

**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, 2014

King & Walker, CPAs, PL

Certified Public Accountants

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

TABLE OF CONTENTS

	PAGE <u>NO.</u>
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
Other Required Supplementary Information	
Budgetary Comparison Schedule – General Fund – (Unaudited)	24
Note to Required Supplementary Information	25
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>	26
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	28



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709 W. Azelee St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

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, 2014, 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, 2014, 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 10, 2014 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 10, 2014
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, 2014.

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, 2014, the School’s revenues exceeded expenses as shown on the School’s statement of activities by \$56,053.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$183,753.

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 the following funds; 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, 2013, and June 30, 2014:

	Net Position End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-13</u>	<u>6-30-14</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 141,428	\$ 271,404	\$ 129,976
Total Assets	<u>141,428</u>	<u>271,404</u>	<u>129,976</u>
LIABILITIES			
Current Liabilities	<u>13,728</u>	<u>87,651</u>	<u>73,923</u>
Total Liabilities	<u>13,728</u>	<u>87,651</u>	<u>73,923</u>
NET POSITION			
Unrestricted	<u>127,700</u>	<u>183,753</u>	<u>56,053</u>
Total Net Position	<u>\$ 127,700</u>	<u>\$ 183,753</u>	<u>\$ 56,053</u>

The assets of the School consist of cash, accounts receivable, prepaid expenses and deposits, and amounts due from other agencies for education revenue receivable from the School District of Pinellas County. Liabilities primarily consist of accounts payable and a loan payable for current operations. Total net position amounted to \$183,753.

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2013, and June 30, 2014, are as follows:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-13</u>	<u>6-30-14</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal Sources	\$ 2,566	\$ -	\$ (2,566)
State and Local Sources	2,180,750	2,574,370	393,620
Contributions and Other	1,629	6,033	4,404
Total Revenues	<u>2,184,945</u>	<u>2,580,403</u>	<u>395,458</u>
Expenses:			
Instruction	805,267	915,451	110,184
Instr. & Curriculum Development	13,610	4,574	(9,036)
Instructional Staff Training	21,525	16,500	(5,025)
Instructional Related Technology	37,103	94,525	57,422
Board of Education	454,104	496,028	41,924
School Administration	364,588	394,866	30,278
Facilities Acq. & Construction	239,660	322,727	83,067
Fiscal Services	47,129	62,918	15,789
Food Services		13	13
Pupil Transportation	75,200	77,925	2,725
Operation of Plant	96,471	131,667	35,196
Maintenance of Plant	18,680	7,156	(11,524)
Total Expenses	<u>2,173,337</u>	<u>2,524,350</u>	<u>351,013</u>
Increase/(Decrease) in Net Position	<u>\$ 11,608</u>	<u>\$ 56,053</u>	<u>\$ 44,445</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 (41%) and Board of Education (20%).

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a total fund balance of \$253,053.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2014, 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 several times. For the fiscal year ended June 30, 2014, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

DEBT

The School entered into a collateralized borrowing agreement with Charter School Capital, Inc. The School has \$69,300 outstanding at June 30, 2014 which is to be repaid with future FEFP revenue over the next three months.

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 2015 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 School Financial Services, Inc., Post Office Box 250, Bonifay, Florida 34425.

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, 2014

	<u>Government Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 168,374
Accounts Receivable	46,707
Due From Other Agencies	23,409
Prepaid Expenses and Deposits	<u>32,914</u>
TOTAL ASSETS	<u><u>271,404</u></u>
LIABILITIES	
Accounts Payable	18,036
Due to Other Agencies	315
Collateralized Borrowing	<u>69,300</u>
TOTAL LIABILITIES	<u><u>87,651</u></u>
NET POSITION	
Unrestricted	<u>183,753</u>
TOTAL NET POSITION	<u><u>\$ 183,753</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
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DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

