrying amount of the deposits and cash on hand totaled \$ 409,053, with a bank balance of \$ 411,144.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

Note 4 - Investments

BACF previously issued bonds to finance the acquisition of facilities and equipment for two of their schools, including Woodmont Charter School (Notes 9 and 13). The investments of the School are governed by the Series 2011 Bond Indenture. The investments are held by the Trustee and relate to an operating reserve in accordance with the Bond Indenture. At June 30, 2018, the School has \$ 258,522 invested in a money market mutual fund that is stated at amortized cost which approximates fair value.

Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The exposure to this type of risk is limited because the money market mutual fund is rated Aaa-mf by Moody's.

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The exposure to declines in fair values is limited because the weighted average maturity of the money market mutual fund is twenty six days.

Note 5 - Due From Related Parties

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2018, FCEF owes the School \$ 39,638 for the National School Lunch Program funding not yet disbursed to the School.

The School and Henderson Hammock Charter School ("HEND") are affiliated, as they share common board membership and are Departments of the Florida Charter Educational Foundation, Inc. As of June 30, 2018, the basic financial statements include an amount due from HEND of \$ 3,780 for shared payroll expenses.

Woodmont Charter School
Notes to Basic Financial Statements
June 30, 2018

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 are as follows:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets, depreciable:				
Building	\$ 10,627,282	\$ -	\$ -	\$ 10,627,282
Improvements other than buildings	29,468	331,178	-	360,646
Furniture, fixtures and equipment	511,899	121,858	-	633,757
Computer equipment	<u>634,619</u>	<u>130,512</u>	<u>-</u>	<u>765,131</u>
Total capital assets, depreciable	<u>11,803,268</u>	<u>583,548</u>	<u>-</u>	<u>12,386,816</u>
Accumulated depreciation:				
Building	1,326,113	236,162	-	1,562,275
Improvements other than buildings	5,734	34,660	-	40,394
Furniture, fixtures and equipment	401,908	58,205	-	460,113
Computer equipment	<u>504,777</u>	<u>115,103</u>	<u>-</u>	<u>619,880</u>
Total accumulated depreciation	<u>2,238,532</u>	<u>444,130</u>	<u>-</u>	<u>2,682,662</u>
Net capital assets	<u>\$ 9,564,736</u>	<u>\$ 139,418</u>	<u>\$ -</u>	<u>\$ 9,704,154</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 173,308
Operation of plant	<u>270,822</u>
	<u>\$ 444,130</u>

Note 7 - Loan From Related Party

Both the School and Winthrop Charter School (“WIN”) are affiliated as they share common board membership and are Departments of the Florida Charter Educational Foundation, Inc. During the year, the School was loaned \$ 450,000 from WIN for general working capital purposes. The loan is to be repaid over a period of six years with interest at 4.0%.

Note 8 - Due to Trustee

At June 30, 2018, the School has a due to Trustee amount of \$ 14,785 which represents amounts owed for debt service.

Note 9 - Capital Lease

The School entered into a capital lease arrangement with Red Apple at Woodmont, LLC for use of its facility. This lease arrangement was entered into as part of a transaction consisting of a bond issuance by the BACF and Red Apple Development, Inc. (Note 13). The lease is through November 2056 and requires monthly principal and interest payments through June 2042. As of June 30, 2018, the net book value of the leased facility is approximately \$ 9,065,000. Amortization of the leased facility is included with depreciation expense.

Woodmont Charter School
Notes to Basic Financial Statements
June 30, 2018

Note 9 - Capital Lease (continued)

Future minimum payments at June 30, 2018 are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 261,240	\$ 1,054,453	\$ 1,315,693
2020	256,960	1,044,479	1,301,439
2021	264,640	1,034,818	1,299,458
2022	241,160	1,025,455	1,266,615
2023	265,000	1,008,975	1,273,975
2024-2028	1,670,000	4,702,131	6,372,131
2029-2033	2,425,000	3,943,703	6,368,703
2034-2038	3,555,000	2,826,425	6,381,425
2039-2042	3,816,773	1,109,606	4,926,379
	<u>\$ 12,755,773</u>	<u>\$ 17,750,045</u>	<u>\$ 30,505,818</u>

Note 10 - Long-Term Liabilities

Changes in the School's long-term liabilities for fiscal year ended June 30, 2018, are as follows:

	Balance at July 1, 2017	Additions	Retirements	Amortization	Balance at June 30, 2018	Amount Due Within One Year
Capital lease obligations, net of unamortized costs of \$ 600,758	\$ 12,304,178	\$ -	\$ 254,560	\$ 105,397	\$ 12,155,015	\$ 261,240
Compensated absences	<u>18,798</u>	<u>9,313</u>	<u>4,468</u>	<u>-</u>	<u>23,643</u>	<u>17,732</u>
	<u>\$ 12,322,976</u>	<u>\$ 9,313</u>	<u>\$ 259,028</u>	<u>\$ 105,397</u>	<u>\$ 12,178,658</u>	<u>\$ 278,972</u>

