

**PINELLAS EDUCATION
ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

A Charter School and Component Unit of the
District School Board of Pinellas 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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**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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Independent Auditor's Report

To the Board of Directors of the Pinellas Education Organization, Inc.
d/b/a Enterprise High School,
a Charter School and Component Unit of the
District School Board of Pinellas 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 Pinellas Education Organization, Inc. d/b/a Enterprise High School ("School"), a charter school and component unit of the District School Board of Pinellas 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, the Budgetary Comparison Schedule and the Note to Supplementary Information, as shown 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 19, 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,

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

September 19, 2016
Tampa, Florida

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL

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

MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the Pinellas Education Organization, Inc. d/b/a Enterprise High School (“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 revenues exceeded expenses as shown on the School’s statement of activities by \$110,321.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$249,847.

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 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 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 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 a single fund, a General Fund to account for its general operations and internal account activities.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General 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	\$ 352,968	\$ 274,698	\$ (78,270)
Capital Assets, net	49,172	49,045	(127)
Total Assets	<u>402,140</u>	<u>323,743</u>	<u>(78,397)</u>
LIABILITIES			
Current Liabilities	<u>213,569</u>	<u>24,851</u>	<u>(188,718)</u>
Total Liabilities	<u>213,569</u>	<u>24,851</u>	<u>(188,718)</u>
NET POSITION			
Invested in Capital Assets	49,172	49,045	(127)
Unrestricted	<u>139,399</u>	<u>249,847</u>	<u>110,448</u>
Total Net Position	<u>\$ 188,571</u>	<u>\$ 298,892</u>	<u>\$ 110,321</u>

The assets of the School primarily consist of cash, prepaid expenses and deposits, and capital assets, net of accumulated depreciation. Liabilities primarily consist of vendor accounts payable for current operations. Total net position amounted to \$298,892.

The key elements of the changes in the School's net position for the fiscal year 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 Sources	\$ 3,686	\$ 2,906	\$ (780)
State Sources	2,628,508	2,576,200	(52,308)
Local and Other	4,323	42,929	38,606
Total Revenues	<u>2,636,517</u>	<u>2,622,035</u>	<u>(14,482)</u>
Expenses:			
Instruction	1,062,850	1,119,680	56,830
Instr. & Curriculum Development	1,660	287	(1,373)
Instructional Staff Training	13,062	2,297	(10,765)
Instructional Related Technology	87,248	61,704	(25,544)
Board of Education	524,691	436,036	(88,655)
School Administration	350,688	264,861	(85,827)
Facilities Acq. & Construction	281,217	310,144	28,927
Fiscal Services	66,120	66,877	757
Food Services	111	3,540	3,429
Pupil Transportation	65,046	35,068	(29,978)
Operation of Plant	133,690	165,211	31,521
Maintenance of Plant	38,629	21,791	(16,838)
Unallocated Depreciation	6,687	8,174	1,487
Loss on Disposal of Capital Asset		16,044	16,044
Total Expenses	<u>2,631,699</u>	<u>2,511,714</u>	<u>(119,985)</u>
Increase/(Decrease) in Net Position	<u>\$ 4,818</u>	<u>\$ 110,321</u>	<u>\$ 105,503</u>

The largest revenue source for the School is the State of Florida. 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. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The increase in revenues was largely due to the increase in FEFP funding from the State.

The largest concentration of expenses was for Instruction related functions (47%), Board of Education (17%), and Facilities Acquisition and Construction (12%) for rent.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$249,847.

