

Oceanside Collegiate Academy

Report on Financial Statements

For the year ended June 30, 2017

Oceanside Collegiate Academy

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Independent Auditor's Report

Board of Directors
Oceanside Collegiate Academy
Mount Pleasant, South Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Oceanside Collegiate Academy (the School), 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 the 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 Oceanside Collegiate Academy 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.

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 on pages 3 through 8 and 26 through 28 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
October 30, 2017

Oceanside Collegiate Academy

Management's Discussion and Analysis

June 30, 2017

As management of Oceanside Collegiate Academy (the School), we offer readers of the School's audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights:

Overall

- The 2016-2017 45-day headcount was 315.
- The 2016-2017 135-day headcount was 319.
- The School opened in August 2016.
- The School issued \$11,000,000 in bonds during the year to finance the construction of the new facilities.

Government-Wide Financial Statements

- The liabilities and deferred inflows of the School exceeded its assets as of June 30, 2017 by \$419,410 (***net position***).
- Governmental activities decreased the School's net position by \$362,679 for the year ended June 30, 2017.
- The School had \$10,888,300 in long-term debt as of June 30, 2017.

Fund Financial Statements

- As of June 30, 2017, the School's governmental funds reported combined ending fund balances of \$293,687.
- As of June 30, 2017, the unassigned fund deficit in the general fund was (\$137,698).

Oceanside Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

Overview of the Financial Statements:

Management's Discussion and Analysis serves as an introduction to the School's **Basic Financial Statements**. The School's basic financial statements consist of three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements.

The **Basic Financial Statements** present two distinct financial perspectives of the School using **Government-Wide Financial Statements** and **Fund Financial Statements**. In addition to the **Basic Financial Statements**, this report contains **Supplementary Information** that will enhance the reader's understanding of the financial condition of the School.

Basic Financial Statements:

Government-Wide Financial Statements - Pages 9 and 10

The first two statements in the basic financial statements are the **Government-Wide Financial Statements**. They provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. They provide both short and long-term information about the School's financial standing.

The two **Government-Wide Financial Statements** are the *Statement of Net Position* and the *Statement of Activities*. Measuring net position is one way to gauge the School's financial condition and the *Statement of Activities* shows the change in net position during the year. Net position equals assets plus deferred outflows of resources less liabilities less deferred inflows of resources.

The **Government-Wide Financial Statements** include all governmental activities. The governmental activities include the School's instruction and support services. The School does not have any business type activities.

Fund Financial Statements - Pages 11 and 12

The **Fund Financial Statements** are more detailed than the **Government-Wide Financial Statements**. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related requirements, such as the School's budget, where and when applicable. All of the funds of the School are governmental funds. The major governmental funds of the School are: 1) General Fund 2) Special Projects Fund 3) Education Improvement Act Fund 4) Capital Projects – School Building Fund and 5) Debt Service Fund.

Notes to the Financial Statements - Pages 13 through 25

The **Notes to the Financial Statements** offer a more detailed explanation of certain data contained in the **Government-Wide Financial Statements** and **Fund Financial Statements**.

Supplementary Information:

Supplementary Information shows detailed information about the School's funds. Budgetary comparison information for the School's general fund is included in the required **Supplementary Information**.

Oceanside Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

Government-Wide Financial Statement Analysis - Statement of Net Position:

As noted earlier, net position may serve over time as one useful indicator of the School's financial condition. The liabilities and deferred inflows of the School exceeded its assets by \$419,410 as of June 30, 2017. \$577,921 reflects the School's investment in capital assets, less any related debt that was issued to acquire those items, excluding unspent bond proceeds of \$1,291,018 still outstanding, which totaled \$577,921. The School uses these capital assets to provide services to its students; therefore, these assets are not available for future spending. Although the School's investment in capital assets is reported net of any related outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net position balance of \$(1,257,335) is unrestricted and \$260,004 is restricted for debt service.

Significant changes on the Statement of Net Position are as follows:

- Current assets increased \$2,259,525 due to increased revenues and 2017 being the first year of operations.
- Capital assets, net of accumulated depreciation, increased \$10,175,203 due to the School purchasing land and equipment during the year and incurring construction in progress related to the building construction.
- Current liabilities increased \$1,866,846 due to the School incurring a full year of expenditures in 2017 and having construction payables due at June 30, 2017.
- Long-term liabilities increased \$10,888,300 due to the School issuing bonds, a note payable and entering into a capital lease during 2017.
- Deferred inflows increased \$51,356 related to a pledge receivable that the School incurred at June 30, 2017.

Oceanside Collegiate Academy's Net Position

	<u>2017</u>	<u>2016</u>
Current assets	\$ 2,317,510	\$ 57,985
Non-current assets	9,095	-
Capital assets, net of accumulated depreciation	<u>10,175,203</u>	<u>-</u>
Total Assets	<u>12,501,808</u>	<u>57,985</u>
Current liabilities	1,981,562	114,716
Long-term liabilities	<u>10,888,300</u>	<u>-</u>
Total liabilities	<u>12,869,862</u>	<u>114,716</u>
Deferred inflows	<u>51,356</u>	<u>-</u>
Net position		
Net investment in capital assets	577,921	-
Restricted for debt service	260,004	-
Unrestricted	<u>(1,257,335)</u>	<u>(56,731)</u>
Total net position	<u>\$ (419,410)</u>	<u>\$ (56,731)</u>

Oceanside Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

Government-Wide Financial Statement Analysis - Statement of Activities:

Aspects of the School's financial operations that significantly contributed to the change in net position are as follows:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- State and Federal Revenues are calculated utilizing the 45th and 135th day headcount. The 45th day headcount for 2016/2017 was 315 and the 135th day headcount for 2016/2017 was 319. This was an average of 317 students.
- In addition to State and Federal Revenues, the School had \$180,098 in local revenues primarily due to fundraising, student fees and athletic fees.
- The School had \$3,116,205 in instruction and support services expenditures related to School operations, salaries, construction expenditures and supplies.
- The School had \$702,850 in interest and other charges related to bond issuance costs and bond and capital lease interest expense.