Note 11 - Federal, State and Local Revenue Sources

The School recorded the following revenues for the year ended June 30, 2018:

Federal:	
21st Century	\$ 327,048
Title I	401,857
Unified School Improvement Grant	192,754
National School Lunch Program	451,003
State:	
Florida Education Finance Program	4,783,653
Other state revenue	17,548
Transportation revenue	3,355
National School Lunch Program	3,749
Local:	
Contributions from management company	191,778
Food service revenue	21
Childcare revenue	78,930
Miscellaneous local source revenue	87,478
	<u>\$ 6,539,174</u>

Note 12 - Employee Benefit Plan

During the year ended June 30, 2018, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2018, the School contributed a matching amount of \$ 5,363.

Note 13 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA at Hillsborough West, LLC ("CSUSA") to manage, staff, and operate the School. The agreement was amended and restated on November 1, 2011. The initial term was equal to the greater of five years or the term of the charter, provided however, that the initial term does not exceed fifteen years from the commencement date. The agreement automatically renews for additional five year periods on the day following the expiration date unless either party delivers a written notice of termination to the other at least twelve months prior to the then current expiration date. The current term is through June 30, 2021. For the year ended June 30, 2018, there was no compensation received by CSUSA and CSUSA contributed \$ 191,778 to the School.

CSUSA shall be entitled to a fee for its services rendered pursuant to this agreement the following fees or the budgeted amount approved by the Board of Directors based on enrollment:

<u>Year Ending June 30,</u>		
2019	\$	796,256
2020	\$	820,144
2021	\$	844,748
2022	\$	870,090
2023	\$	896,193
2024	\$	923,079
2025	\$	950,771
2026	\$	979,294

Note 13 - Commitments (continued)

The above schedule is based on a percentage of projected revenues.

The basic financial statements reflect a due to CSUSA which totaled \$ 627,955 at June 30, 2018.

Lease agreement: In November 2011, the Florida Development Finance Corporation (the "Corporation") issued \$ 30,045,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2011A and \$ 7,945,000 in Taxable Educational Facilities Revenue Bonds, Series 2011B pursuant to an Indenture of Trust between the Corporation and a trustee to make a loan to BACF, a division of which the School exists, and Red Apple Development, LLC and subsidiaries ("RAD") to finance the acquisition of the facilities of two charter schools existing under BACF. In order to secure the payment of the principal and interest on the bonds, the Corporation assigned all of its rights and interest in the loan agreement to the trustee. The bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

Concurrent with the preceding loan transaction, RAD, through its wholly-owned subsidiaries, entered into two lease agreements with BACF. The facilities which are owned by RAD are leased by BACF on behalf of the schools under a 45-year lease (Note 9). The leases are deemed to be capital leases and the capital lease payments are based on the debt service requirements of the bonds which extend through June 2042. These payments are made from the revenues received from the School Board of Hillsborough County for the operation of the Schools. BACF is obligated under the Indenture to deposit all Charter revenues received from the School Board and additional revenues, if any, directly with the trustee during the term of the lease. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

The School is required to fund an operating reserve fund in accordance with the Indenture. The balance of this fund must meet the operating reserve fund requirement as outlined in the Indenture as of November 15 of each year. The funds can be used by the School for the payment of ordinary and necessary operating expenses of the School as defined in the Indenture. As of June 30, 2018, the operating reserve fund met this requirement.

In addition to the capital lease payments noted in Note 9, the agreement calls for incremental rent payments to RAD. The incremental rent payments range from approximately \$ 24,000 to \$ 135,300 per month over the term of the agreement which is through June 2042. For the year ended June 30, 2018, the School paid incremental rent to RAD in the amount of \$ 229,835.

Post-retirement benefits: The School does not provide post-retired benefits to retired employees.

Note 14 - Florida Education Finance Program (FEFP) Funding

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) the School's unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the 2017/2018 school year, the School reported 717.08 unweighted FTE. Weighted funding represented approximately 4% of total state funding.

Note 14 - Florida Education Finance Program (FEFP) Funding (continued)

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

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC)

Note 15 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past three years. As disclosed in Note 13, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals.

OTHER INDEPENDENT
AUDITOR'S REPORTS

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
Woodmont Charter School
A Department of Bay Area Charter Foundation, LLC
Hillsborough County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Woodmont Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2018, 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 20, 2018.

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Woodmont Charter School
A Department of Bay Area Charter Foundation, LLC
Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of Woodmont Charter School (the "School"), a Department of Bay Area Charter Foundation, LLC, and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 20, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 20, 2018, 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 recommendations made in the preceding audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Woodmont Charter School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855 (11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific condition(s) met.

Woodmont Charter School

In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its 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.

Additional Matters

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

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2018