

**CHAUTAUQUA
CHARTER SCHOOL, INC.**

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2016

King & Walker, CPAs, PL

Certified Public Accountants

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CHAUTAUQUA CHARTER SCHOOL, INC.

TABLE OF CONTENTS

	PAGE NO.
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis – (Unaudited)	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund & Major Special Revenue Fund – (Unaudited)	33
Schedule of Proportionate Share of Net Pension Liability - FRS	34
Schedule of Contributions - FRS	35
Schedule of Proportionate Share of Net Pension Liability - HIS	36
Schedule of Contributions - HIS	37
Notes to Required Supplementary Information	38
COMPLIANCE AND INTERNAL CONTROL	
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 <i>Governmental Auditing Standards</i>	39
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	41

Independent Auditor's Report

To the Board of Directors of the Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay 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 Chautauqua Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 30, 2016
Tampa, Florida

CHAUTAUQUA CHARTER SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Chautauqua Charter School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2016.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2016, the School's expenses exceeded revenue as shown on the School's statement of activities by \$4,735.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$272,456, which included accounting for reporting the unfunded pension liabilities.
- The School reported an unassigned fund balance of \$450,081 on the balance sheet – governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, and a Special Revenue Fund to account for Federal grant programs. The School has elected to show each fund as a major fund.

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

Notes to 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2015, and June 30, 2016:

	Net Position, End of Year		
	Governmental Activities		
	6-30-15	6-30-16	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 472,729	\$ 458,290	\$ (14,439)
Capital Assets, Net	34,457	29,267	(5,190)
Total Assets	<u>507,186</u>	<u>487,557</u>	<u>(19,629)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pensions	26,061	38,304	12,243
Total Deferred Outflows of Resources	<u>26,061</u>	<u>38,304</u>	<u>12,243</u>
LIABILITIES			
Accounts Payable	9,619	8,209	(1,410)
Net Pension Liability	128,886	164,889	36,003
Total Liabilities	<u>138,505</u>	<u>173,098</u>	<u>34,593</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	88,284	51,040	(37,244)
Total Deferred Inflows of Resources	<u>88,284</u>	<u>51,040</u>	<u>(37,244)</u>
NET ASSETS			
Net Investment in Capital Assets	34,457	29,267	(5,190)
Unrestricted	272,001	272,456	455
Total Net Position	<u>\$ 306,458</u>	<u>\$ 301,723</u>	<u>\$ (4,735)</u>

Current assets are primarily comprised of cash and cash equivalents and amounts due from other agencies. Current liabilities consist of vendor accounts payable. Deferred outflows and inflows and the associated net pension liability relate to the School's participation in the Florida Retirement System (FRS) to report the employer's proportional share of the net pension liability of the plans. The amount of the net pension liability, a long-term debt, related to the FRS participation as of June 30, 2016 amounts to \$164,889.

The key elements of the changes in the School's net position for the fiscal years ended June 30, 2015, and June 30, 2016 are as follows:

Operating Results for the Year

	Governmental Activities		
	6-30-15	6-30-16	Increase (Decrease)
Revenues:			
Federal Through State and Local	\$ 253,900	\$ 127,590	\$ (126,310)
State Sources	626,337	614,363	(11,974)
Local and Other	94,301	94,025	(276)
Total Revenues	974,538	835,978	(138,560)
Expenses:			
Instruction	498,222	547,181	48,959
Pupil Personnel Services	89,429	82,804	(6,625)
Instructional Staff Training	6,498	3,179	(3,319)
Board	47,124	57,811	10,687
School Administration	48,723	33,922	(14,801)
Facilities Acq. & Construction	21,000	21,000	-
Fiscal Services	26,915	25,142	(1,773)
Pupil Transportation	91,973	35,803	(56,170)
Operation of Plant	22,947	20,419	(2,528)
Maintenance of Plant	9,560	3,353	(6,207)
Community Service	4,394	4,909	515
Unallocated Depreciation	9,756	5,190	(4,566)
Total Expenses	876,541	840,713	(35,828)
Increase/(Decrease) in Net Position	\$ 97,997	\$ (4,735)	\$ (102,732)

The School received funding primarily from the State of Florida (74%) and Federal grants (15%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. Federal funding was received through a grant from Department of Transportation and grants through the Department of Education.

