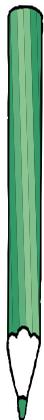
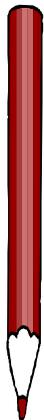


Royal Palm Charter School, Inc.

Financial Statements
And
Independent Auditors' Report

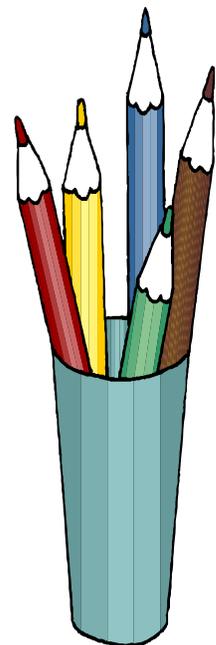
June 30, 2016



KATTELL AND COMPANY, P.L.
A professional accounting firm serving the nonprofit community

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Financial Statements and Independent Auditors' Reports

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

Contents

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis (MD&A)	2
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	10
Notes to the Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Special Revenue Fund	18
ADDITIONAL ELEMENTS:	
Communication with Those Charged with Governance	19
Management Letter	20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	21

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Royal Palm Charter School, Inc.

August 25, 2016

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Royal Palm Charter School, Inc. (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Other Matters - Required Supplementary Information. Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2016, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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 and compliance.

Kattell and Company, P.L.

Management's Discussion and Analysis

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2016:

- The School's overall Net Position decreased by approximately \$3,000.
- Total ending unrestricted Net Position was \$82,184.
- The School had total expenses for the year of about \$2,559,000, compared to revenues of approximately \$2,556,000.
- The School educated 343 and 344 students in the years ending June 30, 2016 and 2015, respectively, serving grades K-8.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in Net Position during the fiscal year. Over time, the increases or decreases in Net Position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about Net Position and changes in Net Position.

	2016 Governmental Activities	2015 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 166,496	\$ 159,816
Capital Assets, Net	301,140	388,125
Total Assets	<u>467,636</u>	<u>547,941</u>
Liabilities:		
Current Liabilities	84,312	84,891
Noncurrent Liabilities	46,117	122,853
Total Liabilities	<u>130,429</u>	<u>207,744</u>
Net Position:		
Net Investment in Capital Assets	255,023	265,272
Unrestricted	82,184	74,925
Total Net Position	<u>\$ 337,207</u>	<u>\$ 340,197</u>
Change in Net Position		
Program Revenues:		
Charges for Services	\$ 16,884	\$ --
Operating Grants & Contributions	79,204	115,917
General Revenues:		
National School Lunch Program	107,368	107,202
Title II	9,061	10,059
Florida Education Finance Program	2,262,537	2,265,225
Other State Revenues	3,393	--
Other Revenues	78,147	30,377
Total Revenues	<u>2,556,594</u>	<u>2,528,780</u>
Program Expenses:		
Instruction	1,148,404	1,257,719
General Support	657,713	629,987
Operation of Plant	744,090	705,578
Interest on Long-Term Debt	9,377	14,967
Total Expenses	<u>2,559,584</u>	<u>2,608,251</u>
Change in Net Position	(2,990)	(79,471)
Beginning Net Position	340,197	419,668
Ending Net Position	<u>\$ 337,207</u>	<u>\$ 340,197</u>

Management's Discussion and Analysis

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$96,088 in program revenues and \$2,460,506 of general revenues, and incurred \$2,559,584 of program expenses. This resulted in a \$2,990 decrease in Net Position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund increased by \$7,259 from \$74,925 to \$82,184.

Special Revenue Fund. The fund balance of the Special Revenue Fund remained the same at \$0 which means that all grant funds were spent during the year.

Capital Projects Fund. The fund balance of the Capital Projects Fund remained at \$0 which means all grant funds were spent during the year.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant changes to the original budget. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School experienced no significant capital asset activity for the year. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School incurred no new debts and made scheduled payments on existing obligations. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shannon Shupe, Director, Royal Palm Charter School, 7145 South Babcock St., S.E., Palm Bay, FL 32909.

