



**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF  
LAKE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2012**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Round Lake Elementary School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the School's revenues exceeded expenses by \$231,504. This is a decrease from the prior year, when revenues exceeded expenses by \$287,988.
- Student enrollment increased from the prior year, and the School was able to maintain all previously funded academic programs.
- The School is showing a strong cash and net assets position at the end of the year (\$5,346,510 and \$5,217,048, respectively).

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements
		Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet - governmental fund, Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

## Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net assets are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall financial condition of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Assets

The School's combined net assets increased from fiscal years 2011 to 2012 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2012</b>	<b>2011</b>	<b>(Decrease)</b>
Current and other assets	\$ 6,151,544	\$ 5,678,037	8%
Capital assets, net	148,091	164,076	-10%
Total assets	<u>\$ 6,299,635</u>	<u>\$ 5,842,113</u>	<u>8%</u>
Current and other liabilities	\$ 1,082,587	\$ 856,569	26%
Total liabilities	<u>\$ 1,082,587</u>	<u>\$ 856,569</u>	<u>26%</u>
Net assets:			
Invested in capital assets	\$ 148,091	\$ 164,076	-10%
Restricted for terminal employee benefits	30,000	30,000	0%
Restricted for capital projects	583,121	546,892	7%
Unrestricted	<u>4,455,836</u>	<u>4,244,576</u>	<u>5%</u>
Total net assets	<u>\$ 5,217,048</u>	<u>\$ 4,985,544</u>	<u>5%</u>

The increase in current and other assets is primarily due to an increase in cash due to the current period excess of revenues over expenses, as well as the timing of cash receipts and disbursements. The decrease in capital assets is a result of current year depreciation expense.

Current and other liabilities increased due to an increase in amounts due to the School Board for payroll and related costs provided during fiscal year 2012, as well as the result of the timing of payments at year-end. The increase was also attributable to a reserve that was recorded in the event that the School will be required to reimburse employees for the additional 3% withheld from their earnings for the Florida Retirement System.

Net assets increased overall due to the current year excess of revenue over expenses. The net assets invested in capital assets decreased due to current year depreciation, while the net assets restricted for capital projects increased due to the excess administration fee being greater than capital outlay expenditures in the current year.

## Change in Net Assets

The School's total revenues decreased by 5% to \$5,326,033, and the total cost of all programs and services decreased by 4% to \$5,094,529 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2012</b>	<b>2011</b>	<b>(Decrease)</b>
Revenues:			
Federal sources passed through local school district	\$ 137,355	\$ 209,389	-34%
State and local sources	4,896,231	5,074,551	-4%
Other revenue	292,447	320,794	-9%
Total revenues	5,326,033	5,604,734	-5%
Expenses:			
Instruction and instruction-related services	3,811,931	3,944,017	-3%
Board	26,880	27,506	-2%
General administration	99,542	83,887	19%
School administration and food service	494,040	532,369	-7%
Facilities acquisition and construction	4,265	37,553	-89%
Pupil transportation services	102,302	108,215	-5%
Operation of plant	385,631	406,906	-5%
Community services	169,938	176,293	-4%
Total expenses	5,094,529	5,316,746	-4%
Change in net assets	\$ 231,504	\$ 287,988	-20%

Revenues from federal sources decreased 34% due to a reduction in the Title I ARRA funding awarded in the prior year. Other revenue decreased due to a decrease in interest earnings as a result of lower interest rates. Revenue from the extended day program decreased as well due to a decrease in enrollment. Additionally, internal student account revenue decreased due to a decline in student enrollment as well as a decline in student activities.

General administration expenses increased 19% in the current year due to the addition of fees charged by the School Board in addition to the normal administrative fee. These fees relate to human resources, employee benefit, information technology and other services provided by the School Board that were previously provided gratis. This increase was net of a decrease in the normal administrative fee, which was reduced from 5% of FEFP revenue to 2% of FEFP revenue, as the School achieved a high performing charter school status. School administration and food service expenses decreased due to a decrease in professional fees and purchased services, as well as a reduction in compensated absences. Facilities acquisition and construction expenses decreased due to portable rental fees which were eliminated in the current year, as the portables were purchased towards the end of the prior year.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$5,318,271, an increase over the prior year. Revenues and expenditures decreased overall for the same reasons described above.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the School revised its budget several times. These budget amendments fall into three categories:

- Changes made during the fiscal year to account for variations in student enrollment.
- Decreases in appropriations for anticipated expenses which did not occur.
- Increases in appropriations to prevent budget overruns.