During the fiscal year ended June 30, 2016, the largest concentration of expenses were for instruction related functions (65%).

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$450,081.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2016, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2016, actual expenditures were equal to the final budgeted amounts. Refer to the Budgetary Comparison Schedule for additional reference.

CAPITAL ASSETS

The School's investment in capital assets as of June 30, 2016, amounts to \$29,267, net of accumulated depreciation. This investment in capital assets includes portable buildings, improvements other than buildings, leasehold improvements, furniture, fixtures, and equipment, software, and vehicles. Additional information about the School's capital assets is presented in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations for the School in fiscal year 2017 include:

- Enrollment continues to be consistent.
- The School continues to enjoy strong community support.
- The School expects fund balance to continue to grow.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's, finances and to demonstrate the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Financial Services, Inc., Post Office Box 250, Bonifay, Florida 34425.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 320,212
Due From Other Agencies	136,302
Prepaid Expenses	1,776
Capital Assets:	
Buildings, Net	19,707
Leasehold Improvements, Net	9,560
Total Capital Assets, Net	29,267
Total Assets	487,557
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	38,304
Total Deferred Outflows of Resources	38,304
LIABILITIES	
Accounts Payable	8,209
Long Term Liabilities:	
Net Pension Liability	164,889
Total Liabilities	173,098
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	51,040
Total Deferred Inflows of Resources	51,040
NET POSITION	
Net Investment in Capital Assets	29,267
Unrestricted	272,456
Total Net Position	\$ 301,723

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 547,181	\$ -	\$ 114,746	\$ -	\$ (432,435)	\$ (432,435)
Pupil Personnel Services	82,804		-		(82,804)	(82,804)
Instructional Staff Training	3,179				(3,179)	(3,179)
Board	57,811				(57,811)	(57,811)
School Administration	33,922		-		(33,922)	(33,922)
Facilities Acquisition & Construction	21,000			9,166	(11,834)	(11,834)
Fiscal Services	25,142		3,650		(21,492)	(21,492)
Pupil Transportation	35,803		9,194		(26,609)	(26,609)
Operation of Plant	20,419				(20,419)	(20,419)
Maintenance of Plant	3,353				(3,353)	(3,353)
Community Service	4,909				(4,909)	(4,909)
Unallocated Depreciation	5,190				(5,190)	(5,190)
Total Governmental Activities	\$ 840,713	\$ -	\$ 127,590	\$ 9,166	(703,957)	(703,957)
General Revenues:						
State Sources					605,197	605,197
Local and Other					94,025	94,025
Total General Revenues					699,222	699,222
Change in Net Position					(4,735)	(4,735)
Net Position - July 1, 2015					306,458	306,458
Net Position - June 30, 2016					\$ 301,723	\$ 301,723

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 320,212	\$ -	\$ 320,212
Due From Other Agencies	35,518	100,784	136,302
Due From Other Fund	100,784		100,784
Prepaid Expenses	1,776		1,776
Total Assets	<u>\$ 458,290</u>	<u>\$ 100,784</u>	<u>\$ 559,074</u>
LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 8,209	\$ -	\$ 8,209
Due To Other Fund		100,784	100,784
Total Liabilities	<u>8,209</u>	<u>100,784</u>	<u>108,993</u>
FUND BALANCES			
Nonspendable	1,776	-	1,776
Unassigned	448,305	-	448,305
Total Fund Balances	<u>450,081</u>	<u>-</u>	<u>450,081</u>
Total Liabilities and Fund Balances	<u>\$ 458,290</u>	<u>\$ 100,784</u>	<u>\$ 559,074</u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total Fund Balances - Governmental Funds	\$ 450,081
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	29,267
Deferred Outflows and Inflows of Resources are not available in the current period and not reported in the governmental funds and, therefore, are not reported as liabilities in the governmental funds.	(12,736)
Long-term liabilities are not reported in the governmental funds. Long-term liabilities at year end consist of:	
Net Pension Liability	<u>(164,889)</u>
Total Net Position - Governmental Activities	<u><u>\$ 301,723</u></u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ -	\$ 127,590	\$ 127,590
State Sources	614,363		614,363
Local and Other	94,025		94,025
Total Revenues	<u>708,388</u>	<u>127,590</u>	<u>835,978</u>
Expenditures			
Current - Education:			
Instruction	445,919	114,746	560,665
Pupil Personnel Services	82,804		82,804
Instructional Staff Training	3,179		3,179
Board	57,811		57,811
School Administration	33,922		33,922
Facilities Acquisition & Construction	21,000		21,000
Fiscal Services	21,492	3,650	25,142
Pupil Transportation	26,609	9,194	35,803
Operation of Plant	20,419		20,419
Maintenance of Plant	3,353		3,353
Community Service	4,909		4,909
Total Expenditures	<u>721,417</u>	<u>127,590</u>	<u>849,007</u>
Net Change in Fund Balances	(13,029)	-	(13,029)
Fund Balances, July 1, 2015	463,110	-	463,110
Fund Balances, June 30, 2016	<u>\$ 450,081</u>	<u>\$ -</u>	<u>\$ 450,081</u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Governmental Funds \$ (13,029)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of depreciation expense (\$5,190) in excess of capital outlay expense (\$0) in the current period. (5,190)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:

