

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
(A component unit of the District
School Board of Duval County, Florida)

FINANCIAL STATEMENTS
(Audited)

For the year ended June 30, 2019

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lone Star MYcroSchool, Inc.
d/b/a Lone Star High School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lone Star MYcroSchool, Inc. d/b/a Lone Star High School ("the School"), a component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 of 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 auditors' 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 Lone Star High School, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6, budgetary comparison information on pages 26 and 27, schedule of the proportionate share of net pension liability – Florida Retirement System and Health Insurance Subsidy Program on page 28, and schedule of the pension contributions – Florida Retirement System and Health Insurance Subsidy Program on page 29, 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 November 20, 2019 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 the effectiveness of the School's 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.



Orlando, FL
November 20, 2019

MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

As management of Lone Star MYcroSchool, Inc. d/b/a Lone Star High School (“the School”), a component unit of the School District of Duval County, Florida, we offer readers of the School’s basic financial statements, this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2019.

Management’s discussion and analysis is included at the beginning of the School’s basic financial statements to provide, in layman’s terms, the past and current position of the School’s financial condition. This summary does not replace the audit, which consists of the basic financial statements and other supplementary information.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year’s operations.

- In the government-wide statements, the School incurred an excess of revenue over expenses of \$324,098, increasing net position from \$194,474 to \$518,572.
- In the governmental funds statements, the School incurred an excess of revenues over expenditures of \$450,399, increasing fund balance from \$72,075 to \$522,474.
- The School was officially admitted into the Florida Retirement System (Note 4) on September 29, 2017. Consequently, the School recorded a net pension liability of \$319,688, along with related deferred outflows of resources of \$320,045 and deferred inflows of resources of \$28,898 at June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Basic Financial Statements

The government-wide basic financial statements are designed to provide readers with a broad overview of the School’s finances in a manner similar to a private sector business.

The statement of net position presents information on all of the School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School’s net position changed during the 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.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

The government-wide basic financial statements include all governmental activities principally supported by grants and entitlements from the state for full-time equivalent funding. The School has no business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Basic Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the basic government-wide financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. The reconciliation of the governmental funds balance sheet to the statement of net position (page 10) and the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities (page 12) facilitate the comparison between governmental funds and governmental activities.

The School maintains three governmental funds, the General Fund, Federal Grants Fund, and Capital Outlay Fund. Information is presented in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the three funds.

The governmental funds financial statements can be found on pages 9 and 11 of this report.

The School adopts an annual budget for the General and Federal Grants Funds. Budgetary comparison statements are provided on pages 26 and 27 for the General and Federal Grants Funds to demonstrate compliance with the budget.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to basic financial statements can be found on pages 13 through 25 of this report.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table shows a comparison of the net position for the current and previous year:

	June 30,	
	2018	2019
Current assets	\$ 124,603	\$ 672,170
Capital assets, net	164,211	88,472
Noncurrent assets	<u>2,471</u>	<u>2,471</u>
Total assets	291,285	763,113
Deferred outflows of resources	<u>19,020</u>	<u>320,045</u>
Total assets and deferred outflows	310,305	1,083,158
Current liabilities	(54,998)	(152,167)
Noncurrent liabilities	(60,833)	(383,521)
Deferred inflows	<u>-</u>	<u>(28,898)</u>
Net position	<u>\$ 194,474</u>	<u>\$ 518,572</u>

The results of the operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed comparison of the School's revenues and expenses for the years ended June 30, 2018 and 2019.

	Year Ended June 30,	
	2018	2019
Revenues:		
General revenues:		
State	\$ 1,093,808	\$ 1,670,896
Other	1,836	5,836
Program revenues	<u>75,377</u>	<u>125,634</u>
	<u>1,171,021</u>	<u>1,802,366</u>
Expenses:		
Instruction	450,023	667,194
Pupil personnel services and instructional support	132,836	5,881
School board	15,716	16,075
School administration	327,530	387,385
Facilities acquisition and construction	132,874	134,860
Fiscal services	33,289	66,476
Transportation services	12,012	15,837
Plant operations and maintenance	98,515	108,820
Depreciation	<u>93,659</u>	<u>75,740</u>
	<u>1,296,454</u>	<u>1,478,268</u>
Change in net position	<u>\$ (125,433)</u>	<u>\$ 324,098</u>

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019

GOVERNMENTAL FUND EXPENDITURES

The following table presents the cost of the largest functions/programs as a percentage of total governmental expenditures:

Governmental Expenditures	2018		2019	
	Expenditures	%	Expenditures	%
Instructional	\$ 446,754	37.3%	\$ 644,858	47.7%
Pupil personnel services and instructional support	126,284	10.5%	4,279	0.3%
School board	15,716	1.3%	16,075	1.2%
School administration	333,018	27.8%	360,934	26.7%
Facilities acquisition and construction	132,874	11.1%	134,860	10.0%
Plant operations and maintenance	98,379	8.2%	108,806	8.0%
Other expenditures	44,622	3.8%	82,155	6.1%
	<u>\$ 1,197,647</u>	<u>100.0%</u>	<u>\$ 1,351,967</u>	<u>100.0%</u>

Reductions in pupil personnel services resulted in an improved financial condition.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School neither acquired nor disposed of any capital assets.

Debt Administration

In the year ended June 30, 2019, the School had no formal long-term debt obligations. However, the School did incur a \$319,688 net pension liability as a consequence of entering the Florida Retirement System (Note 4).

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues were favorable to the budget by \$85,071. The favorable budget was due to an increase in State funding and the refund of prior year's State sales taxes.

Total expenditures were favorable to the budget by \$110,053 mainly due to budgeting capital outlay expenditures in the General Fund, while the actual expenditures were recorded in the Capital Outlay Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

FEFP funding per student will increase by \$263.77 or 3.59% in FY 2020 as compared to FY 2019.

All these factors were considered in preparing the FY 2020 budget.

REQUESTS FOR INFORMATION

If you have any questions about this report or need additional information, please write to NEWCorp at 2611 Temple Heights Drive, Suite A, Oceanside, CA 92056.

BASIC FINANCIAL STATEMENTS

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
STATEMENT OF NET POSITION
June 30, 2019

Assets	
Cash	\$ 624,764
Due from sponsoring School District	29,554
Prepaid expenses	17,852
Capital assets, net of accumulated depreciation	88,472
Deposits	<u>2,471</u>
Total assets	763,113
Deferred outflows of resources	<u>320,045</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,083,158</u></u>
Liabilities	
Payroll deductions and withholdings	2,088
Due to other agencies	3,907
Due to management company	186,181
Net pension liability - proportionate share	319,688
Accrued sick leave	<u>23,824</u>
Total liabilities	<u>535,688</u>
Deferred inflows of resources	<u>28,898</u>
Net Position	
Net investment in capital assets	88,472
Unrestricted	<u>430,100</u>
	<u>518,572</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 1,083,158</u></u>

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 667,194	\$ -	\$ -	\$ -	\$ (667,194)
Pupil personnel services	715	-	-	-	(715)
Instructional media services	13	-	-	-	(13)
Instruction and curriculum development services	163	-	-	-	(163)
Instructional staff training	4,704	-	-	-	(4,704)
Instructional technology	286	-	-	-	(286)
School Board	16,075	-	-	-	(16,075)
General administration	117,641	-	-	-	(117,641)
School administration	254,965	-	-	-	(254,965)
Facilities acquisition and construction	134,860	-	-	125,634	(9,226)
Fiscal services	66,476	-	-	-	(66,476)
Central services	14,151	-	-	-	(14,151)
Transportation services	15,837	-	-	-	(15,837)
Operation of plant	107,493	-	-	-	(107,493)
Maintenance of plant	1,327	-	-	-	(1,327)
Administrative technology	628	-	-	-	(628)
Depreciation	75,740	-	-	-	(75,740)
Total governmental activities	\$ 1,478,268	\$ -	\$ -	\$ 125,634	(1,352,634)
General Revenues					
Federal and state revenues					1,670,896
Miscellaneous					5,836
					1,676,732
Change in net position					324,098
Net position, beginning of year					194,474
Net position, end of year					\$ 518,572