Actual general fund revenues were consistent with final budgeted amounts, with a variance of approximately \$4,000. Actual expenditures were approximately \$81,000 below budgeted amounts, primarily due to the fact that the School budgeted for school personnel, supply, textbook and utility costs which were not incurred.

## **CAPITAL ASSET ADMINISTRATION**

At the end of fiscal 2012, the School had invested \$302,815 in a broad range of capital assets, including buildings, building improvements, furniture, fixtures and equipment. There were no major additions or disposals during fiscal 2012. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

When adopting the general fund budget for fiscal year 2013, the School expects no significant changes in student enrollment, but is anticipating a slight increase in state funding.

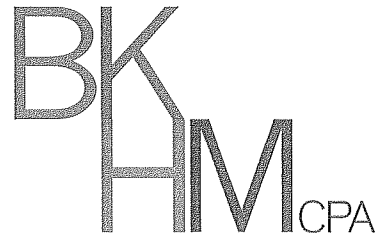
Amounts available for appropriation in the general fund are \$5,335,474, an increase of approximately 3% from the final 2012 actual revenues of \$5,188,678. Budgeted expenditures are expected to total \$5,206,031, a decrease of approximately 4% from the final 2012 actual expenditures of \$4,986,642. The School has added no major new programs to the fiscal 2013 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2013.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 31333 Round Lake Road, Mount Dora, Florida 32757.





## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Round Lake Elementary School, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Round Lake Elementary School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Round Lake Elementary School, Inc. as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 and budgetary comparison information on page 26, 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.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2012

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,346,510
Investments	791,960
Accounts receivable	9,665
Other current assets	3,409
Capital assets:	
Improvements other than buildings	81,314
Buildings and fixed equipment	148,393
Furniture, fixtures and equipment	73,108
Less accumulated depreciation	<u>(154,724)</u>
Total capital assets, net	<u>148,091</u>
Total assets	<u><u>\$ 6,299,635</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 19,214
Due to the District School Board of Lake County, Florida	814,059
Compensated absences payable	<u>249,314</u>
Total liabilities	<u>1,082,587</u>
<b>NET ASSETS</b>	
Invested in capital assets	148,091
Restricted for terminal employee benefits	30,000
Restricted for capital projects	583,121
Unrestricted	<u>4,455,836</u>
Total net assets	<u>5,217,048</u>
Total liabilities and net assets	<u><u>\$ 6,299,635</u></u>

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

ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 3,315,932	\$ -	\$ 55,282	\$ -	\$ (3,260,650)
Pupil personnel services	282,328	-	27,914	-	(254,414)
Instructional media	90,730	-	-	-	(90,730)
Instruction and curriculum development services	56,992	-	-	-	(56,992)
Instructional staff training	65,949	-	54,159	-	(11,790)
Board	26,880	-	-	-	(26,880)
General administration	99,542	-	-	-	(99,542)
School administration and food service	494,040	-	-	-	(494,040)
Facilities acquisition and construction	4,265	-	-	-	(4,265)
Pupil transportation services	102,302	-	-	-	(102,302)
Operation of plant	385,631	-	-	-	(385,631)
Community services	169,938	-	-	-	(169,938)
Total primary government	\$ 5,094,529	\$ -	\$ 137,355	\$ -	(4,957,174)
General revenues:					
State and local sources					4,896,231
Other revenue					292,447
Total general revenues					5,188,678
Change in net assets					231,504
Net assets at beginning of year					4,985,544
Net assets at end of year					\$ 5,217,048

