

Hartridge Academy

A Charter School of the
District School Board of Polk County, Florida

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS
June 30, 2017

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Hartridge Academy

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hartridge Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hartridge Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hartridge Academy, Inc., as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
(cont...)

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2017, on our consideration of Hartridge Academy Inc.'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 Hartridge Academy, Inc.'s internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
August 23, 2017

HARTRIDGE ACADEMY, INC.
A Charter School of the School District of Polk County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)
JUNE 30, 2017

The management's discussion and analysis (MD&A) provides an overview of Hartridge Academy, Inc. ("School") activities for the year ended June 30, 2017 and should be read in conjunction with the financial statements and the notes thereto.

The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

FINANCIAL HIGHLIGHTS

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$1,558,945 (net position).
- The School's total net position decreased by \$3,592.
- As of the close of the current fiscal year, the School's governmental funds reported ending fund balance of \$1,300,555, a decrease of \$39,178 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$1,116,268 which represents 66% of the total expenditures for the year ended June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes the management's discussion and analysis, the independent auditor's report and the basic financial statements of the School as well as required supplementary information. The financial statements also include notes that explain in more detail some of the information found in the financial statements. The basic financial statements include two kinds of statements that present different views of the School.

The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status. These statements report information about the School as a whole and about its activities in a manner that helps answer the question, "Is Hartridge Academy, Inc. better off or worse off as a result of the year's activities?" These statements include all assets, liabilities and deferred outflows and inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

The *statement of net position* presents all of the School's assets, deferred inflows of resources, liabilities and deferred inflows of resources, with the residual measure reported as "net position". Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating. The reader will need to consider other non-financial factors such as the current tax laws, student enrollment growth or decline, and facility conditions in arriving at their conclusion regarding the overall health of the School.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

The remaining statements are the *fund financial statements* that focus on individual parts of the School's operation in more detail than the government-wide 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.

HARTRIDGE ACADEMY, INC.
A Charter School of the School District of Polk County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)
JUNE 30, 2017

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 balance provide a reconciliation of the governmental fund financial statements to the governmental activities financial statements.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's most significant funds. The School operates a general fund to account for its operations. The general fund is the only fund of the School.

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.

HARTRIDGE ACADEMY, INC.
A Charter School of the School District of Polk County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Statement of Net Position			
	Governmental Activities			
	2017	2016	Change	%
Assets				
Current assets	\$ 1,414,765	\$ 1,446,416	\$ (31,651)	-2%
Capital Assets, Net	258,390	222,804	35,586	16%
Total Assets	1,673,155	1,669,220	3,935	0%
Liabilities				
Current Liabilities	114,210	106,683	7,527	7%
Total Liabilities	114,210	106,683	7,527	7%
Net Position				
Net Investment in				
Capital Assets	258,390	222,804	35,586	16%
Unrestricted	1,300,555	1,339,733	(39,178)	-3%
Total Net Position	\$ 1,558,945	\$ 1,562,537	(3,592)	0%

Of the two components of the School's net position, the largest portion is the unrestricted portion and the remaining portion of net position reflects the School's net investment in capital assets. The School uses these capital assets to provide services to students so these assets are not available for future spending. The School's net investment in capital assets totaled \$258,390 as of June 30, 2017.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's net position was \$1,558,945 at the close of the current fiscal year. Unrestricted net position is approximately 83% of the total net position and the School's investment in capital assets makes up the remaining 17%.

HARTRIDGE ACADEMY, INC.
A Charter School of the School District of Polk County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)
JUNE 30, 2017

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2017 are as follows.

	Statement of Activities			
	<i>Governmental Activities</i>			
	2017	2016	Change	%
Revenues:				
Program revenues				
Operating grants	\$ 120,122	\$ 184,929	\$ (64,807)	-35%
General Revenue	1,537,105	1,663,595	(126,490)	-8%
Total revenues	1,657,227	1,848,524	(191,297)	-10%
Expenses:				
Instruction	1,114,623	1,053,840	60,783	6%
Instructional support	9,938	7,344	2,594	35%
Board	16,515	16,976	(461)	-3%
School administration	193,397	166,778	26,619	16%
Facilities	117,322	107,995	9,327	9%
Central services	34,398	35,792	(1,394)	-4%
Food services	-	1,983	(1,983)	-100%
Pupil transportation	53,702	57,969	(4,267)	-7%
Operation of plant	94,907	92,946	1,961	2%
Maintenance of plant	26,017	18,171	7,846	43%
Total expenses	1,660,819	1,559,794	101,025	6%
Increase (decrease) in Net Position	\$ (3,592)	\$ 288,730	(292,322)	-101%

The School's total revenues were \$1,657,227 for 2017 while the total costs of all programs and services were \$1,660,819. This resulted in a net decrease in net position of \$3,592 compared to an increase in net position of \$288,730 in the previous year. The main cause of the decrease in net position when compared to the previous year was a \$191,297 decrease in revenue and a \$101,025 increase in total expenses.