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	Governmental Funds			Total Funds
	General Fund	Federal Grants Fund	Capital Outlay Fund	
Assets				
Cash	\$ 624,764	\$ -	\$ -	\$ 624,764
Due from other agencies	28	11,058	18,468	29,554
Deposits	2,471	-	-	2,471
Due from other funds	29,526	-	-	29,526
Prepaid items	17,852	-	-	17,852
Total assets	<u>\$ 674,641</u>	<u>\$ 11,058</u>	<u>\$ 18,468</u>	<u>\$ 704,167</u>
Liabilities				
Payroll deductions and withholdings	2,088	-	-	2,088
Due to other agencies	3,907	-	-	3,907
Due to other funds	-	11,058	18,468	29,526
Due to management company	146,172	-	-	146,172
Total liabilities	<u>152,167</u>	<u>11,058</u>	<u>18,468</u>	<u>181,693</u>
Fund Balances				
Nonspendable	20,323	-	-	20,323
Unassigned	502,151	-	-	502,151
	<u>522,474</u>	<u>-</u>	<u>-</u>	<u>522,474</u>
Total liabilities and fund balances	<u>\$ 674,641</u>	<u>\$ 11,058</u>	<u>\$ 18,468</u>	<u>\$ 704,167</u>

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 1019

Total Fund Balance - Governmental Funds		\$ 522,474
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Cost of capital assets	\$ 940,463	
Accumulated depreciation	<u>(851,991)</u>	88,472
<p>Deferred outflows/inflows are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources	320,045	
Deferred inflows of resources	<u>(28,898)</u>	291,147
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of</p>		
Accrued management fee	(40,009)	
Net pension liability	(319,688)	
Accrued sick leave	<u>(23,824)</u>	<u>(383,521)</u>
Total Net Position - Governmental Activities		<u>\$ 518,572</u>

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
for the year ended June 30, 2019

	Governmental Funds			Total
	General Fund	Federal Grants Fund	Capital Outlay Fund	
Revenues				
Federal through state	\$ -	\$ 25,238	\$ -	\$ 25,238
State	1,645,658	-	125,634	1,771,292
Local	5,836	-	-	5,836
Total revenues	<u>1,651,494</u>	<u>25,238</u>	<u>125,634</u>	<u>1,802,366</u>
Expenditures				
Instruction	623,706	21,152	-	644,858
Pupil personnel services	689	-	-	689
Instructional staff training	578	3,012	-	3,590
School Board	16,075	-	-	16,075
General administration	116,481	1,074	-	117,555
School administration	228,752	-	-	228,752
Facilities acquisition and construction	3,421	-	131,439	134,860
Fiscal services	66,318	-	-	66,318
Central services	14,006	-	-	14,006
Transportation services	15,837	-	-	15,837
Operation of plant	107,486	-	-	107,486
Maintenance of plant	1,320	-	-	1,320
Administrative technology	621	-	-	621
Total expenditures	<u>1,195,290</u>	<u>25,238</u>	<u>131,439</u>	<u>1,351,967</u>
Excess (deficiency) of revenues over expenditures	456,204	-	(5,805)	450,399
Fund balances, beginning of year	<u>66,270</u>	<u>-</u>	<u>5,805</u>	<u>72,075</u>
Fund balances, end of year	<u>\$ 522,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,474</u>

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
for the year ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds		\$ 450,399
Amounts reported in governmental activities in the Statement of Activities are different because:		
This is the amount by which depreciation exceeds capital outlays		
Depreciation expense		(75,740)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the calculated pension expense is less than the employer pension contribution and therefore increased net position		
Deferred outflows of resources	\$ 301,025	
Deferred inflows of resources	<u>(28,898)</u>	272,127
Certain expenditures not recorded in the governmental funds are recorded as expenses in the statement of activities		
Net pension accrual	(319,688)	
Accrued sick leave	(1,277)	
Accrued management fee	<u>(1,723)</u>	<u>(322,688)</u>
Change in Net Position of Governmental Activities		<u>\$ 324,098</u>

See accompanying notes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Background and Organization – Lone Star MYcroSchool, Inc. (formerly known as Florida High School for Accelerated Learning – Jacksonville Campus, Inc.) d/b/a Lone Star High School (“the School”), (a component unit of the District School Board of Duval County, Florida) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was incorporated as a Florida not-for-profit corporation in July 2009, and commenced operations as a charter school in August 2010. The School was granted a charter to operate a high school, including grades nine to twelve, by the District School Board of Duval County, Florida (the “District”) in April 2010. In March 2018, the School changed its legal name to Lone Star MYcroSchool, Inc.

The School is primarily funded through state-wide Florida Education Finance Program (FEFP) funding received by the District and passed through to the School.

The School has developed a philosophy of recognizing and rewarding each student as an individual. Therefore the educational program, goals and objectives, and methods of accountability toward the objectives, must be set according to the situation of each individual student.