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

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2012**

	<b>General Fund</b>
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,346,510
Investments	791,960
Accounts receivable	9,665
Other current assets	3,409
	<hr/>
Total assets	<u><u>\$ 6,151,544</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Accounts payable and accrued expenditures	\$ 19,214
Due to the District School Board of Lake County, Florida	814,059
	<hr/>
Total liabilities	<u>833,273</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	3,409
Restricted for:	
Title III expenditures	223
Terminal employee benefits	30,000
Capital projects	583,121
Assigned for:	
Internal accounts	66,659
Unassigned	4,634,859
	<hr/>
Total fund balances	<u>5,318,271</u>
Total liabilities and fund balances	<u><u>\$ 6,151,544</u></u>

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

ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

<b>Total fund balance - governmental fund</b>	\$	5,318,271
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$302,815, and the accumulated depreciation is \$154,724.		148,091
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Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		(249,314)
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<b>Total net assets - governmental activities</b>	\$	<u>5,217,048</u>
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The accompanying notes to financial statements are an integral part of this statement.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Federal sources passed through local school district	\$ -	\$ 137,355	\$ 137,355
State and local sources	4,896,231	-	4,896,231
Other revenue	292,447	-	292,447
Total revenues	<u>5,188,678</u>	<u>137,355</u>	<u>5,326,033</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,263,343	55,282	3,318,625
Pupil personnel services	254,414	27,914	282,328
Instructional media	90,730	-	90,730
Instruction and curriculum development services	56,992	-	56,992
Instructional staff training	11,790	54,159	65,949
Board	26,880	-	26,880
General administration	99,542	-	99,542
School administration and food service	521,633	-	521,633
Facilities acquisition and construction	4,265	-	4,265
Pupil transportation services	102,302	-	102,302
Operation of plant	384,813	-	384,813
Community services	169,938	-	169,938
Total expenditures	<u>4,986,642</u>	<u>137,355</u>	<u>5,123,997</u>
Net changes in fund balances	202,036	-	202,036
Fund balances at beginning of year	<u>5,116,235</u>	<u>-</u>	<u>5,116,235</u>
Fund balances at end of year	<u>\$ 5,318,271</u>	<u>\$ -</u>	<u>\$ 5,318,271</u>

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

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2012**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 202,036</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current period.	(17,310)
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Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>46,778</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 231,504</u></b>
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The accompanying notes to financial statements are an integral part of this statement.



**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Round Lake Elementary School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of no less than three and no more than five members. Effective July 1, 2003, the School converted from a public school to a charter school.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2023 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of presentation**

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

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

**Governmental Funds:**

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general fund is considered a major fund. The special revenue fund is non-major and is presented as the other governmental fund.

**Basis of accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The modified accrual basis of accounting and current financial resources focus is followed by the governmental fund types. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary basis accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Deposits and investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits with financial institutions.

All of the School's investments consist of government sponsored enterprise ("GSE") bonds and notes which do not carry the explicit guarantee of the United States government or government enterprise. Investments are reported at their estimated fair value based on quoted market prices. As of June 30, 2012, the School had a total of \$791,960 invested in GSE bonds and notes at risk of potential losses. The School has not historically experienced losses on its investments.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u><b>Years</b></u>
Improvements other than buildings	15
Buildings and fixed equipment	7
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 3.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Income taxes**

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2008.

**Compensated absences**

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The liability for compensated absences is classified as current in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

**Revenue sources**

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to the first 250 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2012, the School had restricted funds for this purpose in the amount of \$583,121.

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**Fund balance spending policy**

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the governing body or by an official body to which the governing body delegates the authority. Under the School's charter, the School is required to develop a fund balance reserve of \$30,000 for terminal employee benefits. The School is also required to maintain a minimum fund balance within the general fund at the percentage of the total annual operating fund revenues from the general fund that is equal to the percentage defined by the School Board's policies for the school district. The School is in compliance with these requirements as of June 30, 2012.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Subsequent events**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 26, 2012, which is the date the financial statements were available to be issued.