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. Over the course of the year, the school revised its general fund budget. For the fiscal year ended June 30, 2016, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$49,045 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in a subsequent note 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 of the School in fiscal year 2017 include:

- Continued funding from FEFP
- Expected increase in enrollment

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Enterprise High School 21810 US Highway 19, Clearwater, FL 33765.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

STATEMENT OF NET POSITION

June 30, 2016

	<u>Government Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 207,482
Due From Other Agencies	8,138
Prepaid Expenses and Deposits	59,078
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	31,809
Leasehold Improvements, Net	17,236
Total Capital Assets, Net	<u>49,045</u>
TOTAL ASSETS	<u><u>323,743</u></u>
LIABILITIES	
Accounts Payable	24,711
Due to Other Agencies	140
TOTAL LIABILITIES	<u><u>24,851</u></u>
NET POSITION	
Net Investment in Capital Assets	49,045
Unrestricted	249,847
TOTAL NET POSITION	<u><u>\$ 298,892</u></u>

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

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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

	Expenses	Program Revenues			Net (Expenses)	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position Governmental Activities	
Governmental Activities:						
Instruction	\$ 1,119,680	\$ -	\$ -	\$ -	\$ (1,119,680)	\$ (1,119,680)
Instruction & Curriculum Development	287				(287)	(287)
Instructional Staff Training	2,297				(2,297)	(2,297)
Instructional Related Technology	61,704				(61,704)	(61,704)
Board of Education	436,036				(436,036)	(436,036)
School Administration	264,861				(264,861)	(264,861)
Facilities Acquisition & Construction	310,144		46,315	85,146	(178,683)	(178,683)
Fiscal Services	66,877				(66,877)	(66,877)
Food Services	3,540				(3,540)	(3,540)
Pupil Transportation	35,068				(35,068)	(35,068)
Operation of Plant	165,211				(165,211)	(165,211)
Maintenance of Plant	21,791				(21,791)	(21,791)
Unallocated Depreciation	8,174				(8,174)	(8,174)
Loss on Disposal of Capital Asset	16,044				(16,044)	(16,044)
Total Governmental Activities	<u>\$ 2,511,714</u>	<u>\$ -</u>	<u>\$ 46,315</u>	<u>\$ 85,146</u>	<u>(2,380,253)</u>	<u>(2,380,253)</u>
General Revenues:						
State Sources					2,444,739	2,444,739
Grants and Contributions not restricted to specific program					44,393	44,393
Local and Other					1,442	1,442
Total General Revenues					<u>2,490,574</u>	<u>2,490,574</u>
Change in Net Position					110,321	110,321
Net Position - July 1, 2015					188,571	188,571
Net Position - June 30, 2016					<u>\$ 298,892</u>	<u>\$ 298,892</u>

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

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 207,482
Due From Other Agencies	8,138
Prepaid Expenses and Deposits	<u>59,078</u>
Total Assets	<u><u>\$ 274,698</u></u>
LIABILITIES	
Accounts Payable	\$ 24,711
Due to Other Agencies	<u>140</u>
Total Liabilities	<u>24,851</u>
FUND BALANCE	
Nonspendable	59,078
Unassigned	<u>190,769</u>
Total Fund Balance	<u>249,847</u>
Total Liabilities and Fund Balance	<u><u>\$ 274,698</u></u>

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

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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

June 30, 2016

Total Fund Balances - Governmental Funds	\$ 249,847
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.	<u>49,045</u>
Total Net Position - Governmental Activities	<u><u>\$ 298,892</u></u>

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

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

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

	General Fund
Revenues	
Intergovernmental:	
Federal Through State and Local	\$ 2,906
State Sources	2,576,200
Local and Other	42,929
Total Revenues	2,622,035
Expenditures	
Current - Education:	
Instruction	1,119,680
Instruction & Curriculum Development	287
Instructional Staff Training	2,297
Instructional Related Technology	61,704
Board of Education	436,036
School Administration	264,861
Facilities Acquisition & Construction	310,144
Fiscal Services	66,877
Food Services	3,540
Pupil Transportation	35,068
Operation of Plant	165,211
Maintenance of Plant	21,791
Fixed Capital Outlay:	
Facilities Acquisition	14,565
Other Capital Outlay	9,526
Total Expenditures	2,511,587
Net Change in Fund Balances	110,448
Fund Balance, July 1, 2015	139,399
Fund Balance, June 30, 2016	\$ 249,847

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

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PINELLAS 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	\$ 110,448
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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 capital outlays (\$24,091) and loss from the disposal of capital assets (\$16,044) in excess of depreciation expense (\$8,174) in the current period.