The School has selected a self-paced, mastery based, accelerated learning program as the model to implement this philosophy. The goal of the School is to provide a school program and educational opportunities to students who might not be suited for traditional schools. These students include, but are not limited to, drop-outs or those in danger of dropping out, students needing more remedial support or individual instruction that cannot be obtained in a traditional high school and students with family or other situations that prevent attendance at regularly scheduled programs in traditional high schools.

A Board of Directors (the “Board”) governs the School, and the School has retained a management company to operate the School.

Reporting Entity - The School operates under a charter granted by the District. Its charter is effective until June 30, 2021, and may be renewed in increments of five years by mutual written 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 which case the District is required to notify the School in writing at least ninety days prior to the expiration of the charter. The District may also terminate the charter immediately if good cause is shown or if the District believes that the health, safety or welfare of the students is threatened. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the District. The School is considered a component unit of the District School Board of Duval County, Florida because it is fiscally dependent on and financially accountable to the District. The School had no component units itself because it has no subsidiary or fiscally dependent organizations.

Basis of Presentation Type of Entity Presented - Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Not-for-Profit Organizations* and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes and not as a not-for-profit organization.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies – continued

The School is required by contract with the District to use the governmental reporting model and follow the fund and account structure provided in the “Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book” issued by the Florida Department of Education.

Financial Statements Presented - The School’s basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School’s major funds). All of the School’s activities are classified as governmental activities.

Basis of Presentation - Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School as a whole. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual economic resource basis, which recognizes all noncurrent assets and receivables as well as all non-current debt and obligations. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements are followed by a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities reports both the gross and net cost of each of the School’s functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation, if applicable) by related program revenues, operating and capital grants, and contributions. The effect of interfund activities has been removed from these statements. Program revenues must be directly associated with the function. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the School.

This government-wide financial statements focus on the School’s ability to sustain itself and the change in its net position resulting from the current year’s activities.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Basis of Presentation – Fund Financial Statements - The accounts of the School are organized on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the fund financial statements in this report, into fund types as follows:

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies – continued

Fund Accounting - Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School has three major governmental funds.

General Fund – accounts for all financial activities of the School not required to be accounted for in another fund and for certain revenues from Federal and State sources that are not legally restricted to be expended for specific current operating purposes.

Federal Grants Fund – is a special revenue fund used to account for financial resources associated with federal grants that are restricted to operational uses.

Capital Outlay Fund – is a capital projects fund used to account for financial resources (Public Education Capital Outlay) used for acquisition or funding of major capital facilities or equipment.

Measurement Focus - The accounting and reporting treatment applied to the financial statements is determined by its measurement focus.

The government-wide financial statements use the economic resources measurement focus, which means that all assets and liabilities, whether current or non-current, are included.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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.

Governmental activity in the government-wide financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The governmental funds are accounted for using the modified accrual basis of accounting, under which revenues are recognized when they become both measurable and available as net current assets. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies – continued

Net Position and Fund Balances - Both the government-wide financial statements and the fund financial statements divide the residual equity shown on the financial statements into categories as follows:

Government Wide Financial Statements - Net position is classified into categories as follows:

Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted net position - consists of net position with constraints placed on 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.

Unrestricted - indicates that portion of net position that is available to fund future operations.

Fund Financial Statements – Fund balances are classified into categories as follows:

GASB Statement 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed on the use of the resources reported in governmental funds. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance classifications are as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Nonspendable fund balances pertain to prepaid items and security deposits.

Restricted – amounts constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had no restricted fund balance amounts at June 30, 2019.

Committed – amounts to be used only for specific purposes pursuant to constraints imposed by formal action by the School’s highest level of decision-making authority. The School’s Board of Directors addresses these commitments through formal board action prior to the School’s fiscal year end. The School had no committed fund balance amounts at June 30, 2019.

Assigned – amounts intended to be used for specific purposes and are considered neither restricted nor committed. Assignments can be made by the Board. The School had no assigned fund balance amounts at June 30, 2019.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies – continued

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless prohibited by legal document or contract. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts.

The School has no formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

Budget and Budgetary Accounting - The School prepares its budget utilizing the modified accrual basis of accounting. The schedule of revenues, expenditures, and change in fund balances - actual compared to budget uses the budget adopted by the School.

Use of Unrestricted versus Restricted Resources - It is the School's policy to use restricted resources before using unrestricted resources when both are available to pay expenses.