Oceanside Collegiate Academy's Changes in Net Position

	<u>2017</u>	<u>2016</u>
Local revenues	\$ 180,098	\$ 19,378
State and federal revenues	<u>3,276,278</u>	<u>80,000</u>
Total revenues	<u>3,456,376</u>	<u>99,378</u>
Instruction	903,232	6,748
Support services	2,212,973	149,361
Interest and other charges	<u>702,850</u>	<u>-</u>
Total expenditures	<u>3,819,055</u>	<u>156,109</u>
Change in net position	(362,679)	(56,731)
Net position, July 1	<u>(56,731)</u>	<u>-</u>
Net position, June 30	<u>\$ (419,410)</u>	<u>\$ (56,731)</u>

Oceanside Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

Government-Wide Financial Statement Analysis - Capital Assets and Long-term Debt:

Capital Assets - The School's investment in capital assets for its governmental activities as of June 30, 2017, totaled \$10,175,203 (net of accumulated depreciation). Capital assets include land, construction in progress and equipment.

Oceanside Collegiate Academy's Capital Assets
(net of accumulated depreciation)

	Balance <u>July 1, 2016</u>	Governmental Activities <u>2017</u>	Balance <u>June 30, 2017</u>
Land	\$ -	\$ 3,098,033	\$ 3,098,033
Construction in progress	-	7,057,076	7,057,076
Equipment	-	20,094	20,094
Total	<u>\$ -</u>	<u>\$ 10,175,203</u>	<u>\$ 10,175,203</u>

Additional information about the School's capital assets can be found in **Note 6** of the **Basic Financial Statements**.

Net capital assets less debt outstanding of \$10,888,300, which is net of unamortized discount of \$178,833, plus unspent bond proceeds of \$1,291,018, totals the School's net investment in capital assets of \$577,921 as of June 30, 2017.

Long-term Debt - As of June 30, 2017, the School had incurred long-term debt in the amount of \$10,821,167, net of \$178,833 unamortized bond discount, relating to Economic Development Revenue Series 2016A and 2016B Bonds for the construction of the new building.

Fund Financial Statements Analysis:

As noted earlier, the School uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related requirements. The major governmental funds of the School are: 1) General Fund 2) Special Projects Fund 3) Education Improvement Act Fund 4) Capital Projects - School Building Fund and 5) Debt Service Fund.

The General Fund is the chief operating fund of the School. As of June 30, 2017, unassigned fund deficit of the General Fund was \$(137,698).

Oceanside Collegiate Academy
Management's Discussion and Analysis
June 30, 2017

General Fund Budgetary Highlights:

The negative variance in revenue of \$931,717 is due to the School budgeting revenues based on anticipated headcount that was higher than actual headcount.

The positive variance in instruction expenses of \$263,187 is due to the School over-budgeting instruction expenses as this was the first year of operations.

The negative variances in support services expenses of \$435,831 is due to the School under-budgeting transportation and other services expenses.

Economic Factors:

The following key economic indicators reflect the growth and prosperity of the School:

- The School continues to see community support as evidenced by the volunteerism, local organizations donating classroom and office supplies, private donations, and support through fundraising.
- The School has a returning staff of professionals that are committed to the School.
- The School will continue to seek both federal and private grant funds to supplement its EFA funding.

Requests for Information:

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Principal, Oceanside Collegiate Academy, 580 Faison Rd., Mount Pleasant, South Carolina 29466, telephone number (843) 936-7128.

Oceanside Collegiate Academy

Statement of Net Position

As of June 30, 2017

	Governmental activities
Assets	
Current assets	
Cash	\$ 697,957
Restricted cash	
Bond fund	194,029
Bond project fund	1,291,018
Bond revenue fund	64,675
Bond expense fund	1,300
Prepaid items	3,121
Due from other governmental units	14,054
Pledge receivable	51,356
Total current assets	<u>2,317,510</u>
Non-current assets	
Security deposits	9,095
Capital assets, net of accumulated depreciation	10,175,203
Total non-current assets	<u>10,184,298</u>
Total assets	<u>12,501,808</u>
Liabilities	
Current liabilities	
Accounts payable	1,776,842
Accrued interest	194,029
Payroll liabilities	753
Due to pupil activities	9,938
Total current liabilities	<u>1,981,562</u>
Long-term liabilities	
Due within one year	
Capital lease	4,937
Due in more than one year	
Capital lease	18,309
Note payable	43,887
Bonds payable, net	10,821,167
Total long-term liabilities	<u>10,888,300</u>
Total liabilities	<u>12,869,862</u>
Deferred inflows	<u>51,356</u>
Net position	
Net investment in capital assets	577,921
Restricted for debt service	260,004
Unrestricted	(1,257,335)
Total net position	<u>\$ (419,410)</u>

See Notes to Financial Statements

Oceanside Collegiate Academy

Statement of Activities

For the year ended June 30, 2017

Functions/Programs	Expenses	Program	Net (expense)
		Operating Grants and Contributions	revenue and changes in net position Governmental activities
Governmental activities			
Instruction	\$ 903,232	\$ 3,276,278	\$ 2,373,046
Support services	2,212,973	-	(2,212,973)
Interest and other charges	702,850	-	(702,850)
Total governmental activities	<u>3,819,055</u>	<u>3,276,278</u>	<u>(542,777)</u>
Total	<u>\$ 3,819,055</u>	<u>\$ 3,276,278</u>	<u>(542,777)</u>
		General revenues:	
		Miscellaneous	<u>180,098</u>
		Total general revenues	<u>180,098</u>
		Change in net position	(362,679)
		Net position, beginning of year	<u>(56,731)</u>
		Net position, end of year	<u>\$ (419,410)</u>

See Notes to Financial Statements

Oceanside Collegiate Academy
Balance Sheet - Governmental Funds
As of June 30, 2017