Statement of Net Position
June 30, 2016
Royal Palm Charter School, Inc.
A Component Unit of the Brevard County District School Board

	Governmental Activities
Assets	
Cash	\$ 110,682
Accounts Receivables	3,213
Grants Receivable	24,704
Prepays	22,875
Deposits	5,022
Capital Assets:	
Non-Depreciable Capital Assets	126,616
Depreciable Capital Assets, Net	<u>174,524</u>
Total Assets	<u>467,636</u>
Liabilities	
Accounts Payable	12,347
Accrued Payroll	71,965
Long-Term Liabilities:	
Due Within One Year	41,534
Due in More Than One Year	<u>4,583</u>
Total Liabilities	<u>130,429</u>
Net Position	
Net Investment in Capital Assets	255,023
Unrestricted	<u>82,184</u>
Total Net Position	<u>\$ 337,207</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2016
Royal Palm Charter School, Inc.
A Component Unit of the Brevard County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (1,148,404)	\$ --	\$ --	\$ --	\$ (1,148,404)
General Support	(657,713)	16,884	--	--	(640,829)
Operation of Plant	(744,090)	--	79,204	--	(664,886)
Interest on Long-Term Debt	(9,377)	--	--	--	(9,377)
Total	<u>\$ (2,559,584)</u>	<u>\$ 16,884</u>	<u>\$ 79,204</u>	<u>\$ --</u>	<u>(2,463,496)</u>

General Revenues:

Federal through State:	
National School Lunch Program	107,368
Title II	9,061
State Revenue:	
Florida Education Finance Program	2,262,537
Other State Revenues	3,393
Unrestricted Grants and Contributions	78,131
Unrestricted Investment Earnings	16

Total General Revenues **2,460,506**

Change in Net Position **(2,990)**

Net Position – Beginning of Year **340,197**

Net Position – End of Year **\$ 337,207**

See accompanying notes.

Balance Sheet – Governmental Funds

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

	General Fund	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
Assets				
Cash	\$ 110,682	\$ --	\$ --	\$ 110,682
Accounts Receivables	3,213	--	--	3,213
Grants Receivable	24,704	--	--	24,704
Prepaid Expenses	22,875	--	--	22,875
Deposits	5,022	--	--	5,022
Total Assets	\$ 166,496	\$ --	\$ --	\$ 166,496
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 12,347	\$ --	\$ --	\$ 12,347
Accrued Payroll	71,965	--	--	71,965
Total Liabilities	84,312	--	--	84,312
Fund Balances:				
Non Spendable - Prepays	22,875	--	--	22,875
Unassigned	59,309	--	--	59,309
Total Fund Balances	82,184	--	--	82,184
Total Liabilities and Fund Balances	\$ 166,496	\$ --	\$ --	\$ 166,496

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position –
Governmental Funds**

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

Fund Balances – Total Governmental Funds \$ 82,184

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

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 301,140

Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net position.

Long-Term Liabilities (46,117)

Net Position of Governmental Activities \$ 337,207

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds**

For the Year Ended June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Federal through State:				
National School Lunch Program	\$ 107,368	\$ --	\$ --	\$ 107,368
Title II	--	9,061	--	9,061
State Revenue:				
Florida Education Finance Program	2,262,537	--	--	2,262,537
Public Education Capital Outlay	--	--	79,204	79,204
Other State Revenues	3,393	--	--	3,393
Local Revenue:				
Student Lunches	16,884	--	--	16,884
Other Local Revenues	78,147	--	--	78,147
Total Revenues	<u>2,468,329</u>	<u>9,061</u>	<u>79,204</u>	<u>2,556,594</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	1,148,404	--	--	1,148,404
General Support	657,713	9,061	79,204	745,978
Operation of Plant	568,840	--	--	568,840
Debt Service:				
Principal	76,736	--	--	76,736
Interest	9,377	--	--	9,377
Total Expenditures	<u>2,461,070</u>	<u>9,061</u>	<u>79,204</u>	<u>2,549,335</u>
Excess of Revenues Over(Under) Expenditures	7,259	--	--	7,259
Fund Balances, July 1, 2015	<u>74,925</u>	<u>--</u>	<u>--</u>	<u>74,925</u>
Fund Balances, June 30, 2016	<u>\$ 82,184</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 82,184</u>

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities - Governmental Funds**

For the Year Ended June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

Excess of Revenues over Expenditures – Total Governmental Funds \$ 7,259

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 depreciated over their estimated useful lives.