Cash - Cash consists of demand deposit accounts at June 30, 2019. For financial reporting purposes, cash includes all demand deposit, savings and money market accounts, and certificates of deposits with maturities of less than 90 days from June 30, 2019.

Capital Assets – School-owned capital assets consist of computers, office furniture, equipment and leasehold improvements. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$1,000 or more. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is provided on capital assets as a direct charge using the straight-line method over three to five-year estimated useful lives. Leasehold improvements are amortized over the term of the lease.

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 is not currently recognized as an outflow of resources (expense).

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 is not currently recognized as an inflow of resources (revenue).

State Revenue Sources - Revenue from State sources for current operations arise primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies – continued

The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year after the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based on 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 State provides financial assistance to administer certain categories of educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

Revenue Recognition and District Administrative Fee – The District remits funds to the School on a monthly basis. Revenue is recognized when the District allocates and remits funds to the School's account.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

As noted above, per student funding is provided by the state-wide Florida Education Finance Program (FEFP) through the District. The District may withhold only up to a 5% administrative fee for enrollment up to and including 250 students. For charter schools with a population of 251 or more students, the difference between the total administrative fee calculated on total enrollment and the amount of the administrative fee withheld may be used only for capital outlay purposes. This funding is received on a pro-rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population. During the year ended June 30, 2019, the School's student population exceeded 250.

Compensated Absences – The School grants eligible employees sick leave under contractual provisions. Unused sick leave may be used as time off or accrued up to a prescribed maximum allowable rate.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Income Taxes - The School is a not-for-profit corporation whose revenue is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is recorded in the financial statements.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

2. Cash

At June 30, 2019, the carrying amount of demand deposits and cash on hand totaled \$624,764. As State of Florida Statutes and the School’s policy require, all cash is held at financial institutions approved by the State Treasurer to hold public deposits in accordance with the “Florida Security for Public Deposits Act”, Chapter 280 Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity’s funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depository to the State Treasurer is defined by the statute. In the event of a failure of any member in the pool, the Public Deposit Security Trust Fund has a procedure whereby the remaining member institutions would be responsible for covering any resulting losses. Since the School’s deposits are held in a qualified public depository, they are covered by the collateral pool as the School had identified itself as a public entity at June 30, 2019.

The School maintains its cash accounts with one financial institution. As of June 30, 2019, the School had no uninsured balances with that financial institution.

3. Capital assets

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated				
Furniture, fixtures and equipment	\$ 275,213	\$ -	\$ -	\$ 275,213
Leasehold improvements	665,251	-	-	665,251
	940,464	-	-	940,464
Less accumulated depreciation for				
Furniture, fixtures and equipment	265,081	7,403	-	272,484
Leasehold improvements	511,171	68,337	-	579,508
	776,252	75,740	-	851,992
Total capital assets, net	\$ 164,212	\$ (75,740)	\$ -	\$ 88,472

Depreciation was charged to functions as follows:

Unallocated Depreciation	\$ 75,740
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4. Employee Retirement Plan

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

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plan – continued

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, 112 (Part IV), and Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website.

The school received its acceptance notification to the Florida Retirement System (FRS) on September 29, 2017. The effective start of the plan was May 1, 2017; however, employee participation will be calculated from a September 1, 2016 start date.

The School participates in the FRS and in the HIS. At year end, the District's pension expense was calculated using the FRS and HIS rates multiplied by the employees' salaries. The School's relevant information was obtained from the Florida Department of Management Services' website for entities reporting as of June 30, 2019. The School incorporated into these financial statements requisite information as of June 30, 2018 (the last actuarial report available) to report a pension liability (\$319,688), deferred outflows of resources (\$320,045), and deferred inflows of resources (\$28,898) for the School at June 30, 2019.

Contributions

The School is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salaries to the FRS. The School's FRS and HIS contribution rates for the year ended June 30, 2019, were as follows:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Regular Employees	6.60%	1.66%	8.26%
DROP Employees	12.37%	1.66%	14.03%

The School's contribution for FRS and HIS for the year ended June 30, 2019 was \$40,692.