Net effect of Pension Expense (calculated for net pension liability) and Pension contributions made subsequent to the pension liability measurement date of 6/30/15. 13,484

Change in Net Position - Governmental Activities \$ (4,735)

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Chautauqua Charter School, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Bay County, Florida, ("District"). The current charter is effective until June 30, 2029, and may be renewed by mutual agreement between the School and the District. 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 this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District; and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

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

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.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – To account for certain Federal grant program resources.

➤ 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School does not have a custodial credit risk policy.

➤ **Capital Assets and Depreciation**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Donated capital assets are recorded at fair value at the date of donation. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 - 10 years
Software	5 years
Vehicles	5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Pensions**

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The School's retirement plans and related amounts are described in a subsequent note.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

➤ **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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- **Net Investment in Capital Assets** – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- **Restricted Net Position** – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- **Unrestricted Net Position** – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

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

➤ **Revenue Sources**

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) 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 fiscal year ended June 30, 2016, the School reported 43.01 unweighted and 86.28 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida 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).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

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

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

only be used for lawful capital outlay expenditures and, as such are reflected as restricted/reserved fund balance in the accompanying statement of net position and balance sheet – governmental funds to the extent that they remain unexpended.

The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

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

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

3. DUE FROM OTHER AGENCIES

Amounts due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds represents the final capital outlay allocation and grant expenditures awaiting reimbursement by the Bay County School District and other State grant agencies. This receivable is considered to be fully collectible and therefore, no allowance for uncollectible accounts has been established.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 36,779	\$ -	\$ -	\$ 36,779
Leasehold Improvements	80,009			80,009
Furniture, Fixtures, and Equipment	107,658			107,658
Software	17,748			17,748
Vehicles	15,762			15,762
Total Capital Assets Being Depreciated	<u>257,956</u>	<u>-</u>	<u>-</u>	<u>257,956</u>
Less Accumulated Depreciation for:				
Buildings	(15,712)	(1,360)		(17,072)
Leasehold Improvements	(68,569)	(1,880)		(70,449)
Furniture, Fixtures, and Equipment	(105,708)	(1,950)		(107,658)
Software	(17,748)			(17,748)
Vehicles	(15,762)			(15,762)
Total Accumulated Depreciation	<u>(223,499)</u>	<u>(5,190)</u>	<u>-</u>	<u>(228,689)</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,457</u>	<u>\$ (5,190)</u>	<u>\$ -</u>	<u>\$ 29,267</u>

Unallocated depreciation expense amounted to \$5,190.

5. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2016, the General Fund was due \$100,784 from the Special Revenue Fund for expenditures awaiting reimbursement from other agencies. The amounts of interfund receivables and payables are netted together and not reported on the statement of net position.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

6. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Net Pension Liability	\$ 128,886	\$ 36,003	\$ -	\$ 164,889
Total Governmental Activities	<u>\$ 128,886</u>	<u>\$ 36,003</u>	<u>\$ -</u>	<u>\$ 164,889</u>

7. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 346,235
ESE Guaranteed Allocation	132,695
Class Size Reduction	74,836
Discretionary Local Effort	32,788
Supplementary Academic Instruction	12,081
Charter School Capital Outlay	9,166
Instructional Materials	3,268
Safe Schools Allocation	1,174
Digital Classroom Allocation	1,053
Teachers' Classroom Assistance	792
Lottery Allocation	275
Total State Revenue	<u>\$ 614,363</u>

As provided in the charter school contract, the District has charged the School an administrative fee in the amount of \$20,251.