Current Year Expenditures for Capital Assets	18,560
Current Year Depreciation Expense	(105,545)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the statement of net position.

Current Year Principal Payments	<u>76,736</u>
---------------------------------	---------------

Change in Net Position of Governmental Activities \$ (2,990)

See accompanying notes.

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Royal Palm Charter School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Royal Palm Charter School, Inc. 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 not-for-profit corporation began conducting business as Royal Palm Charter School, Inc. (the School) in 2006. The governing body of the School is the not-for-profit corporation's Board of Directors.

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 Brevard County District School Board (the District). The current charter is effective until June 30, 2031, and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

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 Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide 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.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities. Any internal activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's Net Position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2016, there were no funds held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements Other Than Buildings	5-15
Equipment Under Capital Lease	2-7
Furniture, Fixtures and Equipment	5-10

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Position

Net Position represents the difference between assets and liabilities and is reported in three categories as hereafter described. *Net investment in capital assets*, represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are legal limitations imposed on its use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* Net Position is Net Position that does not meet the definition of the classifications previously described. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Equity

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets not Being Depreciated:				
Land Improvements	\$ 126,616	\$ --	\$ --	\$ 126,616
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	337,333	7,670	--	345,003
Equipment under Capital Lease	234,893	--	--	234,893
Furniture, Fixtures & Equipment	225,779	10,890	--	236,669
Total Capital Assets Being Depreciated	798,005	18,560	--	816,565
Accumulated Depreciation:				
Leasehold Improvements	278,232	38,552	--	316,784
Equipment under Capital Lease	105,184	50,687	--	155,871
Furniture, Fixtures & Equipment	153,080	16,306	--	169,386
Total Accumulated Depreciation	536,496	105,545	--	642,041
Net Capital Assets	\$ 388,125	\$ (86,985)	\$ --	\$ 301,140

Depreciation was charged to the following functions/programs as follows:

Instruction	\$ 56,309
General Support	49,236
Total Depreciation Expense	<u>\$ 105,545</u>

NOTE 4 – LONG-TERM LIABILITIES

The School entered into lease agreements that qualify as capital leases and, therefore, are recorded at the present value of the future minimum lease payments at the date of inception. The following is a summary of changes:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In 1 Year
Capital Leases:					
52 computers, \$3,499/Mo.	\$ 65,838	\$ --	\$ 39,677	\$ 26,161	\$ 26,161
23 computers, \$449/Mo.	14,131	--	6,995	7,136	7,136
20 computers, \$520/Mo.	16,530	--	5,897	10,633	6,050
Laptop/Server/Tower, \$2,215/Mo.	26,354	--	24,167	2,187	2,187
Total Capital Leases	\$ 122,853	\$ --	\$ 76,736	\$ 46,117	\$ 41,534

Future minimum lease obligations and the net present value of the minimum lease payments are as follows:

Fiscal Year Ending June 30,	
2017	\$ 42,168
2018	4,160
Total Minimum Lease Payments	46,328
Less: Amount Representing Interest	(211)
Present Value of future minimum lease payments.	<u>\$ 46,117</u>

Notes to the Financial Statements

June 30, 2016

Royal Palm Charter School, Inc.

A Component Unit of the Brevard County District School Board

NOTE 5 – OPERATING LEASES

The School entered into the following operating lease agreements for its facilities:

- Lease of a 16,000 square foot facility for \$310,400 per year, paid monthly at \$25,867. Lease expires July 31, 2018, at which time the School has the option to buy the leased property at the current market rate. The School currently plans to exercise its option to purchase the facility. (Also, see Note 6.)
- Lease of an 8,220 square foot facility for \$208,788 per year, paid monthly at \$17,399. The lease expires June 30, 2017.

Future minimum lease payments are \$519,188 and \$25,867 for the years ending June 30, 2017 and 2018, respectively.

NOTE 6 – GUARANTEE

As discussed in Note 5, the School leases its facilities. The lessor of one of those facilities financed the acquisition and construction of the facility with a promissory note due to a bank in the amount of \$1,600,000. The School has guaranteed the promissory note to the bank in the amount of \$1,600,000. The note is collateralized by a 16,000 square foot building which the School occupies under the operating lease. The promissory note is due in 59 monthly installments of \$10,622 beginning October 26, 2013, and one principal and interest payment of \$1,347,587 on September 26, 2018.