The largest revenue source for the School comes from the State of Florida passed through the School District of Polk County, Florida (98%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

HARTRIDGE ACADEMY, INC.
A Charter School of the School District of Polk County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)
JUNE 30, 2017

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds - As of June 30, 2017, the School's general fund reported a positive fund balance of \$1,300,555 or 77% of 2016-2017 general fund expenditures.

During the current fiscal year, the fund balance of the School's general fund decreased by \$39,178 compared to an increase of \$296,198 in the previous year. The main causes of the decrease in fund balance when compared to the previous year was a result of the following:

- Hiring temporary employees, salary increases for returning staff members, and paying out the Principal's vacation time for a total increase of wage related costs of \$83,974.
- An increase in capital related expenditures such as new carpet in the portables of \$7,490, projectors for smart boards of \$7,996 and construction related to new bathrooms in the administrative building for a cost of \$38,227 in the current year.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2017, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2017, actual revenues were \$1,729 greater than the final budgeted amount and actual expenditures were less than budgeted appropriations by \$79,093 resulting in an overall positive budget variance of \$80,822.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At June 30, 2017, the School had \$527,748 in capital assets, less accumulated depreciation of \$269,358 for net capital assets of \$258,390. Depreciation charges for the current fiscal year totaled \$29,818. More information about the School's capital assets is presented in the notes to financial statements.

Debt: At June 30, 2017, the School did not have any outstanding long-term obligations.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment for the 2017 – 2018 School year to remain constant at approximately 240 full-time equivalent students.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Hartridge Academy's administrative offices at 1400 US Hwy 92 West, Winter Haven, Florida 33881-8137, phone number 863-956-4434.

HARTRIDGE ACADEMY, INC.
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,197,758
Due from other governments	32,720
Security deposits	13,260
Prepaid expenses	171,027
Capital assets, net:	
Depreciable	<u>258,390</u>
TOTAL ASSETS	<u>1,673,155</u>
LIABILITIES	
Accounts payable and accrued wages	<u>114,210</u>
TOTAL LIABILITIES	<u>114,210</u>
NET POSITION	
Net investment in capital assets	258,390
Unrestricted	<u>1,300,555</u>
TOTAL NET POSITION	<u><u>\$ 1,558,945</u></u>

See Accompanying Notes to Financial Statements

HARTRIDGE ACADEMY, INC.
STATEMENT OF ACTIVITIES
for the year ended June 30, 2017

FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 1,114,623	\$ -	\$ 37,737	\$ (1,076,886)
Instructional support services	9,938	-	-	(9,938)
Board	16,515	-	-	(16,515)
School administration	193,397	-	-	(193,397)
Facilities rental	117,322	-	62,354	(54,968)
Central services	34,398	-	-	(34,398)
Pupil transportation services	53,702	-	20,031	(33,671)
Operation of plant	94,907	-	-	(94,907)
Maintenance of plant	26,017	-	-	(26,017)
Total governmental activities	<u>\$ 1,660,819</u>	<u>\$ -</u>	<u>\$ 120,122</u>	<u>\$ (1,540,697)</u>
GENERAL REVENUES:				
State and local sources				1,506,271
Interest income				214
Other revenues				30,620
Total general revenues				<u>1,537,105</u>
CHANGE IN NET POSITION				(3,592)
NET POSITION - beginning of year				<u>1,562,537</u>
NET POSITION - end of year				<u>\$ 1,558,945</u>

See Accompanying Notes to Financial Statements

HARTRIDGE ACADEMY, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,197,758
Due from other governments	32,720
Security deposits	13,260
Prepaid expenditures	<u>171,027</u>
TOTAL ASSETS	<u>\$ 1,414,765</u>
LIABILITIES AND FUND BALANCE	
Accounts payable and accrued wages	<u>114,210</u>
TOTAL LIABILITIES	<u>114,210</u>
FUND BALANCE:	
Nonspendable:	
Security deposits	\$ 13,260
Prepaid expenditures	171,027
Unassigned	<u>1,116,268</u>
TOTAL FUND BALANCE	<u>1,300,555</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,414,765</u>

See Accompanying Notes to Financial Statements

HARTRIDGE ACADEMY, INC.