(127)

Change in Net Position - Governmental Activities	<u>\$ 110,321</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Pinellas Education Organization, Inc. d/b/a Enterprise High School (“School”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, 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 Pinellas County, Florida, (“District”). On January 15, 2013, the District approved an amendment to renew the School charter contract for five-years, expiring on June 20, 2018. The District also approved a request to change the name from NewStart to Enterprise High School starting in the 2013-14 school year. The charter is subject to annual review 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; 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**

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 direct expenses and program revenues for each function or program of the

PINELLAS EDUCATION ORGANIZATION, INC.
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A Charter School and Component Unit of the District School Board of Pinellas County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

➤ **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 30 days of the end of the current fiscal 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

PINELLAS EDUCATION ORGANIZATION, INC.
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NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

➤ **Deposits and Investments**

Cash deposits consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

The School's deposits must be placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial.

➤ **Capital Assets**

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. 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. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years
Leasehold Improvements	5-20 years

➤ **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial

**PINELLAS EDUCATION ORGANIZATION, INC.
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A Charter School and Component Unit of the District School Board of Pinellas County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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. The School does not have any items that qualify for reporting in this category.

➤ **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.”

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.

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **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. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (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 students (FTE) 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 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 399.56 unweighted FTE and 402.8879 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:

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

- 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 receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. 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.

➤ **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 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.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **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.

3. DUE FROM OTHER AGENCIES

The amount due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Florida Department of Education under the Charter School Capital Outlay program. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

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>				
Furniture, Fixtures and Equipment	\$ 51,336	\$ 9,526	\$ 18,875	\$ 41,987
Leasehold Improvements	4,523	14,565		19,088
Total Capital Assets Being Depreciated	<u>55,859</u>	<u>24,091</u>	<u>18,875</u>	<u>61,075</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(5,933)	(7,076)	(2,831)	(10,178)
Leasehold Improvements	(754)	(1,098)		(1,852)
Total Accumulated Depreciation	<u>(6,687)</u>	<u>(8,174)</u>	<u>(2,831)</u>	<u>(12,030)</u>
Governmental Activities Capital Assets, net	<u>\$ 49,172</u>	<u>\$ 15,917</u>	<u>\$ 16,044</u>	<u>\$ 49,045</u>

All depreciation expense is shown as unallocated on the Statement of Activities.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

5. FACILITY LEASE

The School entered into a seven year operating lease for its educational facility beginning August 1, 2011, through July 31, 2018. The agreement contains two five-year renewal options. The lease requires monthly payments that includes common area maintenance and storage rental charges. Beginning in August 2016, the lease requires an annual increase in rent of the greater of 3% or the increase in the consumer price index. Rental expenditures under this lease for the 2015-16 fiscal year amounted to \$309,499.

The following is a schedule, by years, of the School's portion of future minimum rental payments required under operating leases in excess of one year:

Fiscal Year Ending June 30:	Minimum Lease Payments
2017	\$ 316,554
2018	324,303
2019	27,025
Total Minimum Lease Payments	<u>\$ 667,882</u>

6. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 1,652,373
Class Size Reduction	363,618
Discretionary Local Effort	183,312
Charter School Capital Outlay	85,146
Supplementary Academic Instruction	81,785
ESE Guaranteed Allocation	60,366
Transportation	51,120
Capital Outlay Admin	46,315
Instructional Materials	29,401
Safe Schools	12,283
Digital Classrooms Allocation	7,051
Teachers Classroom Supply Program	3,430
Total State Revenue	<u>\$ 2,576,200</u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to \$77,394.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

7. RISK MANAGEMENT PROGRAMS

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.