Pension Liability and Pension Expense

At June 30, 2019, the School reported a liability for its proportionate share of the net pension liability. The net pension liability for the FRS Pension Plan was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2018. The HIS program valuation is updated biannually and the most recent actuarial valuation was prepared as of July 1, 2018. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities, actuarially determined.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plan – continued

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at June 30, 2019	<u>\$ 201,018</u>	<u>\$ 118,670</u>	<u>\$ 319,688</u>
Proportion at:			
June 30, 2018	0%	0%	
June 30, 2019	0.000666737%	0.001121208%	
Pension expense (benefit), year ended			
June 30, 2019	<u>\$ 62,345</u>	<u>\$ 25,908</u>	<u>\$ 88,253</u>

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,029	\$ (618)	\$ 1,817	\$ (202)
Changes in assumptions	65,682	-	13,198	(12,547)
Net difference between projected and actual earnings on pension plan investments	-	(15,531)	72	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	100,406	-	91,727	-
School contributions made subsequent to the measurement date	23,238	-	6,876	-
	<u>\$ 206,355</u>	<u>\$ (16,149)</u>	<u>\$ 113,690</u>	<u>\$ (12,749)</u>

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plan – continued

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year ending June 30,	FRS	HIS
	<u>Expense</u>	<u>Expense</u>
2020	\$ 64,690	\$ 65,697
2021	44,149	65,454
2022	6,156	45,855
2023	29,397	10,299
2024	19,657	(63,930)
Thereafter	2,919	(29,310)
Total	<u>\$ 166,968</u>	<u>\$ 94,065</u>

Actuarial Assumptions

The total pension liability for the defined benefit plan was determined by an actuarial valuation as of June 30, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Payroll growth	3.25%	3.25%
Investment rate of return	7.00%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BB tables. Actuarial assumption for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent actuarial valuation for the HIS Program was July 1, 2018. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The following changes in FRS actuarial assumptions occurred in 2018:

FRS: The long-term expected investment rate of return decreased from 7.10% to 7.00%.

HIS: The municipal rate used to determine the total pension liability increased from 3.58% to 3.87%.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plan – continued

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018 the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both the FRS actuary’s capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration. The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes below:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate (property)	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	100%		

Assumed rate of inflation	2.6%
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The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.

Discount rate

The discount rate used to measure the total pension liability for FRS was 7.00%. FRS’ fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS program uses a pay-as-you go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

4. Employee Retirement Plan – continued

Sensitivity Analysis

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the School’s proportionate share of the FRS and HIS net pension liability if the discount rate were 1% higher or 1% lower than the current discount rate.

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease	Rate	1% Increase	1% Decrease	Rate	1% Increase
School's proportionate share of net pension liability	6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
	\$ 366,513	\$ 201,018	\$ 63,210	\$ 135,158	\$ 118,670	\$ 104,926

Pension Plan’s Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the State’s separately issued financial reports.

Payable to the Pension Plan

As of June 30, 2019, the School had an outstanding payable to the plan for regular employee and employer contributions of \$1,327 that were legally required to be paid to the plan but not remitted prior to the end of the year.

5. Commitments, Contingencies and Related Party Transactions

Management Agreement - The School has a vendor relationship with New Education for the Workplace, Inc. (NEWCorp), 2611 Temple Heights Drive, Oceanside, CA 92056. NEWCorp is an organization formed for charitable purposes, including advancing vocational and technical education and training of young men and women, and managing, operating, guiding, directing, and promoting charter schools. The School entered into an education service provider and license agreement, effective August 15, 2016, with NEWCorp, succeeding the prior management company, Accelerated Learning Solutions, Inc. Under the agreement, NEWCorp provides the following services: human resources administration, business administration, curriculum licensing, technology services, and general support. For the year ended June 30, 2019, the School incurred \$330,338 for services from its management company provided under the terms of the agreement. At June 30, 2019, \$146,172 was billed, due, and payable to NEWCorp under the terms of the agreement. An additional \$40,009 due to the management company is accrued (including current year interest of \$1,723) in the government-wide financial statements pursuant to provisions of the agreement.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
NOTES TO FINANCIAL STATEMENTS

5. Commitments, Contingencies and Related Party Transactions -- continued

School Facility Rent – The School entered into a qualified lease effective June 1, 2017. Future rental commitments for base rent under the School’s facility lease are as follows:

Years Ending June 30,	Amount
2020	\$ 137,333
2021	140,079
2022	142,881
	\$ 420,293

Lease expense for the year ended June 30, 2019, was \$134,640.

6. Risk Financing

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, illnesses of and injuries to employees. Some of this risk is subject to limitations imposed by sovereign immunity and Florida law applicable to tort settlements.