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

June 30, 2017

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ 1,300,555**

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

Capital assets used in governmental activities are not current financial resources
and therefore are not reported in the governmental funds. 258,390

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 1,558,945**

See Accompanying Notes to Financial Statements

HARTRIDGE ACADEMY, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended June 30, 2017

	<u>General Fund</u>
REVENUES:	
Intergovernmental:	
Federal passed through local school district	\$ 37,737
State and local sources	1,588,656
Interest revenue	214
Other	30,620
Total revenues	<u>1,657,227</u>
EXPENDITURES:	
Instruction	1,092,740
Student and instructional support services	9,938
Board	16,515
School administration	193,397
Facilities rental	117,322
Central services	34,398
Student transportation services	45,767
Operation of plant	94,907
Maintenance of plant	26,017
Capital outlay	65,404
Total expenditures	<u>1,696,405</u>
NET CHANGE IN FUND BALANCE	(39,178)
FUND BALANCE, beginning of year	<u>1,339,733</u>
FUND BALANCE, end of year	<u>\$ 1,300,555</u>

See Accompanying Notes to Financial Statements

HARTRIDGE ACADEMY, INC.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
for the year ended June 30, 2017**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ (39,178)**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 65,404

Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (29,818)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (3,592)**

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Hartridge Academy, Inc. (the "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's Board of Directors, which is comprised of no less than three and no more than nine 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 School District of Polk County, Florida (the "District") therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units. The original charter became effective on July 1, 2001 and has been renewed effective July 1, 2012 for a fifteen year term ending June 30, 2027. In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds provided to the School through the District will automatically revert to full ownership by the District upon the non-renewal or termination of the charter agreement.

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 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 upon these criteria, no component units are included within the reporting entity of the School.

BASIS OF PRESENTATION

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, the basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements - The government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole using accounting methods similar to those used by private-sector companies. These statements include nonfiduciary financial activity of the school. Both statements report only governmental activities as the School does not engage in any business type activities.

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.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

BASIS OF PRESENTATION (cont...)

Fund Financial Statements - The fund financial statements provide detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The financial transactions of the School are recorded in a single governmental "general" fund. There are no other governmental funds. Because the focus of governmental fund financial statements differs from the focus of the government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Imposed nonexchange resources are reported as deferred inflows if received before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and 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 60 days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state or other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recognized only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

CASH AND CASH EQUIVALENTS - The financial statement caption "cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less). All deposits are insured by federal depository insurance and, are collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

RECEIVABLES - Consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

INVENTORIES - Supplies inventory is immaterial and such items are charged to expense when purchased.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section of 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 will *not* be recognized as an outflow of resources (expense/expenditure).

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

CAPITAL ASSETS - Expenditures for capital assets acquired for School purposes are reported in the general fund. Property and equipment having an original cost of \$750 or more and that is either titled in the School's name or for which the School has the continuing responsibility for maintenance, is reported at cost, net of accumulated depreciation, in the government wide financial statements. Donated assets are recorded at fair market value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred.

Contributions of funds from federal, state, or local sources for the purpose of purchasing or constructing capital assets are recorded as capital contributions.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Leasehold improvements	10-40
Transportation	7
Software	3
Furniture and equipment	5

USE OF ESTIMATES -The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

INCOME TAXES - The School is generally exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code and applicable state law. Therefore, no provisions for income taxes have been made in the accompanying financial statements.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School files Form 990 in the U.S. Federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years endings before 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 (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District received a 2% administrative fee from the School, which is reflected as a central services expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balance.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted net position and fund balance in the accompanying statements of net position and balance sheet - governmental fund, respectively. As of June 30, 2017, the School had no unspent capital outlay funds.

EQUITY CLASSIFICATIONS -

Government-wide Statements - The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

- b) Restricted net position - Consists of net position with constraints placed in its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - Consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as they are needed.

Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. The following classifications describe the relative strength of the spending constraints:

- a) Nonspendable - amounts that are not in spendable form (such as prepaid items and deposits) or are legally required to be maintained intact. The School reports \$184,287 of nonspendable fund balance which represents prepaid expenditures and security deposits at June 30, 2017.
- b) Restricted - amounts constrained to specific purposes by external purposes by external providers or imposed by law through constitutional provisions or by enabling legislation. The School had no restricted fund balance amounts at June 30, 2017.
- c) Committed - amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (the School's Board of Directors) through resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board of Directors takes the same highest level action (a resolution) to remove or change the constraint. The School had no committed fund balance amounts at June 30, 2017.
- d) Assigned - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the principal or by an official or body which the Board of Directors have delegated the authority. The School had no assigned fund balance amounts at June 30, 2017.
- e) Unassigned - includes residual positive fund balance which has not been classified within the other above mentioned categories.

The details of the fund balances are included in the governmental funds balance sheet. The School uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - BUDGETARY LAW AND PRACTICE

The budget is adopted by the School's Board of Directors on or before July 1 of each year by motion in the minutes. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments. The basis the School uses for budgeting differs from generally accepted accounting principles in that the District's administrative fee is budgeted as a reduction in budgetary inflows while the administrative fee is reported as an expenditure in accordance with generally accepted accounting principles on the statement of revenues, expenditures and change in fund balance.

NOTE 3 - CASH

The School's deposits are insured by the FDIC up to \$250,000 per financial institution. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the Chief Financial Officer, State of Florida ("CFO") in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the CFO will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08. Florida Statutes.

The captions on the government-wide statement of net position for "cash and cash equivalents" are summarized below.

Cash and cash equivalents:	
Fully collateralized deposits in financial institutions	\$ 1,197,758
	<hr/>
Total cash and cash equivalents	\$ 1,197,758
	<hr/> <hr/>

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Governmental Activities:</u>				
Capital assets being depreciated:				
Leasehold improvements	\$ 151,556	\$ 57,408	\$ -	\$ 208,964
Transportation	137,993	-	-	137,993
Software	4,259	-	-	4,259
Furniture and equipment	168,536	7,996	-	176,532
Total	<u>462,344</u>	<u>65,404</u>	<u>-</u>	<u>527,748</u>
Less accumulated depreciation for:				
Leasehold improvements	(77,651)	(14,024)	-	(91,675)
Transportation	(16,860)	(7,935)	-	(24,795)
Software	(4,261)	-	-	(4,261)
Furniture and equipment	(140,768)	(7,859)	-	(148,627)
Total accumulated depreciation	<u>(239,540)</u>	<u>(29,818)</u>	<u>-</u>	<u>(269,358)</u>
Depreciable capital assets, net	<u>\$ 222,804</u>	<u>\$ 35,586</u>	<u>\$ -</u>	<u>\$ 258,390</u>

Depreciation expense was charged to the following programs and functions:

<u>Governmental Activities:</u>	
Instruction	\$ 21,883
Pupil transportation services	<u>7,935</u>
Total depreciation expense - governmental activities	<u>\$ 29,818</u>

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 - LEASING

The School leases its facilities under a long-term noncancelable lease expiring on June 30, 2027. The lease is payable in annual installments of \$67,320 payable on July 1, 2017 and \$68,666 payable each July 1 thereafter. The lease also requires the prepayment of the rent for the final year of the lease in addition to an \$11,000 security deposit. The rent for the final year and the security deposit have been paid to the lessor and are reported as assets on the statement of net position. As of June 30, 2017, the future minimum lease payments for the operating lease over the next five years or until maturity, are as follows:

<u>Year</u>	<u>Total</u>
2018	67,320
2019	68,666
2020	68,666
2021	68,666
2022	68,666
2023 - 2027	343,330
Total	<u>\$ 685,314</u>

The School leases portable classroom facilities under a cancelable operating lease agreement that expires in the 2017-2018 school year. The School is responsible for all maintenance associated with the equipment and the leases do not transfer ownership of the portable classrooms. Total lease payments under this operating lease totaled \$27,780 for the year ended June 30, 2017.

NOTE 6 - RISK MANAGEMENT

Commercial insurance protection with normal deductibles is in place to limit the School's exposure from losses arising from liability, and property and equipment damages for which there has been no significant reduction in coverages, nor have settlement amounts exceeded the School's coverages during the year ended June 30, 2017 nor during the previous two fiscal years.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2017, management knows of no legal actions or proceedings pending against the school.

The School may from time to time participate in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no significant contingent 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.