8. OPERATING AGREEMENTS

Management Agreement – The School entered into a management agreement for the period April 5, 2011, to June 30, 2016, with Newpoint Education Partners, LLC (the “Company”). The contract calls for the Company to be responsible and accountable to the School Board for the administration, operation and performance of the School in accordance with the School’s contract, the statement of mission and purpose and the laws of the State of Florida. An annual fee is to be 18% of the School’s qualified gross revenue less the School’s administrative fee, to be paid in monthly installments. Qualified gross revenues shall mean revenues and income received by the School from the following sources:

- Basic State Funding
- FEFP Funding
- Exceptional Education Funding
- Class Size Funding
- Safety Funding
- Income sources provided by state, federal and local law and/or obtained through the Company’s efforts

Fees under this agreement incurred to the Company during the 2015-16 fiscal year amounted to \$323,465.

Effective April 30, 2016, the School entered into a Release of Claims agreement with Management Company which terminated the agreement referred to above. As part of this agreement, no management fees were charged or paid for May and June 2016.

Professional Accounting Services Company – The School has a contract with a professional accounting services company which provides accounting and financial services and other assistance to the School at a fixed percentage (3%) of the net FEFP revenue collected from the District. Fees under this agreement incurred during the 2015-16 fiscal year amounted to \$66,877. The contract may be cancelled by either party with 30 days advance notice.

**PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL**

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

9. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state 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.

10. 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.

11. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

PINELLAS EDUCATION ORGANIZATION, INC.
D/B/A ENTERPRISE HIGH SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT
SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (Unaudited)

For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ 2,906	\$ 2,906	\$ -
State Sources	2,721,032	2,576,200	2,576,200	-
Local and Other		42,929	42,929	-
Total Revenues	<u>2,721,032</u>	<u>2,622,035</u>	<u>2,622,035</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	1,103,594	1,119,680	1,119,680	-
Instruction & Curriculum Development	1,798	287	287	-
Instructional Staff Training	18,000	2,297	2,297	-
Instructional Related Technology	78,000	61,704	61,704	-
Board of Education	533,172	436,036	436,036	-
School Administration	330,911	264,861	264,861	-
Facilities Acquisition & Construction	281,218	310,144	310,144	-
Fiscal Services	65,931	66,877	66,877	-
Food Services		3,540	3,540	-
Pupil Transportation	67,200	35,068	35,068	-
Operation of Plant	138,954	165,211	165,211	-
Maintenance of Plant	30,000	21,791	21,791	-
Fixed Capital Outlay:				
Facilities Acquisition	21,000	14,565	14,565	-
Other Capital Outlay	24,000	9,526	9,526	-
Total Expenditures	<u>2,693,778</u>	<u>2,511,587</u>	<u>2,511,587</u>	<u>-</u>
Net Change in Fund Balance	27,254	110,448	110,448	-
Fund Balance, July 1, 2015	139,399	139,399	139,399	-
Fund Balance, June 30, 2016	<u>\$ 166,653</u>	<u>\$ 249,847</u>	<u>\$ 249,847</u>	<u>\$ -</u>

See Independent Auditor's Report.

PINELLAS EDUCATION ORGANIZATION, INC.

D/B/A ENTERPRISE HIGH SCHOOL

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

NOTES 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 Pinellas Education Organization, Inc.
d/b/a Enterprise High School,
a Charter School and Component Unit of the
District School Board of Pinellas 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 Pinellas Education Organization, Inc. d/b/a Enterprise High School ("School"), a charter school and component unit of the District School Board of Pinellas 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 19, 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*.

We noted certain additional matters that are discussed in the Findings and Recommendations section of this report.

Management's response to the findings described in the Findings and Recommendations section of this report is included on pages 32 to 34. We did not audit management's response and, accordingly, we express no opinion on it.

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, flowing style.

September 19, 2016
Tampa, Florida

Members:
Florida Institute of CPAs
American Institute of CPAs
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 Pinellas Education Organization, Inc.
d/b/a Enterprise High School,
a Charter School and Component Unit of the District School Board of Pinellas County, Florida

Report on the Financial Statements

We have audited the financial statements of The Pinellas Education Organization, Inc. d/b/a Enterprise High School (“School”), a charter school and component unit of the District School Board of Pinellas County, Florida, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 19, 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 19, 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 Pinellas Education Organization, Inc. d/b/a Enterprise High School.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific 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 have presented recommendations as described on pages 30 and 31 of this report.