	Special Revenue Funds				Debt Service	Total Governmental Funds
	General	Special Projects	Education Improvement Act	Capital Projects		
Assets						
Cash	\$ 697,957	\$ -	\$ -	\$ -	\$ -	\$ 697,957
Restricted cash						
Bond fund	-	-	-	-	194,029	194,029
Bond project fund	-	-	-	1,291,018	-	1,291,018
Bond revenue fund	-	-	-	-	64,675	64,675
Bond expense fund	-	-	-	-	1,300	1,300
Prepaid items	3,121	-	-	-	-	3,121
Due from other governmental units	-	8,277	5,777	-	-	14,054
Due from other funds	14,054	-	-	-	195,329	209,383
Security deposits	9,095	-	-	-	-	9,095
Total assets	\$ 724,227	\$ 8,277	\$ 5,777	\$ 1,291,018	\$ 455,333	\$ 2,484,632
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 633,751	\$ -	\$ -	\$ 1,141,791	\$ 1,300	\$ 1,776,842
Accrued interest	-	-	-	-	194,029	194,029
Payroll liabilities	753	-	-	-	-	753
Due to pupil activities	9,938	-	-	-	-	9,938
Due to other funds	195,329	8,277	5,777	-	-	209,383
Total liabilities	839,771	8,277	5,777	1,141,791	195,329	2,190,945
Fund balances (deficits):						
Nonspendable	12,216	-	-	-	-	12,216
Restricted	9,938	-	-	149,227	260,004	419,169
Unassigned	(137,698)	-	-	-	-	(137,698)
Total fund balances (deficits)	(115,544)	-	-	149,227	260,004	293,687
Total liabilities and fund balances	\$ 724,227	\$ 8,277	\$ 5,777	\$ 1,291,018	\$ 455,333	\$ 2,484,632
Total governmental fund balances						\$ 293,687
Amounts reported in the Statement of Net Position for governmental activities are different because of the following:						
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of assets is \$10,180,227 and the accumulated depreciation is \$5,024.						10,175,203
Pledge receivables are not available to pay for current period expenditures and therefore are deferred in the funds.						51,356
Uncollected pledges receivable that are not available in the current period must be offset by deferred inflows of resources.						(51,356)
Bond discounts are amortized in the Statement of Activities. The discounts of \$185,000 have been amortized by \$6,167.						178,833
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:						
Note payable						(43,887)
Bonds payable						(11,000,000)
Capital lease						(23,246)
Net position of governmental activities						<u>\$ (419,410)</u>

Oceanside Collegiate Academy

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the year ended June 30, 2017

	General Fund	Special Revenue Funds		Capital Projects	Debt Service	Total Governmental Funds
		Special Projects	Education Improvement Act			
Revenues						
Local	\$ 180,098	\$ -	\$ -	\$ -	\$ -	\$ 180,098
Intergovernmental	1,328,473	26,627	1,601,178	-	-	2,956,278
Federal	-	320,000	-	-	-	320,000
Total revenues	1,508,571	346,627	1,601,178	-	-	3,456,376
Expenditures						
Current						
Instruction	516,645	102,206	39,028	-	-	657,879
Support services	2,206,057	18,823	4,864	59,615	-	2,289,359
Capital outlay	30,042	225,598	-	9,854,623	-	10,110,263
Debt service						
Legal services	-	-	-	-	227,740	227,740
Redemption of principal	4,207	-	-	-	-	4,207
Interest	1,764	-	-	-	530,335	532,099
Other objects	-	-	-	-	170,751	170,751
Total expenditures	2,758,715	346,627	43,892	9,914,238	928,826	13,992,298
Excess (deficit) of revenues over (under) expenditures	(1,250,144)	-	1,557,286	(9,914,238)	(928,826)	(10,535,922)
Other financing sources (uses)						
Transfers (to) from other funds	1,163,878	-	(1,557,286)	(795,422)	1,188,830	-
Proceeds from long-term notes	-	-	-	43,887	-	43,887
Capital lease	27,453	-	-	-	-	27,453
Discount on bonds sold	-	-	-	(185,000)	-	(185,000)
Proceeds from general obligation bonds	-	-	-	11,000,000	-	11,000,000
Total other financing sources (uses)	1,191,331	-	(1,557,286)	10,063,465	1,188,830	10,886,340
Net change in fund balances (deficit)	(58,813)	-	-	149,227	260,004	350,418
Fund deficit, beginning of year	(56,731)	-	-	-	-	(56,731)
Fund balances (deficit), end of year	\$ (115,544)	\$ -	\$ -	\$ 149,227	\$ 260,004	\$ 293,687

Total net change in fund balance - governmental funds \$ 350,418

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which net capital outlays (\$10,180,227) exceeds depreciation expense (\$5,024) in the period. 10,175,203

Proceeds from the issuance of long-term notes are treated as other financing sources in the governmental funds but the proceeds increase long-term liabilities in the Statement of Net Position. (43,887)

Proceeds from the issuance of capital leases are treated as other financing sources in the governmental funds but the proceeds increase long-term liabilities in the Statement of Net Position. These proceeds have been reduced by principal payments made against the outstanding debt. (23,246)

Proceeds from the issuance of bonds are revenue in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Position. (11,000,000)

Governmental funds report the effect of discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the amount of bond discounts (\$185,000) net of accumulated amortization (\$6,167) in the current period. 178,833

Change in net position of governmental activities \$ (362,679)

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies

Oceanside Collegiate Academy (the School) is a nonprofit organization incorporated in the State of South Carolina and organized under the South Carolina Charter School Act. The School opened in August 2016. The School operates within the South Carolina Public Charter School District. The School serves approximately 315 students in grades 9 through 12 in Mount Pleasant, South Carolina.

A. Reporting entity

The School's financial statements include all funds over which the Board is considered to be financially accountable. The School receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters.

As required by state law, the School is a component unit of the South Carolina Public Charter School District. The School has determined that there are no support entities that meet the requirements for inclusion as a discretely presented component unit.

B. Basis of presentation

The statements of the School are presented as follows:

Government-Wide financial statements - The Statement of Net Position and the Statement of Activities display information about the School as a whole, except fiduciary funds, if any. For the most part, the effect of interfund activity has been removed from these statements. The School's activities are governmental activities generally financed through intergovernmental revenues and other non-exchange transactions. Intergovernmental revenue included on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds includes all state sourced revenue and any federal revenue that flows to the School primarily through the South Carolina Public Charter School District.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

B. Basis of presentation, continued

Fund financial statements - Fund financial statements report detailed information about the School. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The School has no non-major funds. Fiduciary funds, if any, are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are: a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

C. Measurement focus and basis of accounting

Fund accounting

The accounts of the School are organized and operated on the basis of funds during the fiscal year, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts. The various funds are grouped into the categories governmental and if necessary, fiduciary.

Governmental funds

Governmental funds focus 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 separated as fund balance. The following are the School's major governmental funds:

General fund - to account for all financial transactions not properly accounted for in another fund. The School uses this fund to account for expenditures principally for administration, instruction, pupil services, operation and maintenance of plant and related fixed charges.

Special revenue funds - to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. The School has two special revenue funds:

1. Special projects fund - a budgeted fund used to account for financial resources provided by federal, state and local projects and grants;
2. The Education Improvement Act (EIA) fund - a budgeted fund used to account for the revenue from the Education Improvement Act of 1984 and legally required to be accounted for as a specific revenue source.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

C. Measurement focus and basis of accounting, continued

Capital Projects (Building) Fund - to account for financial resources that are accumulated for expenditures for capital outlays.

Debt Service Fund - to account for financial resources that are restricted or accumulated for expenditures for principal and interest.

Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds, if any, also use the accrual basis of accounting. On the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. Under the modified accrual basis of accounting, revenues and expenditures are recognized when they become both measurable and available.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected, soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. On the accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used, or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, entitlements, grants, and student fees.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year, if any, is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, liabilities and equity

Cash and cash equivalents - The School may have cash presented on the financial statements which includes cash held in local financial institutions and certificates of deposit held in local financial institutions. The School had no cash equivalents at June 30, 2017.

Bond fund - Monies deposited into this fund are used to pay solely for the payment of principal and interest on the bonds on each principal and interest payment date.

Bond project fund - Costs of the project are disbursed from this account.

Bond revenue fund - Monies deposited into this fund are disbursed on the 15th of each month into the respective funds indicated by the Trustee based on the Trust indenture.

Bond expense fund - Monies deposited into this fund are disbursed on October 1st each year to pay annual Trustee and Issuer fees.

Prepaid items - Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid expenses using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. At June 30, 2017, prepaid items consisted of rent that totaled \$3,121.

Receivables and payables - During the course of operations, numerous transactions occur between the School and vendors and revenue sources or individual funds for goods provided or services rendered. On fund financial statements, these receivables and payables are classified as accounts receivable, due from other governmental units, accounts payable or "due from other funds" or "due to other funds" on the Balance Sheet. The transactions between funds are eliminated in the governmental activities columns of the Statement of Net Position.

Capital assets - Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Statement of Net Position but are not reported in the fund financial statements.

Capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The costs and accumulated depreciation of property sold or retired are removed from the accounts, and gains or losses, if any, are reflected in revenues or expenditures/expenses for the year. The School maintains a capitalization threshold of \$2,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extends an asset's life are expensed.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

D. Assets, liabilities and equity, continued

Capital assets are stated at cost or, if donated, at estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives used in computing depreciation for financial reporting are as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Equipment	5 years

Unearned revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period are also reported as unearned revenue. The School had no unearned revenue at June 30, 2017.

Accrued liabilities and long-term obligations - All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements, regardless of whether they will be liquidated with current resources; however, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements, only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Debt and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred inflows – Uncollected pledges receivable are offset by deferred inflows of resources on the Statement of Net Position.

Fund balances and net position - There are five classifications of governmental fund balances: nonspendable, restricted, committed, assigned and unassigned. Where applicable, these classifications are presented on the face of the governmental funds Balance Sheet. For the government-wide financial statements the School applies restricted resources when an expenditure is incurred for the purposes for which both restricted and unrestricted net assets are available. For the governmental funds financial statements the School applies committed, then assigned, then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets reduced by accumulated depreciation and the outstanding balances of any borrowings used for the acquisition, construction or improvement of the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

E. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the School's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Note 2. Cash

The School is authorized by South Carolina state law to invest in the following types of investments:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Banks and savings and loan associations to the extent they are guaranteed by the Federal Deposit Insurance Corporation (FDIC);
4. Deposits in certificates of deposit, where the certificates are collaterally secured by securities of the type described in (1) and (2) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest;
5. The State Treasurer's Local Government Investment Pool (monitored by the State Treasurer for investments invested in government guaranteed securities in accordance with South Carolina State laws);
6. Repurchase agreements.

At June 30, 2017, the carrying amount of the School's deposits was \$2,248,979 and the bank balance was \$2,272,950.

Custodial credit risk:

Custodial credit risk is the risk that the School's deposits will not be returned to it. The School has no formal policy regarding custodial credit risk. The total cash balances are insured by the FDIC up to \$250,000 per bank. The School's deposits were fully collateralized at June 30, 2017.

Credit risk:

South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The School has no investment policy that would further restrict its choices.

Interest rate risk:

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 2. Cash, Continued

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the School's investments in a single issuer. The School does not have a policy that limits the amount that may be invested in any one issuer.

Fair value of financial instruments:

The School has adopted applicable accounting standards for its financial assets and liabilities which clarify that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The School utilizes market data or assumptions that market participants would use in pricing the asset or liability. The standards establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs for similar or identical assets in active and inactive markets, or corroborated by observable market data by correlation or other means; Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The School did not have any financial instruments as of June 30, 2017 that have a difference between fair value and carrying amount.

Note 3. Due From Other Governmental Units

Intergovernmental receivables at June 30, 2017 consisted of intergovernmental grants and reimbursements. All governmental receivables are considered fully collectible.

Due from state government	
Technology professional development	\$ 614
Teacher salary fringe	539
EEDA – supplies and materials	658
IDEA MOE tier 1	3,589
Professional development	316
Reading	<u>61</u>
	5,777
Due from federal government	
Charter school (planning and implementation) grant	<u>8,277</u>
Total due from other governmental units	<u>\$ 14,054</u>

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 4. Interfund Receivables and Payables

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ 14,054	\$ 195,329
Special projects fund	-	8,277
Special revenue EIA fund	-	5,777
Debt service fund	<u>195,329</u>	<u>-</u>
Total governmental funds	<u>\$ 209,383</u>	<u>\$ 209,383</u>

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Note 5. Transfers From and To Other Funds

During the course of normal operations, the School has transactions between funds to provide services. These transactions are generally reflected as transfers. During the year, the School transferred \$1,557,286 from the Special Revenue EIA Fund to the General Fund. South Carolina law requires the South Carolina Public Charter School District to receive an allocation of funding based on a per weighted pupil formula, with the funding being recorded in the EIA Fund. There are no restrictions on how these funds may be spent at the School level; therefore, these funds are transferred to the General Fund to be expended. During the year, the School also transferred \$795,422 from the Capital Projects – School Building Fund to the General Fund to cover additional construction expenditures paid out of the General Fund. During the year, the School also transferred \$1,188,830 from the General Fund to the Debt Service Fund to fund the bond principal fund.

Total transfers during the year ended June 30, 2017 are reflected in the fund statements as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 2,352,708	\$ (1,188,830)
Special revenue EIA fund	-	(1,557,286)
Capital projects – school building fund	-	(795,422)
Debt service fund	<u>1,188,830</u>	<u>-</u>
	<u>\$ 3,541,538</u>	<u>\$ (3,541,538)</u>

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 6. Capital Assets

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

	Balance, July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance, June 30, 2017
Governmental activities				
Capital assets, not being depreciated				
Land	\$ -	\$ 3,098,033	\$ -	\$ 3,098,033
Construction in progress	-	7,057,076	-	7,057,076
Total capital assets, not being depreciated	-	10,155,109	-	10,155,109
Capital assets, being depreciated				
Equipment	-	25,118	-	25,118
Total capital assets, being depreciated	-	25,118	-	25,118
Totals at historical cost	-	10,180,227	-	10,180,227
Less accumulated depreciation				
Equipment	-	(5,024)	-	(5,024)
Total accumulated depreciation	-	(5,024)	-	(5,024)
Total capital assets, being depreciated, net	-	20,094	-	20,094
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 10,175,203</u>	<u>\$ -</u>	<u>\$ 10,175,203</u>

The carrying value of assets acquired under capital lease transactions at June 30, 2017 is \$20,094.