The School obtains insurance policies from commercial companies for property and general liability, boiler and machinery, flood, general umbrella, workers compensation, bond payment, and certain employee accident and health insurance. There have been no significant reductions in insurance coverage during the year ended June 30, 2019. Settled claims resulting from these risks have not exceeded commercial coverage for the past three years.

It is the School’s policy to report liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2019, no claims meeting this definition are known to exist, nor are any incurred but not reported (IBNR) claims estimated to exist. Accordingly, no liabilities resulting from claims or uncertainties are reported in the financial statements at June 30, 2019.

7. Excess of Expenditures

The Federal Grants Fund had an excess of expenditures over revenues of \$2,088.

8. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY
INFORMATION
(RSI)

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND (PAGE 26)

FEDERAL GRANTS FUND
ANNUAL BUDGETARY COMPARISON SCHEDULE (PAGE 27)

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND
HEALTH INSURANCE SUBSIDY PROGRAM (PAGE 28)

SCHEDULE OF THE PENSION CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND
HEALTH INSURANCE SUBSIDY PROGRAM (PAGE 29)

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
for the year ended June 30, 2019

	Original and Final Budget	Actual (GAAP Basis)	Variance Favorable (Unfavorable)
Revenues			
State	\$ 1,566,423	\$ 1,645,658	\$ 79,235
Local	-	5,836	5,836
Total Revenues	<u>1,566,423</u>	<u>1,651,494</u>	<u>85,071</u>
Expenditures			
Instruction	472,834	623,706	(150,872)
Pupil personnel services	4,000	689	3,311
Instructional staff training	23,346	578	22,768
Instructional technology	23,346	-	23,346
School board	34,989	16,075	18,914
General administration	101,167	116,481	(15,314)
School administration	250,978	228,752	22,226
Facilities acquisition and construction	141,260	3,421	137,839
Fiscal services	48,193	66,318	(18,125)
Central services	47,278	14,006	33,272
Transportation services	14,820	15,837	(1,017)
Operation of plant	134,632	107,486	27,146
Maintenance of plant	8,500	1,320	7,180
Administrative technology	-	621	(621)
Total expenditures	<u>1,305,343</u>	<u>1,195,290</u>	<u>110,053</u>
Excess of revenues over expenditures	261,080	456,204	195,124
Fund balances, beginning	<u>66,270</u>	<u>66,270</u>	<u>-</u>
Fund balances, ending	<u>\$ 327,350</u>	<u>\$ 522,474</u>	<u>\$ 195,124</u>

See notes on page 27

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - BUDGET AND ACTUAL
FEDERAL GRANTS FUND
for the year ended June 30, 2019

	Budget	Actual	Variance
	Original and Final	(GAAP Basis)	Favorable (Unfavorable)
Revenues			
Federal through state	\$ 23,150	\$ 25,238	\$ 2,088
Total revenues	23,150	25,238	2,088
Expenditures			
Instruction	18,450	21,152	(2,702)
General administration	3,000	1,074	1,926
Instructional staff training	1,700	3,012	(1,312)
Total expenditures	23,150	25,238	(2,088)
Net change in fund balances	-	-	-
Fund balances, beginning	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -

Note 1. Budgets are prepared and adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2019, the Board adopted an annual budget for the General and Federal Grants Funds. The School is not required to submit its budget to any regulatory agencies.

Note 2. Appropriations are controlled at the fund level and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
Schedule of the Proportionate Share of Net Pension Liability

Florida Retirement System
Last Ten Years*

	2019
School's proportion of the net pension liability	0.000667373%
School's proportionate share of the net pension liability	\$ 201,018
School's covered-employee payroll	\$ 469,044
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	42.86%
Plan fiduciary net position as a percentage of the total pension liability	84.26%

Health Insurance Subsidy Program
Last Ten Years*

School's proportion of the net pension liability	0.001121208%
School's proportionate share of the net pension liability	\$ 118,670
School's covered-employee payroll	\$ 469,044
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	25.30%
Plan fiduciary net position as a percentage of the total pension liability	2.15%

*Data prior to 2019 is unavailable as the School was not officially
accepted into the FRS until September 29, 2017*

**The amounts presented were determined as of 6/30*

LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School
Schedule of the Pension Contributions

Florida Retirement System
Last Ten Years*

	2019
Contractually required contributions	\$ 32,513
Contributions in relation to the contractually required contribution	(32,513)
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	\$ 469,044
Contributions as a percentage of covered-employee payroll	6.93%