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 Pinellas County, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



September 19, 2016
Tampa, Florida

MANAGEMENT'S RESPONSE

OTHER MATTERS

Finding 2016-1: Contractual Administration

Subcontractors - The governing Board of the School shall exercise continuing oversight over the School's operations and is responsible for the supervision of the School's business. The School entered into a management agreement with Newpoint Education Partners, LLC (the Management Company) for the period April 5, 2011 to June 30, 2016. The contract calls for the Management Company to be responsible and accountable to the School's Board for the administration, operation and performance of the School in accordance with the School's charter contract, the statement of mission and purpose and the laws of the State of Florida. The contract states that the Management Company will provide the School and the Board the Educational Model and the functions, equipment, supplies, facilities, services and labor relating to the provision of education, management and day-to-day operations of the School as set forth in the agreement. The contract also states in Part 7., the Management Company reserves the right to subcontract any and all aspects of services it agrees to provide the School, but may only do so upon the written approval of the Board. The Management Company shall be solely responsible for all costs, expenses and fees associated with subcontractors.

We noted the Management Company entered into three subcontracts for information technology services and accounting services that were not approved by the School's Board, as follows:

- The Management Company subcontracted with Epiphany Management Group to provide IT support and marketing and interactive support for the School for the period July 1, 2015 through June 30, 2016. Payments made by the School under the direction of the Management Company totaled \$69,279.
- On August 1, 2015, the Management Company subcontracted with Massa Financial Solutions to provide accounting services for the School. Payments made by the School under the direction of the Management Company totaled \$8,333.

Absent approval of these subcontracts, it appears that these services were obtained by the Management Company outside the bounds/authorization of their contract. In addition, it is not clear why these subcontractor payments were not included within the 18 percent fee payments made to the Management Company, and were paid separately by the School. We recommend the Board seek legal counsel for the recovery of these fees and additional fees based on the requirements of the management contract and further, that the Board institute procedures to ensure payments made are only for approved subcontractor agreements.

Finding 2016-2: Expenditures

Reimbursements - We noted that 13 reimbursement payments totaling \$7,234.52, were made to two employees of the Management Company who submitted reimbursement vouchers for expenses paid which included office supplies, meals, postage, phone and internet fees, and subscriptions. The reimbursement amount was supported by receipts; however, the individuals receiving the reimbursement were not employees of the School, and therefore not entitled to payment from the School. Furthermore, we could not determine the public purpose of some of the expenses claimed for reimbursement.

We recommend the Board establish procedures to limit the reimbursement of non-school related purchases and/or seek legal counsel for the recovery of these disbursements.

Finding 2016-3: Personnel and Payroll

MANAGEMENT'S RESPONSE

Terminated Employees – The School has procedures in place to assure all terminated employees are properly processed and to ensure the employee is removed from the payroll upon termination. We reviewed all terminated employees during the audit period to determine that their final pay was calculated correctly and that they were appropriately removed from the payroll records.

We noted one employee who was terminated and signed a termination agreement to provide for payment of salaries and benefits through January 15, 2016; however, the employee was paid two additional paychecks totaling \$4,815.26, as authorized by the Management Company.

We recommend the Management Company or the School seek repayment of the additional salary payments received by the terminated employee.

Finding 2106-4: Tangible Personal Property

Annual Inventory – Florida Statutes section 274.02 and Article 4 of the School's charter agreement require an annual inventory of its tangible personal property purchased with public funds.

The School provided us with the annual inventory they conducted and reported to the Pinellas County School District in November 2015. The School's tangible personal property inventory records are maintained for those items with a cost of \$100 or more. We conducted a physical inventory of all capitalized tangible personal property items (cost in excess of \$750 as prescribed by the School's capitalization policy). Results from our physical inventory indicated that 25 computers purchased at a total cost of \$18,875 (\$755 each) were not located at the School. An invoice paid on November 7, 2014 indicated that 25 desktop computers were purchased; however, these items did not appear on the School's tangible personal property inventory. These items were removed from the School's capital assets as reported on the statement of net position.