\$521,694 of construction in progress is related to net capitalized interest charges from the financing of the construction.

Depreciation expense was charged to governmental functions as follows:

Support services	\$ 5,024
Total depreciation expense	<u>\$ 5,024</u>

Note 7. Fund Balances and Net Position

The fund balances/net position and other credits have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Governmental fund financial statements

Fund balances - Nonspendable - balances that by their nature are unable to be spent.

Fund balances - Restricted - balances that can only be spent for the specific purpose stipulated by constitution, external resources providers, or through enabling legislation.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 7. Fund Balances and Net Position, Continued

Fund balances - Committed - balances that can only be used for the specific purpose determined by the School's Board of Directors. The Board of Directors must take a formal action during one of its meetings to establish, modify, or commit funds under the committed classification.

Fund balances - Assigned - balances meant to be used for a specific purpose but don't meet the criteria as restricted or committed. For the School, the board or any other governing authority above the board may assign fund balances by formal action such as local school board vote, ordinance or law.

Fund balances - Unassigned - balances that are spendable amounts not contained in other classifications.

Government-wide financial statements

Net investment in capital assets - represents the net cost less accumulated depreciation and outstanding debt attributable to the School's capital assets.

Restricted - represents net position restricted externally by creditors, grantors, contributors or laws and regulations of other governments, or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - represents the remainder of the School's net position in government-wide activities.

Note 8. Commitments and Contingencies

Amounts received, or receivable, from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

The School is by law, a public school. The operations of the School are subject to administrative directives, rules and regulations of its federal and state funding services. Such directions and funding levels are subject to change with little notice. If the School's funding levels are significantly impacted by reductions in federal and state funding, it may adversely affect the School's ability to operate.

The School entered into an agreement for bus transportation services for extra-curricular activities during the academic year commencing in August 2017 and terminating in June 2019. Rates for these services vary based on the total hours and mileage per trip.

The School entered into a management agreement with a charter school management group that provides curriculum and management services, as well as fiscal management, human resources and payroll services. The agreement commenced on September 21, 2015 and terminates on June 30, 2026. The School will pay the group an annual fee of 15% of all gross funding, excluding student activity fees, charitable donations and federal grants, but in no event less than \$400,000 per year for the curriculum and management services. The School will pay up to \$65,000 and \$38,000 for fiscal management and human resources and payroll services, respectively. For the year ended June 30, 2017, the School incurred \$442,655 for management fees, \$63,654 for fiscal services and \$38,000 for human resources and payroll services. The School owed the group \$432,655 at June 30, 2017.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 8. Commitments and Contingencies, Continued

The School entered into a three year sub-lease agreement with Gray Collegiate Academy (GCA) on August 31, 2016 for computers. The School pays GCA at a monthly rate of \$3,560 per month. Expenses related to this lease for the year ended June 30, 2017 totaled \$35,497. At June 30, 2017, the minimum future lease payments under non-cancellable operating leases are as follows:

Year ended	
<u>June 30,</u>	
2018	\$ 42,720
2019	42,720
2020	<u>7,120</u>
	<u>\$ 92,560</u>

The School entered into an agreement for construction services for the construction of the new school building on February 9, 2016. The contract price totals \$7,800,000 and is payable as construction progresses. As of June 30, 2017 contract expenses totaled \$6,344,508.

Note 9. Long-Term Obligations

Capital lease - In June 2016 the School entered into a 5 year capital lease for office equipment. The lease qualifies as a capital lease for accounting purposes; therefore, the obligation has been recorded at the net present value of the future minimum lease payments totaling \$23,246 at June 30, 2017.

The following is a schedule of the future minimum capital lease payments and the net present value of the minimum lease payments as of June 30, 2017:

Year ended	
<u>June 30</u>	
2018	\$ 6,513
2019	6,513
2020	6,513
2021	6,513
2022	<u>1,087</u>
Total minimum lease payments	27,139
Less: Amount representing interest	<u>(3,893)</u>
Present value of the minimum lease payments	<u>\$ 23,246</u>

Economic development revenue bonds - On October 20, 2016, the School issued \$10,390,000 and \$610,000 in Economic development revenue bonds Series 2016A and Series 2016B, respectively, with a bond discount of \$185,000. A portion of the bonds mature annually on October 1st of each year. Interest is paid quarterly each year. The bond coupon rates range from 7.00% - 8.00%. Under the terms of the bond, the School is required to maintain certain reserve funds. At June 30, 2017, \$194,029 was held in the bond fund which is reported in the Debt Service Fund.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 9. Long-Term Obligations, Continued

These bonds are subject to covenants for debt service coverage ratio and days of cash on hand as well as other requirements. The debt service coverage ratio requirement of 1.0:1.0 is tested on each quarter ending date commencing on June 30, 2017. The days of cash on hand requirement of 30 days is tested as of December 31 and June 30 of each year, commencing on June 30, 2018. Management has calculated a debt service coverage ratio of 3.29 at June 30, 2017.

The aggregate maturities of long-term bonds due are as follows:

	Economic Development Revenue Bonds	
	Principal	Interest
2018	\$ -	\$ 776,100
2019	190,000	768,500
2020	200,000	752,900
2021	220,000	736,100
2022	150,000	722,050
2023-2027	930,000	3,430,000
2028-2032	1,310,000	3,042,200
2033-2037	1,835,000	2,496,375
2038-2042	2,570,000	1,732,500
2043-2046	<u>3,595,000</u>	<u>663,075</u>
	<u>\$ 11,000,000</u>	<u>\$ 15,119,800</u>

Note payable - On October 25, 2016 the School entered into a subordinated unsecured promissory note up to \$1,500,000 to supplement financing for the construction and equipping of School facilities. At June 30, 2017 the School had \$43,887 outstanding regarding this note agreement. Payment of the principal is subordinated to the scheduled payments of the economic development revenue bonds and operating expenses as defined in the promissory note. Additionally, payments are conditioned on certain conditions being satisfied. If conditions are met, payments will be made on January 1st each year commencing in 2019. The outstanding balance at June 30, 2017 will be paid in full on January 1, 2019.