The School would be obligated to perform under the guarantee if the lessor failed to make note payments when due. The maximum potential obligation at June 30, 2016, is \$1,623,759, which is the undiscounted required payments over the balance of the note. However, if the School was required to honor the guarantee, it would be entitled to the leased property. As of June 30, 2016, payments on the note are current. Based on information gathered as part of monitoring of risks, the School believes there is only a remote possibility the lessor will default on the loan, requiring the School to honor the guarantee. Even in the unlikely situation where the School was required to honor the guarantee, the monthly payments on the note are less than the required lease payments.

NOTE 7 – RELATED PARTY TRANSACTIONS

The School entered into a service agreement with Educators Management Group, Inc. (the "management company") commencing on May 18, 2006. The School terminated the agreement with the management company in September 2015. The management company was paid \$75,475 during the year ending June 30, 2016. The owners of the management company own and control the entity that leases a building to the School. See Note 5.

NOTE 8 - CONTINGENT LIABILITIES

The School is involved in litigation with its prior management company. The School is vigorously contesting the claims against the School and has countersued the management company. It is impossible to determine the outcome of the litigation; however, management does not believe it will be required to pay any damages and has not record a related liability as of June 30, 2016.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016
Royal Palm Charter School, Inc.
A Component Unit of the Brevard County District School Board

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Federal Through State:				
National School Lunch Program	\$ 107,202	\$ 107,368	\$ 107,368	\$ --
State Revenue:				
Florida Education Finance Program	2,276,002	2,262,537	2,262,537	--
Other State Revenues	--	3,393	3,393	--
Local Revenue:				
Local Revenue	13,887	95,031	95,031	--
Total Revenues	2,397,091	2,468,329	2,468,329	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	1,261,679	1,148,404	1,148,404	--
General Support	473,290	657,713	657,713	--
Operation of Plant	541,544	568,840	568,840	--
Debt Service:				
Principal	73,720	76,736	76,736	--
Interest	8,892	9,377	9,377	--
Total Expenditures	2,359,125	2,461,070	2,461,070	--
Excess of Revenues Over (Under)Expenditures	37,966	7,259	7,259	--
Fund Balances, July 1, 2015	--	74,925	74,925	--
Fund Balances, June 30, 2016	\$ --	\$ 82,184	\$ 82,184	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2016
Royal Palm Charter School, Inc.
A Component Unit of the Brevard County District School Board

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Federal through State: Title II	\$ 11,660	\$ 9,061	\$ 9,061	\$ --
Total Revenues	11,660	9,061	9,061	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instruction	--	--	--	--
General Support	11,660	9,061	9,061	--
Operation of Plant	--	--	--	--
Debt Service:				
Principal	--	--	--	--
Interest	--	--	--	--
Total Expenditures	11,660	9,061	9,061	--
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2015	--	--	--	--
Fund Balances, June 30, 2016	\$ --	\$ --	\$ --	\$ --

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Kattell and Company, P.L.
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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 25, 2016

To the Board of Directors
Royal Palm Charter School, Inc.

We have audited the financial statements of Royal Palm Charter School, Inc. (the School) for the year ended June 30, 2016, and have issued our report thereon dated August 25, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated April 21, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There are no material adjustments and no uncorrected misstatements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This letter is intended solely for the information and use of 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.

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

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MANAGEMENT LETTER

To the Board of Directors,
Royal Palm Charter School, Inc.

August 25, 2016

Report on the Financial Statements. We have audited the financial statements of Royal Palm Charter School, Inc. (the School), as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated August 25, 2016.

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

Other Reports and Schedules. We have issued our Independent Auditors' 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 August 25, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there are no uncorrected findings to report.

Official Title. Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Royal Palm Charter School, Inc.

Financial Condition.

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

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

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

Other Matters.

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

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

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Royal Palm Charter School, Inc.

August 25, 2016

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Royal Palm Charter School, Inc. (the School) as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 25, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in the management letter dated August 25, 2016.

Kattell and Company, P.L.