		Program Revenues			Net (Expenses) Revenue and Changes Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 915,451	\$ -	\$ -	\$ -	\$ (915,451)	\$ (915,451)
Instruction & Curriculum Development	4,574				(4,574)	(4,574)
Instructional Staff Training	16,500				(16,500)	(16,500)
Instructional Related Technology	94,525				(94,525)	(94,525)
Board of Education	496,028				(496,028)	(496,028)
School Administration	394,866				(394,866)	(394,866)
Facilities Acquisition & Construction	322,727		42,237	246,281	(34,209)	(34,209)
Fiscal Services	62,918				(62,918)	(62,918)
Food Services	13				(13)	(13)
Pupil Transportation	77,925				(77,925)	(77,925)
Operation of Plant	131,667				(131,667)	(131,667)
Maintenance of Plant	7,156				(7,156)	(7,156)
Total Governmental Activities	\$ 2,524,350	\$ -	\$ 42,237	\$ 246,281	(2,235,832)	(2,235,832)
 General Revenues:						
State Sources					2,285,852	2,285,852
Local and Other					6,033	6,033
Total General Revenues					2,291,885	2,291,885
Change in Net Position					56,053	56,053
Net Position - July 1, 2013					127,700	127,700
Net Position - June 30, 2014					\$ 183,753	\$ 183,753

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, 2014

	General Fund
ASSETS	
Cash & Cash Equivalents	\$ 168,374
Accounts Receivable	46,707
Due From Other Agencies	23,409
Prepaid Expenses and Deposits	32,914
Total Assets	\$ 271,404
LIABILITIES	
Accounts Payable	\$ 18,036
Due to Other Agencies	315
Total Liabilities	18,351
FUND BALANCE	
Nonspendable	32,914
Unassigned	220,139
Total Fund Balance	253,053
Total Liabilities and Fund Balance	\$ 271,404

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, 2014

Total Fund Balances - Governmental Funds	\$ 253,053
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Amounts reported for governmental activities in the statement of net position are different because:

Liabilities for collateralized borrowings are reported in the statement of net position as a liability and not in the balance sheet - governmental funds.

(69,300)

Total Net Position - Governmental Activities

\$ 183,753

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, 2014

	General Fund
Revenues	
Intergovernmental:	
State Sources	\$ 2,574,370
Local and Other	6,033
Total Revenues	2,580,403
Expenditures	
Current - Education:	
Instruction	915,451
Instruction & Curriculum Development	4,574
Instructional Staff Training	16,500
Instructional Related Technology	94,525
Board of Education	496,028
School Administration	394,866
Facilities Acquisition & Construction	322,727
Fiscal Services	62,918
Food Services	13
Pupil Transportation	77,925
Operation of Plant	131,667
Maintenance of Plant	7,156
Debt Service:	
Principal	1,524,570
Total Expenditures	4,048,920
Excess/(Deficiency) of Revenues Over Expenditures	(1,468,517)
Other Financing Sources (Uses):	
Proceeds from Collateralized Borrowing	1,593,870
Total Other Financing Sources (Uses)	1,593,870
Net Change in Fund Balances	125,353
Fund Balance, July 1, 2013	127,700
Fund Balance, June 30, 2014	\$ 253,053

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
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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, 2014

Net Change in Fund Balances - Governmental Funds	\$ 125,353
Amounts reported for governmental activities in the statement of activities are different because:	
Collateralized borrowing proceeds are reported as other financing sources in governmental funds and as long-term liabilities in the statement of net position.	(1,593,870)
Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	1,524,570
	<hr/>
Change in Net Position - Governmental Activities	\$ 56,053

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, 2014

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 and Section 1002.33, Florida Statutes. 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.
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, 2014

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.
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, 2014

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 are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

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.

➤ **Deferred Outflows/Inflows of Resources**

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

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

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, 2014

- 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.

➤ **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.

**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, 2014

➤ **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, 2014, the School reported 392.66 unweighted FTE and 397.5233 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

**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, 2014

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.

➤ **Recently Issued Accounting Principles**

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The School does not have any items that qualify for reporting in this category.