8. FLORIDA RETIREMENT SYSTEM (FRS) – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The School's FRS and HIS pension expense totaled \$5,257 for the fiscal year ended June 30, 2016.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The School's contributions to the Plan totaled \$13,412 for the fiscal year ended June 30, 2016.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the School reported a liability of \$69,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School's proportionate share of the net pension liability was based on the School's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the School's proportionate share was .000534640 percent, which was a decrease of .000374210 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School recognized pension expense of \$742. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,290	\$ 1,638
Change of assumptions	4,583	-
Net difference between projected and actual earnings on FRS Plan investments	-	16,489
Changes in proportion and differences between School FRS contributions and proportionate share of contributions		18,966
School FRS contributions subsequent to the measurement date	13,412	-
Total	<u>\$ 25,285</u>	<u>\$ 37,093</u>

The deferred outflows of resources related to pensions totaling \$13,412, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (5,463)
2018	(5,463)
2019	(5,463)
2020	8,141
2021	1,581
Thereafter	413

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

	<u>1%</u> <u>Decrease</u> <u>(6.65%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.65%)</u>	<u>1%</u> <u>Increase</u> <u>(8.65%)</u>
School's proportionate share of the net pension liability	\$ 178,940	\$ 69,056	\$(22,385)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the School reported a payable of \$342 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2016.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The School's contributions to the HIS Plan totaled \$5,427 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the School reported a net pension liability of \$95,833 for its proportionate share of the net pension liability. The current portion of the net pension liability is the School's proportionate share of benefit

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

payments expected to be paid within one year, net of the School's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The School's proportionate share of the net pension liability was based on the School's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the School's proportionate share was .000939685 percent, which was an increase/decrease of .00065442 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School recognized pension expense of \$4,615. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 7,540	\$ -
Net difference between projected and actual earnings on HIS Plan investments	52	-
Changes in proportion and differences between School HIS contributions and proportionate share of HIS contributions	-	13,947
School contributions subsequent to the measurement date	5,427	-
Total	\$ 13,019	\$ 13,947

The deferred outflows of resources totaling \$5,427, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,313
2018	1,313
2019	1,313
2020	1,302
2021	1,297
Thereafter	1,053

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(2.8%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.8%)</u>	<u>1%</u> <u>Increase</u> <u>(4.8%)</u>
School's proportionate share of the net pension liability	\$ 109,197	\$ 95,833	\$ 84,689

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2016, the School reported a payable of \$147 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. FRS – DEFINED CONTRIBUTION PENSION PLANS

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. School employees already participating in the State School System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's Investment Plan pension expense totaled \$5,142 for the fiscal year ended June 30, 2016.

10. SCHOOL FOOD SERVICE AGREEMENT

The School's students' lunches are provided at Bay County High School, at no cost. In exchange for lunch, the students assist with the cleanup of the cafeteria. No revenues or expenditures are reflected in these financial statements for transactions related to the provision of meals.

11. FACILITY LEASE

The School leases facility space under a month to month operating lease. The School currently leases the space with an option to renew the existing agreement. Lease expense for the year ended June 30, 2016, was \$21,000.

12. RISK MANAGEMENT PROGRAM

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2016, may be impaired.