Inquiry to School personnel revealed they do not know the whereabouts of these computers as they were not involved in the purchasing process. The purchasing process was handled by the Management Company during that time period.

We recommend that School personnel require the Management Company to return the 25 computers to the school grounds or seek reimbursement of the \$18,875 expended on those computers to the School from the Management Company.



ENTERPRISE HIGH SCHOOL

2461 McMullen Booth Road

Clearwater, Florida 33759

727-474-1237

September 27, 2016

This is a formal response to the audit findings in the operational report generated by King and Walker for the period from July 1, 2015 through June 30, 2016.

Finding No.1: Contractual Administration

The contract states in Part 7., the Management company reserves the right to subcontract any and all aspects of services it agrees to provide the School, but may only do so upon the written approval of the Board. The Management Company shall be solely responsible for all costs, expenses and fees associated with subcontractors. We agree that all three companies listed in this finding were never approved by our board. At this time, we are negotiating with Newpoint Education Partners to recoup the fees associated with Massa. We will review the other fees associated with EMG and School Financial Services with our Board's legal counsel.

At this time, our board has approved a process for all contracts to be reviewed by our school's legal counsel.

Finding No. 2: Expenditures

13 reimbursement payments totaling \$7234.52 were made to non-School employees. These reimbursements were for Vice-President, David Stiles and Vice-President Carla Lovett of Newpoint Education Partners. Our board and legal counsel will determine the next step with this finding. These receipts were submitted directly for payment and had not been seen by any staff or board member of Enterprise High School. The legal counsel and our Board will determine next steps with this finding.

A new process for invoice/reimbursement payments has been in place since October 1, 2015. All invoices are submitted to my administrative assistant to be entered onto a transmittal spreadsheet. It is then reviewed by the Director of Enterprise High School. Once the Director approves and signs off

on the transmittal, it is then sent to our Board Treasurer for her approval via email. Once that approval is received, it is submitted for payment.

Finding No. 3: Personnel and Payroll

One employee who was terminated and signed a termination agreement to provide for payment of salaries and benefits only through January 15, 2016, however the employee was paid two additional paychecks totaling \$4815.26 as authorized by Management Company. Newpoint Education Partners was notified immediately when we noticed this employee was continuing to be paid after her end date. John Stack, Vice President of Cambridge Educational Group, stated that he shared with accounting the need to reimburse us for these funds. The reimbursement has not been received by Enterprise High School as of today. Our Board President and Legal counsel is working on this issue at this time.

At this time, we still submit payroll to accountants with Newpoint Education Partners and an invoice is received from Newpoint Education Partners to reimburse for payroll. Starting July 1st 2016, we will be submitting our payroll to our new payroll and benefits company. We believe end dates of employees will be honored by the company we are paying to do this service.

Finding No. 4 Tangible Personal Property

School provided an annual inventory that was conducted on site and reported to Pinellas County Schools on December 1, 2015. Results from the physical inventory indicated that 25 computers purchased for a total of \$18,875 were not located at the school. An invoice was paid on November 7, 2014 indicating payment for 25 desktop computers.

School personnel discovered this through this operational audit process. These 25 computers were never delivered to our school. After numerous conversations between Director of Enterprise High School and School Warehouse (company paid for these computers), it was determined that these computers were purchased originally for a Newpoint school that never opened up in Palm Beach County. The computers were brought to Pinellas County and distributed to other Newpoint Schools of which we were not one of them. Our Board and Legal Counsel will discuss this concern and will follow up with Newpoint Education Partners to recoup money or actual computers.

From this point, all purchases will go through our administration and our Board Treasurer. New items over the \$100.00 threshold will be labeled and added to the inventory.

Ending Management Company Agreement

Our contract with Newpoint Education Partners ended on April 30, 2016 which was two months earlier than the original contract intended. This savings of \$64,764 offset the costs that were due to us based on the audit findings.

Sincerely,

A handwritten signature in black ink that reads "Jan Barr". The signature is written in a cursive style with a large, looped initial "J".

Enterprise High School Board President