HARTRIDGE ACADEMY, INC.
A Charter School of the District School Board of Polk County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - DEFINED CONTRIBUTION PLAN

The School uses a leasing company for employment of its staff. As part of the agreement with the staff, the School has adopted a tax deferred annuity plan in accordance with Section 403 (b) of the Internal Revenue Code in which benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is funded by School contributions made in the name of the leased employee at the same rate as the District provides for its employees. For the current fiscal year, the required contribution rate was 11.80% of payroll resulting in a total cost to the School of \$81,239.

NOTE 8 - CONCENTRATION OF REVENUE SOURCES

The School's principal source of revenues is from the State of Florida passed through the District, which provided approximately 98% of total revenue for the year ended June 30, 2017. The following is a schedule of revenue sources and amounts for the year ended June 30, 2017.

Sources	Amount
School District of Polk County, Florida	
Base funding and supplemental academic instruction	\$ 1,076,207
Discretionary millage	52,115
Discretionary lottery	3,669
Discretionary tax equalization allocation	50,413
Instructional materials allocation	17,422
Digital classroom allocation	4,569
Student transportation	24,120
Class size reduction	285,276
Reading allocation	9,607
Capital outlay	62,354
Teacher supply program	2,904
Federal IDEA revenue	31,651
Federal Title II revenue	6,086
Total revenue through the School District of Polk County, Florida	1,626,393
Other revenue:	
Interest income	214
Miscellaneous	30,620
Total revenue	\$ 1,657,227

Hartridge Academy

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REQUIRED SUPPLEMENTARY INFORMATION

HARTRIDGE ACADEMY, INC.
BUDGETARY COMPARISON SCHEDULE (Unaudited)
for the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RESOURCES (inflows):				
Intergovernmental:				
Federal passed through local school district	\$ 34,000	\$ 34,000	\$ 37,737	\$ 3,737
State and local sources	1,579,000	1,579,000	1,554,258	(24,742)
Interest revenue	100	100	214	114
Other revenue	8,000	8,000	30,620	22,620
Total resources	<u>1,621,100</u>	<u>1,621,100</u>	<u>1,622,829</u>	<u>1,729</u>
CHARGES TO APPROPRIATIONS (outflows):				
Instruction	1,066,100	1,133,100	1,100,736	32,364
Student and instructional support services	24,000	10,000	9,938	62
Board	30,000	17,000	16,515	485
School administration	190,000	230,000	193,397	36,603
Facilities rental	135,000	175,000	174,730	270
Student transportation services	55,000	50,000	45,767	4,233
Food service	1,000	1,000	-	1,000
Operation and maintenance of plant	120,000	125,000	120,924	4,076
Total charges to appropriations	<u>1,621,100</u>	<u>1,741,100</u>	<u>1,662,007</u>	<u>79,093</u>
EXCESS (DEFICIENCY) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	-	(120,000)	\$ (39,178)	\$ 80,822
Prior year fund balance reappropriation	-	120,000		
NET CHANGE IN FUND BALANCE:	<u>\$ -</u>	<u>\$ -</u>		

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures:

Sources/Inflows of resources

Actual amounts (budgetary basis) "total resources" from the budgetary comparison schedule	\$1,622,829
Differences - budget to GAAP	
Budgeted inflows are reduced by the District's administrative fee that is reported as an expenditure on the statement of revenues, expenditures, change in fund balance - governmental funds.	<u>34,398</u>
Total revenues as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds	<u>\$1,657,227</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges for appropriations" from the budgetary comparison schedule	\$1,662,007
Differences - budget to GAAP	
Budgeted outflows do not include the District's administrative fee that is reported as an expenditure on the statement of revenues, expenditures, change in fund balance - governmental funds.	<u>34,398</u>
Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds	<u>\$1,696,405</u>

See Auditors' Report

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hartridge Academy, Inc.

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 and each major fund of Hartridge Academy, Inc. (the "School") a charter school of the School District of Polk County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 23, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
August 23, 2017

MANAGEMENT LETTER

To the Board of Directors
Hartridge Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of Hartridge Academy, Inc., (the "School"), a charter school and component unit of the School District of Polk County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 23, 2017.

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 Reports

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 Standard*. Disclosures in this report, which is dated August 23, 2017, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Financial Condition

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

MANAGEMENT LETTER
(cont...)

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.

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 Hartridge Academy, Inc.

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 School District of Polk County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
August 23, 2017