➤ **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, 2014

➤ **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. ACCOUNTS RECEIVABLE - RELATED PARTY

The School reported receivables of \$46,707 as a result of money overpaid for expenses to the management company, Newpoint Education Partners, LLC, in its statement of net position and balance sheet – governmental funds. The School expects to receive full payment within one year from the financial statement date and no allowance for bad debt has been established.

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 Pinellas County District School Board for FEFP and Charter School Capital Outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

4. COLLATERALIZED BORROWING

The School entered into a collateralized borrowing agreement with Charter School Capital, Inc. The agreement calls for advances to the School of \$69,300 to fund operating costs which equated to 3 months of fiscal year 2014-15 FEFP revenues. Repayment commences on July 2014 and ends September 2014 and do not require interest to be accrued on the outstanding balance. The amount is reflected in the accompanying statement of net position and statement of revenues, expenditures and changes in fund balances – governmental funds.

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 2013-14 fiscal year amounted to \$305,877.

**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, 2014**

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
2015	\$ 309,032
2016	309,032
2017	316,554
2018	324,303
2019	<u>27,025</u>
Total Minimum Lease Payments	<u><u>\$1,285,946</u></u>

6. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 1,456,964
Class Size Reduction	357,532
Charter School Capital Outlay	246,281
Discretionary Local Effort	157,209
Supplementary Academic Instruction	79,317
ESE Guaranteed Allocation	75,965
Teacher Salary Allocation	64,738
Transportation	61,920
Capital Outlay Admin	42,237
Instructional Materials	29,457
Florida Teachers' Lead Program	<u>2,750</u>
Total State Revenue	<u><u>\$ 2,574,370</u></u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to \$74,018.

7. 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”). Thereafter the agreement will automatically renew for additional, successive three (3) year terms unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention not to renew the agreement. 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

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, 2014

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 2013-14 fiscal year amounted to \$405,257.

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 2013-14 fiscal year amounted to \$61,914. The contract may be cancelled by either party with 30 days advance notice.

8. 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.

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, 2014, 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.

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, 2014

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, 2014

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State Sources	\$ 2,558,446	\$ 2,574,370	\$ 2,574,370	\$ -
Local and Other	6,305	6,033	6,033	-
Total Revenues	<u>2,564,751</u>	<u>2,580,403</u>	<u>2,580,403</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	870,650	915,451	915,451	-
Instruction & Curriculum Development	3,710	4,574	4,574	-
Instructional Staff Training	19,800	16,500	16,500	-
Instructional Related Technology	99,030	94,525	94,525	-
Board of Education	496,342	496,028	496,028	-
School Administration	392,381	394,866	394,866	-
Facilities Acquisition & Construction	322,896	322,727	322,727	-
Fiscal Services	62,446	62,918	62,918	-
Food Services	16	13	13	-
Pupil Transportation	78,310	77,925	77,925	-
Operation of Plant	119,329	131,667	131,667	-
Maintenance of Plant	6,852	7,156	7,156	-
Debt Service:				
Principal	1,524,570	1,524,570	1,524,570	-
Total Expenditures	<u>3,996,332</u>	<u>4,048,920</u>	<u>4,048,920</u>	<u>-</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,431,581)</u>	<u>(1,468,517)</u>	<u>(1,468,517)</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds from Collateralized Borrowing	1,663,170	1,593,870	1,593,870	-
Total Other Financing Sources (Uses)	<u>1,663,170</u>	<u>1,593,870</u>	<u>1,593,870</u>	<u>-</u>
Net Change in Fund Balance	231,589	125,353	125,353	-
Fund Balance, July 1, 2013	127,700	127,700	127,700	-
Fund Balance, June 30, 2014	<u>\$ 359,289</u>	<u>\$ 253,053</u>	<u>\$ 253,053</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, 2014

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:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

709 W. Azelee St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

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, 2014, 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 10, 2014.

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 10, 2014
Tampa, Florida

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

709 W. Azelee St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

**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, 2014, and have issued our report thereon dated September 10, 2014.

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.

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 10, 2014, 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.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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 apply appropriate procedures to determine 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.

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.

Purpose of this Letter

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

Respectfully submitted,

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

September 10, 2014
Tampa, Florida