Oceanside Collegiate Academy

Notes to Basic Financial Statements

June 30, 2017

Note 9. Long-Term Obligations, Continued

Changes in general long-term obligations - The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2017:

	Balance, July 1, 2016	Increases	Decreases	Balance, June 30, 2017	Current Portion
Governmental activities:					
Economic development					
revenue bonds	\$ -	\$ 11,000,000	\$ -	\$ 11,000,000	\$ -
Unamortized bond discount	-	(185,000)	6,167	(178,833)	(6,167)
Total bonds payable		10,815,000	6,167	10,821,167	(6,167)
Note payable	-	43,887	-	43,887	-
Capital lease	-	27,453	(4,207)	23,246	4,937
Total long-term obligations	\$ -	\$ 10,886,340	\$ 1,960	\$ 10,888,300	\$ (1,230)

Note 10. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. The School pays premiums to a private insurance carrier for all forms of coverage. The insurance carrier promises to pay to, or on behalf of, the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in the last year.

Note 11. Employee Benefits

Retirement plan

The School sponsors a retirement savings plan (the Plan) provided under Section 403(b) of the Internal Revenue Code, which covers substantially all employees who meet eligibility requirements. Employees are eligible to participate upon employment. Employee contributions vest immediately. Employer and employee contributions to the Plan for the year ended June 30, 2017 were \$6,967 and \$8,633, respectively.

Note 12. Related Parties

The partners of the charter school management group that the School is contracted with serve simultaneously as the School's Chief Executive Officer and Chief Financial Officer. As described in Note 8, the School pays the management group for management and fiscal services. The School also reimburses the management group for travel expenses, office supplies and audit assistance services. The School does not pay these individuals directly. The School owed the group \$432,655 at June 30, 2017. The management group also manages Gray Collegiate Academy. The School leases computers from Gray Collegiate Academy (see Note 8). Rental expense for this lease totaled \$35,497 for the year ended June 30, 2017.

Oceanside Collegiate Academy
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Revenues				
1000	Revenue from local sources			
1500	Earnings on investments			
1510	Interest on investments	\$ -	\$ 8,662	\$ 8,662
1700	Pupil activities			
1790	Other pupil activity income	35,000	-	(35,000)
1900	Other revenue from local sources			
1990	Miscellaneous local revenue			
1999	Revenue from other local sources	-	171,436	171,436
	Total revenue from local sources	<u>35,000</u>	<u>180,098</u>	<u>145,098</u>
3000	Revenue from state sources			
3100	Restricted state funding			
3180	Fringe benefits employer contributions	-	311,911	311,911
3300	Education Finance Act (EFA)			
3310	Full-time programs			
3314	High school	2,405,288	-	(2,405,288)
3320	Part-time programs			
3322	Educable mentally handicapped	-	4,089	4,089
3323	Learning disabilities	-	19,464	19,464
3327	Vocational		949,435	949,435
3330	Miscellaneous EFA programs			
3334	Limited English proficiency	-	940	940
3352	Pupils in poverty	-	13,630	13,630
3353	Dual credit enrollment	-	29,004	29,004
	Total revenue from state sources	<u>2,405,288</u>	<u>1,328,473</u>	<u>(1,076,815)</u>
	Total revenue all sources	<u>2,440,288</u>	<u>1,508,571</u>	<u>(931,717)</u>
Expenditures				
100	Instruction			
110	General instruction			
114	High school programs			
100	Salaries	370,000	282,187	87,813
200	Employee benefits	116,944	185,750	(68,806)
300	Purchased services	36,000	2,672	33,328
400	Supplies and materials	155,000	16,959	138,041
500	Capital outlay	50,000	-	50,000
		<u>727,944</u>	<u>487,568</u>	<u>240,376</u>
120	Exceptional programs			
127	Learning disabilities			
100	Salaries	35,000	25,035	9,965
200	Employee benefits	11,888	3,102	8,786
400	Supplies and materials	5,000	940	4,060
	Total instruction	<u>51,888</u>	<u>29,077</u>	<u>22,811</u>
		<u>779,832</u>	<u>516,645</u>	<u>263,187</u>
200	Support services			
210	Pupil services			
212	Guidance services			
100	Salaries	35,000	38,050	(3,050)
200	Employee benefits	12,933	16,935	(4,002)
		<u>47,933</u>	<u>54,985</u>	<u>(7,052)</u>

*Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements.*

Oceanside Collegiate Academy
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Expenditures, Continued				
200	Support services, Continued			
220	Instructional staff services			
224	Improvement of instruction inservice and staff training			
300	Purchased services	6,500	3,255	3,245
		<u>6,500</u>	<u>3,255</u>	<u>3,245</u>
230	General administrative services			
231	Board of education			
300	Purchased services	1,500	-	1,500
318	Audit services	-	2,000	(2,000)
319	Legal services	15,000	9,774	5,226
600	Other objects	10,000	7,177	2,823
		<u>26,500</u>	<u>18,951</u>	<u>7,549</u>
233	School administration			
100	Salaries	284,000	249,025	34,975
200	Employee benefits	81,698	57,671	24,027
300	Purchased services	365,500	563,418	(197,918)
400	Supplies and materials	40,000	61,535	(21,535)
500	Capital outlay	-	14,117	(14,117)
		<u>771,198</u>	<u>945,766</u>	<u>(174,568)</u>
250	Finance and operations services			
252	Fiscal services			
300	Purchased services	65,000	63,654	1,346
600	Other objects	4,000	5,842	(1,842)
		<u>69,000</u>	<u>69,496</u>	<u>(496)</u>
254	Operation and maintenance of plant			
100	Salaries	25,000	-	25,000
200	Employee benefits	10,704	-	10,704
300	Purchased services	164,000	177,816	(13,816)
321	Public utilities	27,000	2,320	24,680
400	Supplies and materials	34,000	14,284	19,716
470	Energy	66,000	67,017	(1,017)
		<u>326,704</u>	<u>261,437</u>	<u>65,267</u>
255	Student transportation (state mandated)			
300	Purchased services	55,000	328,784	(273,784)
600	Other objects	1,000	-	1,000
		<u>56,000</u>	<u>328,784</u>	<u>(272,784)</u>
258	Security			
500	Capital outlay	2,000	10,075	(8,075)
		<u>2,000</u>	<u>10,075</u>	<u>(8,075)</u>
260	Central support services			
263	Information services			
300	Purchased services	30,000	12,391	17,609
		<u>30,000</u>	<u>12,391</u>	<u>17,609</u>
264	Staff services			
300	Purchased services	38,000	38,000	-
		<u>38,000</u>	<u>38,000</u>	<u>-</u>
266	Technology and data processing services			
100	Salaries	35,000	27,467	7,533
200	Employee benefits	12,933	15,959	(3,026)
300	Purchased services	28,500	-	28,500
400	Supplies and materials	20,000	545	19,455
		<u>96,433</u>	<u>43,971</u>	<u>52,462</u>

*Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements.*

Oceanside Collegiate Academy
Budgetary Comparison Schedule - General Fund
For the year ended June 30, 2017

		Original and Final Budget	Actual	Variance from Final Budget
Expenditures, Continued				
200	Support services, continued			
270	Support services - pupil activity			
271	Pupil service activities			
100	Salaries	200,000	17,883	182,117
200	Employee benefits	-	14,876	(14,876)
300	Purchased services	80,000	200,090	(120,090)
400	Supplies and materials	50,000	210,289	(160,289)
500	Capital outlay	-	5,850	(5,850)
		<u>330,000</u>	<u>448,988</u>	<u>(118,988)</u>
	Total support services	<u>1,800,268</u>	<u>2,236,099</u>	<u>(435,831)</u>
500	Debt service			
610	Redemption of principal	-	4,207	(4,207)
620	Interest	353,212	1,764	351,448
	Total debt service	<u>353,212</u>	<u>5,971</u>	<u>347,241</u>
	Total expenditures	<u>2,933,312</u>	<u>2,758,715</u>	<u>174,597</u>
Other financing sources (uses)				
5000	Other sources			
5200	Interfund transfers			
5230	Transfer from special revenue EIA fund	-	1,557,286	1,557,286
5250	Transfer from capital projects fund	-	795,422	795,422
5500	Capital lease	-	27,453	27,453
400	Other charges			
420	Interfund transfers			
423-710	Transfer to debt service fund	-	(1,188,830)	(1,188,830)
	Total other financing sources (uses)	<u>-</u>	<u>1,191,331</u>	<u>1,191,331</u>
	Excess of expenditures and other financing uses over revenues and other financing sources	<u>\$ (493,024)</u>	<u>(58,813)</u>	<u>\$ 434,211</u>
	Fund deficit, beginning of year		(56,731)	
	Fund deficit, end of year		<u>\$ (115,544)</u>	

*Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements.*

Oceanside Collegiate Academy

Special Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance

For the year ended June 30, 2017

	IDEA (203)	Other Designated Restricted State Grants (900's)	Other Special Revenue Programs (200)	Total
Revenues				
3000 Revenue from state sources				
3100 Restricted state funding				
3187 Teacher supplies	\$ -	\$ 4,675	\$ -	\$ 4,675
3600 Education lottery act revenue				
3630 K-12 Technology initiative	-	9,111	-	9,111
Total revenue from state sources	-	13,786	-	13,786
4000 Revenues from federal sources				
4300 Elementary & Secondary Education Act of 1965 (ESEA)				
4320 Charter school (planning and implementation) grant	-	-	320,000	320,000
4500 Programs for children with disabilities				
4510 Individuals with disabilities education act (IDEA)	12,841	-	-	12,841
Total revenue from federal sources	12,841	-	320,000	332,841
Total revenue all sources	12,841	13,786	320,000	346,627
Expenditures				
100 Instruction				
110 General instruction				
114 High school programs				
100 Salaries	12,841	-	-	12,841
400 Supplies and materials	-	4,675	84,690	89,365
500 Capital outlay	-	-	130,145	130,145
Total instruction	12,841	4,675	214,835	232,351
200 Support services				
230 General administrative services				
231 Board of education				
300 Purchased services	-	-	2,500	2,500
600 Other objects	-	-	2,227	2,227
Total	-	-	4,727	4,727
233 School administration				
300 Purchased services	-	-	1,240	1,240
500 Capital outlay	-	-	95,453	95,453
Total	-	-	96,693	96,693
250 Finance and operations services				
254 Operation and maintenance of plant				
300 Purchased services	-	9,111	-	9,111
Total	-	9,111	-	9,111
260 Central support services				
263 Information services				
300 Purchased services	-	-	3,745	3,745
Total	-	-	3,745	3,745
Total support services	-	9,111	105,165	114,276
Total expenditures	12,841	13,786	320,000	346,627
Excess of revenues over expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

*Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements.*

Oceanside Collegiate Academy**Education Improvement Act****Schedule of Revenues, Expenditures and Changes in Fund Balance****For the year ended June 30, 2017**

	<u>Actual</u>
Revenues	
3000 Revenue from state sources	
3500 Education Improvement Act	
3511 Professional development	\$ 1,182
3512 Technology professional development	1,503
3519 Grade 10 assessments	1,275
3550 Teacher salary increase	25,057
3555 Teacher salary fringe	3,651
3558 Reading	927
3583 Charter school funding	1,557,286
3587 IDEA MOE tier 1	3,589
3595 EEDA - supplies and materials	1,738
3597 Aid to districts	4,970
Total revenue	<u>1,601,178</u>
Expenditures	
100 Instruction	
110 General instruction	
114 High school programs	
100 Salaries	25,057
200 Employee benefits	3,651
	<u>28,708</u>
120 Exceptional Programs	
127 Learning disabilities	
100 Salaries	5,897
300 Purchased services	2,685
400 Supplies and materials	1,738
	<u>10,320</u>
Total instruction	<u>39,028</u>
200 Support services	
230 General administrative services	
233 School administration	
400 Supplies and materials	1,275
	<u>1,275</u>
270 Support services—pupil activity	
271 Pupil service activities	
300 Purchased services	3,589
	<u>3,589</u>
Total support services	<u>4,864</u>
Total expenditures	<u>43,892</u>
Other financing uses	
420-710 Transfer to general fund	(1,557,286)
Total other financing uses	<u>(1,557,286)</u>
Excess of revenues over expenditures and other financing uses	-
Fund balance, beginning of year	-
Fund balance, end of year	<u>\$ -</u>

*Intergovernmental revenue is presented by category in the schedule herein,
in accordance with State Department of Education requirements.*

Oceanside Collegiate Academy
Special Projects Fund
Summary Schedule for Designated State Restricted Grants
For the year ended June 30, 2017