Health Insurance Subsidy Program
Last Ten Years*

Contractually required contributions	\$ 8,179
Contributions in relation to the contractually required contribution	(8,179)
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	\$ 469,044
Contributions as a percentage of covered-employee payroll	1.74%

Data prior to 2019 is unavailable as the School was not officially accepted into the FRS until September 29, 2017

**The amounts presented were determined as of 6/30*

HOLLAND & REILLY

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ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' 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
Lone Star MYcroSchool, Inc.
d/b/a Lone Star High School

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lone Star MYcroSchool, Inc. d/b/a Lone Star High School (the School), a component unit of the District School Board of Duval County, Florida, as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 20, 2019.

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 opinion 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 School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* – see page 33.

Purpose of this Report

This report is intended 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.

A handwritten signature in black ink that reads "Holland & Reilly". The signature is written in a cursive, flowing style.

Orlando, Florida
November 20, 2019

HOLLAND & REILLY

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

To the Board of Directors of
Lone Star MYcroSchool, Inc.
d/b/a Lone Star High School

We have audited the financial statements of Lone Star MYcroSchool, Inc. d/b/a Lone Star High School as of and for the year ended June 30, 2019 and have issued our report thereon dated November 20, 2019.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated November 20, 2019, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 which warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
 - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
 - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

There is one compliance matter and one other matter that came to the attention of the auditor, that, in our judgment, are required to be reported. See page 33.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. 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.

We determined the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

There were no findings in the prior audit report. Thus, no corrective action is necessary.

This management letter is intended solely for the information of Lone Star MYcroSchool, Inc. d/b/a Lone Star High School, its management, others within the entity, the Duval County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, FL
November 20, 2019

**LONE STAR MYCROSCHOOL, INC.
d/b/a Lone Star High School**

AUDITORS' COMMENTS – CURRENT YEAR

Compliance

2019-1 Untimely Filing of Annual Tax Information Return

The School's 2017 Return of Organization Exempt from Income Tax (Form 990) was not filed with the Internal Revenue Service until after its May 15, 2019 extended due date. Subsequently, the Service notified the School of a \$1,300 late filing penalty.

Other Comment

2019-2 Inadequate General Ledger Review

The preparation of financial statements requires a timely review of general ledger accounts and their reconciliation to underlying supporting documentation. During our audit, we found certain key accounts such as cash, receivables, payables, accruals and payroll did not agree with independent documentation. For example, the bank reconciliation included outstanding items over one year old. The discrepancies appeared to go unnoticed as a result of lack of management review and follow up investigation.

We recommend management undertake a more detailed review of the accounts as soon as possible after month end. Old outstanding items should be investigated and corrected promptly. Supporting schedules reconciling account balances to independent information should be maintained. To facilitate the process at year-end, consider employing the services of another accountant, familiar with government reporting, to prepare the financial statements rather than relying on the services of the auditor.

STATUS OF PRIOR YEAR COMMENTS

NONE

November 20, 2019

**David S. Holland,
Holland & Reilly
601 N Fern Creek Avenue, Suite 200
Orlando, FL 32803**

The response and corrective action plan for the audit findings detailed in Lone Star MYcroSchool's, d/b/a Lone Star High School's 2018-19 audit are as follows:


2019-1 Untimely filing of annual tax information return

The tax filing for the last year was unusual in that the school underwent a name change and a paper copy of the return had to be signed and sent to the IRS. In addition, there was a change in board president, which complicated the process. The new board president was sworn in at the October board meeting. In the future (as in the past) the return will be filed electronically thereby avoiding the possibility of late filing. In addition, legal documentation addresses have been updated at SunBiz to ensure that the management company receives copies of all documentation and a management company staff member has been appointed to properly track and report on delivery of tax information to proper offices.

2019-2 Inadequate general ledger review

During the 2018-2019 year, NEWCorp recognized the need for additional resources in the area of recordkeeping and reporting. NEWCorp employed an outside accounting firm to assist with the recordkeeping and monthly financial statement compilations. Additional resources will be allocated to recordkeeping and reporting for the 2019-2020 year. The management company will be adding a second accountant in the Gainesville office and a Finance Specialist in January to alleviate inadequate general ledger review complications experience in 2018-2019.

Sincerely,



Joy Baldree,
Chief Executive Officer
NEWCorp