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

14. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

15. LEGAL MATTERS

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

CHAUTAQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2016

	GENERAL FUND				MAJOR SPECIAL REVENUE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -	\$ 128,911	\$ 127,590	\$ 127,590	\$ -
State Sources	576,663	614,363	614,363	-	-	-	-	-
Local and Other	59,783	94,025	94,025	-	-	-	-	-
Total Revenues	636,446	708,388	708,388	-	128,911	127,590	127,590	-
Expenditures:								
Current - Education:								
Instruction	477,780	445,919	445,919	-	115,411	114,746	114,746	-
Pupil Personnel Services	81,627	82,804	82,804	-	-	-	-	-
Instructional Staff Training	5,771	3,179	3,179	-	-	-	-	-
Board	50,264	57,811	57,811	-	-	-	-	-
School Administration	31,536	33,922	33,922	-	-	-	-	-
Facilities Acquisition & Construction	21,000	21,000	21,000	-	-	-	-	-
Fiscal Services	16,698	21,492	21,492	-	4,000	3,650	3,650	-
Pupil Transportation	28,512	26,609	26,609	-	9,500	9,194	9,194	-
Operation of Plant	22,214	20,419	20,419	-	-	-	-	-
Maintenance of Plant	2,295	3,353	3,353	-	-	-	-	-
Community Service	4,418	4,909	4,909	-	-	-	-	-
Total Expenditures	742,115	721,417	721,417	-	128,911	127,590	127,590	-
Net Change in Fund Balances	(105,669)	(13,029)	(13,029)	-	-	-	-	-
Fund Balances, July 1, 2015	463,110	463,110	463,110	-	-	-	-	-
Fund Balances, June 30, 2016	\$ 357,441	\$ 450,081	\$ 450,081	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System

	as of 6/30/15 (Note 1)	as of 6/30/14 (Note 1)
Proportion of the net pension liability/(asset)	0.0005346400%	0.0005720610%
Proportionate share of the net pension liability/(asset)	\$ 69,056	\$ 34,904
Covered-employee payroll	\$ 218,545	\$ 222,001
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.60%	15.72%
Plan fiduciary net position as a percentage of the total pension liability (Note 2)	96.09%	96.09%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Florida Retirement System Comprehensive Annual Financial Report as of June 30, 2015.

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

Schedule of Contributions
Florida Retirement System

	as of 6/30/16 <u>(Note 1)</u>	as of 6/30/15 <u>(Note 1)</u>	as of 6/30/14 <u>(Note 1)</u>
Contractually required contribution	\$ 13,412	\$ 13,035	\$ 12,531
Contributions in relation to the contractually required contribution	<u>\$ (13,412)</u>	<u>\$ (13,035)</u>	<u>\$ (12,531)</u>
Contribution deficiency/(excess)	0	0	0
Covered-employee payroll	\$ 255,535	\$ 218,545	\$ 222,001
Contributions as a percentage of covered-employee payroll	5.25%	5.96%	5.64%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

Schedule of Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program

	<u>as of 6/30/15</u> <u>(Note 1)</u>	<u>as of 6/30/14</u> <u>(Note 1)</u>
Proportion of the net pension liability/(asset)	0.0009396850%	0.0010051270%
Proportionate share of the net pension liability/(asset)	\$ 95,833	\$ 93,982
Covered-employee payroll	\$ 288,053	\$ 291,509
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	33.27%	32.24%
Plan fiduciary net position as a percentage of the total pension liability (Note 2)	0.99%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

Schedule of Contributions
Health Insurance Subsidy Program

	<u>as of 6/30/16</u> (Note 1)	<u>as of 6/30/15</u> (Note 1)	<u>as of 6/30/14</u> (Note 1)
Contractually required contribution	\$ 5,427	\$ 3,443	\$ 3,443
Contributions in relation to the contractually required contribution	<u>\$ (5,427)</u>	<u>\$ (3,443)</u>	<u>\$ (3,443)</u>
Contribution deficiency/(excess)	0	0	0
Covered-employee payroll	\$ 255,535	\$ 288,053	\$ 291,509
Contributions as a percentage of covered-employee payroll	2.12%	1.20%	1.18%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available.

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

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

To the Board of Directors of the Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay 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 Chautauqua Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 30, 2016
Tampa, Florida

Members:
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Government Audit Quality Center

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**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay County, Florida

Report on the Financial Statements

We have audited the financial statements of the Chautauqua Charter School, Inc. (“School”), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 30, 2016.

Auditor’s Responsibility

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

Other Reporting Required by *Government Auditing Standards*

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

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The School did not have findings and recommendations made in the preceding annual financial audit report.

Official Title

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

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the 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, Federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Bay County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 30, 2016
Tampa, Florida