<u>Subfund</u>	<u>Revenue</u>	<u>Programs</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/ (Out)</u>	<u>Unearned Revenue</u>
917	3187	Teacher supplies	\$ 4,675	\$ 4,675	\$ -	\$ -
963	3630	K-12 technology initiative	9,111	9,111	-	-
			<u>\$ 13,786</u>	<u>\$ 13,786</u>	<u>\$ -</u>	<u>\$ -</u>

Oceanside Collegiate Academy**Education Improvement Act****Summary Schedule by Program****For the year ended June 30, 2017**

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers In/Out</u>	<u>Unearned Revenue</u>
3500 Education Improvement Act				
3511 Professional development	\$ 1,182	\$ 1,182	\$ -	\$ -
3512 Technology professional development	1,503	1,503	-	-
3519 Grade 10 assessments	1,275	1,275	-	-
3550 Teacher salary increase	25,057	25,057	-	-
3555 Teacher salary fringe	3,651	3,651	-	-
3558 Reading	927	927	-	-
3583 Charter school funding	1,557,286	-	(1,557,286)	-
3587 IDEA MOE tier 1	3,589	3,589	-	-
3595 EEDA - supplies and materials	1,738	1,738	-	-
3597 Aid to districts	4,970	4,970	-	-
Total	<u>\$ 1,601,178</u>	<u>\$ 43,892</u>	<u>\$ (1,557,286)</u>	<u>\$ -</u>

Oceanside Collegiate Academy
Capital Projects - School Building Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
As of June 30, 2017

Expenditures

100	Instruction		
110	General instruction		
114	High school programs		
500	Capital outlay	\$	115,208
			<u>115,208</u>
	Total instruction		<u>115,208</u>
200	Support services		
250	Finance and operations services		
253	Facilities acquisition and construction		
500	Capital outlay		9,610,635
			<u>9,610,635</u>
254	Operation and maintenance of plant		
300	Purchased services		59,615
			<u>59,615</u>
258	Security		
500	Capital outlay		128,780
			<u>128,780</u>
	Total support services		<u>9,799,030</u>
	Total expenditures		<u>9,914,238</u>
	Deficiency of revenues under expenditures		<u>(9,914,238)</u>
	Other financing sources (uses)		
400	Other charges		
420	Interfund transfers		
420-710	Transfer to general fund		(795,422)
5100	Sale of bonds		
5110	Discount on bonds sold		(185,000)
5120	Proceeds of bonds		11,000,000
5400	Proceeds from long-term notes		43,887
	Total other financing sources (uses)		<u>10,063,465</u>
	Excess of revenues and other financing sources over expenditures and other financing uses		149,227
	Fund balance, beginning of year		<u>-</u>
	Fund balance, end of year	\$	<u><u>149,227</u></u>

Oceanside Collegiate Academy**Debt Service Fund****Schedule of Revenues, Expenditures and Changes in Fund Balance****As of June 30, 2017**

Expenditures

500	Debt service		
319	Legal services	\$	227,740
620	Interest		530,335
690	Other objects		170,751
	Total debt service		<u>928,826</u>
	Total expenditures		<u>928,826</u>

Other financing sources

5200	Interfund transfers		
5210	Transfer from general fund		<u>1,188,830</u>
	Total other financing sources		<u>1,188,830</u>

Excess of revenues and other financing sources over expenditures	260,004
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Fund balance, beginning of year**Fund balance, end of year**

-
<u>\$ 260,004</u>

Oceanside Collegiate Academy*Detailed Schedule of Due to State Department of Education / Federal Government**As of June 30, 2017*

<u>Program</u>	<u>Grant or project number</u>	<u>Revenue code</u>	<u>Description</u>	<u>Amount due</u>	<u>Status of Amount due</u>
None					



**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***

Board of Directors
Oceanside Collegiate Academy
Mount Pleasant, South Carolina

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 Oceanside Collegiate Academy 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 October 30, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as 2017-002 to be a significant deficiency.

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*.

The School's Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
October 30, 2017

Oceanside Collegiate Academy

Schedule of Findings and Responses

June 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. One material weakness relating to the audit of the financial statements was disclosed during the audit.
3. One significant deficiency relating to the audit of the financial statements was disclosed during the audit.
4. No instances of noncompliance relating to the financial statements were disclosed during the audit.

B. Findings – Financial Statement Audit

2017-001 – Accrual for Construction Payables

Material weakness

Condition and criteria: Internal controls over reporting should be in place to ensure that all construction related payables are reported accurately.

Effect: Because all construction related payables due at June 30, 2017 were not reported accurately, the School's accounts payable could be misstated.

Cause: Amounts payable at June 30, 2017 were not recorded.

Auditor's recommendation: The School should ensure that all payables are recorded appropriately.

Auditee's response: This point relates solely to the accrual of construction payables that were being funded out of the proceeds of the bond issued for this purpose. As of June 30, 2017 there was \$1,291,018 of bond project fund cash on the balance sheet which was earmarked to pay these construction related payables.

The payables identified by the auditors were located on the Contractor's certificate for payment dated July 12, 2017 and were for both current charges due and for the cumulative retainage payable. The amounts due were paid to the contractor in July and October 2017 after review and approval by our Construction Monitor and management's verification that work had been satisfactorily completed. The construction project has now been completed and the contract amounts have been fully expended. There will be no more construction payables since no further long-term construction projects are presently being contemplated. All other construction payables, other than the contractor certificate for payment noted above, were properly accrued at the end of the year.

Internal controls over reporting on all of our operating payables were subject to review and testing and there were no deficiencies found in this area. As such, the weakness noted by the auditors was isolated to a single end of year accounting entry and should not be construed to be a weakness in our overall payables system.

Oceanside Collegiate Academy

Schedule of Findings and Responses

June 30, 2017

B. Findings – Financial Statement Audit, Continued

2017-002 – Lack of Controls Relating to Local Revenue

Significant deficiency

Condition and criteria: Internal controls over the collection of local revenues should be in place to ensure that documentation of receipts and a reconciliation from the local receipts to the total deposit is maintained for each deposit.

Effect: Because there is a lack of documentation and reconciliation to support local revenues, there could be instances when the system of internal control could be overridden.

Cause: Currently, internal controls over local revenue collections are not operating effectively.

Auditor's recommendation: The School should maintain support and reconcile local revenue receipts.

Auditee's response: The School has implemented a process. Several staff members have receipt books and all cash received by the School is receipted and reconciled from the deposit log to the bank deposit. The deposit is then checked for accuracy by accounting staff when the bank account is reconciled each month and subsequently recorded in the School's accounting records.