**2 INVESTMENTS**

The School's investment policy is to follow the strict guidelines of the Florida Statutes. In addition, the School's investment policy limits investments to items not exceeding five years maturity unless the investments may be sold or redeemed for cash upon demand. As of June 30, 2012, the School had the following investments:

<u>Investment Description</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Federal Home Loan Bank - GSE Bond	12/11/2015	\$ 83,002
Federal Farm Credit Bank - GSE Bond	11/7/2016	189,472
Federal National Mortgage Association - GSE Bond	11/7/2016	401,708
Fannie Mae - GSE Bond	4/19/2017	65,265
Total Investments maturing within 1 - 5 years		<u>739,447</u>
 Fannie Mae Notes - GSE Note	 8/7/2018	 52,513
Total Investments maturing within 6 - 10 years		<u>52,513</u>
 Total		 <u><u>\$ 791,960</u></u>

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the School's investment policy strictly adheres to Section 218.415 of the Florida Statutes. Furthermore, the School limits its investments to individual securities held to maturity rather than alternatives such as mutual funds that can lose principal.

**Credit Risk:** State of Florida law limits investments of surplus public funds to investments in U.S. Agencies. As of June 30, 2012, all of the School's investments were in U.S. Agencies and in compliance with the School's policies.

**ROUND LAKE ELEMENTARY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**Concentration of Credit Risk:** The School places no limit on the amount the School may invest in any one issuer. More than 5 percent of the School's investments are in bonds from the following issuers:

<b>Issuer:</b>	<b>Amount</b>	<b>Percent of total investments</b>
Federal Home Loan Bank	\$ 83,002	10%
Federal Farm Credit Bank	189,472	24%
Federal National Mortgage Association	401,708	51%
Fannie Mae	117,778	15%

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Improvements other than buildings	\$ 81,314	\$ -	\$ -	\$ 81,314
Buildings and fixed equipment	148,393	-	-	148,393
Furniture, fixtures and equipment	73,108	-	-	73,108
Total capital assets at historical cost	<u>302,815</u>	<u>-</u>	<u>-</u>	<u>302,815</u>
Less accumulated depreciation for:				
Improvements other than buildings	(23,388)	(2,080)	-	(25,468)
Buildings and fixed equipment	(41,425)	(14,723)	-	(56,148)
Furniture, fixtures and equipment	<u>(72,601)</u>	<u>(507)</u>	<u>-</u>	<u>(73,108)</u>
Total accumulated depreciation	<u>(137,414)</u>	<u>(17,310)</u>	<u>-</u>	<u>(154,724)</u>
Governmental activities capital assets, net	<u>\$165,401</u>	<u>\$ (17,310)</u>	<u>\$ -</u>	<u>\$ 148,091</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 14,604
School administration	1,888
Operation of plant	<u>818</u>
Total governmental activities depreciation expense	<u>\$ 17,310</u>

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**4 DUE TO THE SCHOOL BOARD**

The amount due to the School Board as of June 30, 2012 of \$814,059 is comprised of \$646,356 in payroll expenses/expenditures paid by the School Board on behalf of the School, as well as \$167,703 in transportation, student services and other expenses/expenditures.

**5 CAMPUS FACILITY**

Title to the school building and facilities and other capital assets acquired prior to July 1, 2003 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion schools could have a material effect on the School's operations.

**6 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**7 RETIREMENT PROGRAM**

**Defined benefit plan**

All regular employees of the School are covered by the Florida Retirement System ("FRS"). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan ("Plan"). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service for employees enrolled prior to July 1, 2011 and eight years for employees enrolled subsequent to July 1, 2011. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.



**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

A Deferred Retirement Option Program ("DROP") subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had four DROP participants during fiscal 2012.

**Funding policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2012 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	4.91%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.03% for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School is required under its charter to develop a fund balance reserve of \$30,000 to pay future terminal employee benefits for employees covered under the FRS, in addition to its annual contribution to the Plan. The School's contribution to the Plan for the year ended June 30, 2012 totaled approximately \$156,000, which was equal to the required contributions for the fiscal year.

**Defined contribution plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program ("PEORP") was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2012.

**ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts:

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 2,913,442
Class size reduction	1,014,601
Discretionary local effort	247,151
Supplemental academic instruction	181,536
ESE guaranteed allocation	133,551
State Pre-K	106,383
Transportation	102,302
Instructional materials	59,282
Discretionary millage funds	56,433
School recognition	52,609
Safe schools	15,938
Teacher lead	10,450
Discretionary lottery funds	<u>2,553</u>
Total	<u>\$ 4,896,231</u>

The administration fee paid to the School Board during the year ended June 30, 2012 totaled approximately \$29,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

**9 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2012 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS  
(continued)

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

ROUND LAKE ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
<b>REVENUES</b>				
State and local sources	\$ 4,995,765	\$ 4,899,765	\$ 4,896,231	\$ (3,534)
Other revenue	297,125	293,125	292,447	(678)
Total revenues	5,292,890	5,192,890	5,188,678	(4,212)
<b>EXPENDITURES</b>				
Current:				
Instruction	3,419,498	3,298,298	3,263,343	34,955
Pupil personnel services	293,271	261,971	254,414	7,557
Instructional media	96,896	95,846	90,730	5,116
Instruction and curriculum development services	55,913	58,463	56,992	1,471
Instructional staff training	28,330	15,980	11,790	4,190
Board	38,000	28,000	26,880	1,120
General administration	100,000	100,000	99,542	458
School administration and food service	475,104	532,404	521,633	10,771
Facilities acquisition and construction	3,000	5,300	4,265	1,035
Pupil transportation services	114,400	103,900	102,302	1,598
Operation of plant	457,366	393,916	384,813	9,103
Community services	180,316	173,916	169,938	3,978
Total expenditures	5,262,094	5,067,994	4,986,642	81,352
Net changes in fund balance	30,796	124,896	202,036	77,140
Fund balance at beginning of year	5,116,235	5,116,235	5,116,235	-
Fund balance at end of year	\$ 5,147,031	\$ 5,241,131	\$ 5,318,271	\$ 77,140

See report of independent auditors.



**Report of Independent Auditors 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 Round Lake Elementary School, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Round Lake Elementary School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 26, 2012. 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.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described as follows:

2012-01: Board Training: Under the Florida Department of Education Rule 6A-6.0784, members of the board are required to complete a two hour refresher training within three years and for each subsequent three year period after the completion of the initial four hour training. If the board member fails to obtain the two hour refresher training within any three year period, they must complete the four hour training course again to remain eligible for the board. During our audit procedures, we noted that one board member did not complete the required two hour refresher course within the required timeframe. We recommend that the School inform the board members of the requirements and follow up with them to ensure that the required training is completed.

The School's response to the finding identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 32. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the Board of Directors, the District School Board of Lake County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2012

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850**

To the Board of Directors of Round Lake Elementary School, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Round Lake Elementary School, Inc. (the "School") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 26, 2012 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, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address compliance issues included in the preceding audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

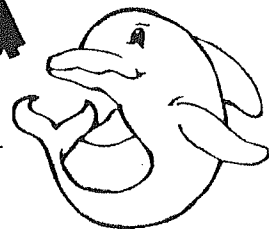


- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Round Lake Elementary School, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2012, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2012



Inspiring success and a love of learning for all students in a safe and nurturing environment

September 26, 2012

Management Response to the Report of Independent Auditors 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

Compliance and Other Matters

Finding 2012-01: Board Training: Under the Florida Department of Education Rule 6A-6.0784, members of the board are required to complete a two hour refresher training within three years and for each subsequent three year period after the completion of the initial four hour training. If the board member fails to obtain the two hour refresher training within any three year period, they must complete the four hour training course again to remain eligible for the board. During our audit procedures, we noted that one board member did not complete the required two hour refresher course within the required timeframe. We recommend that the School inform the board members of the requirements and follow up with them to ensure the required training is completed.

Management Response

Round Lake Elementary School, Inc. makes every effort to ensure board members complete their governance training obligations. The board member in question was informed of their requirement to complete the two hour refresher, and while it was not completed by the required timeframe, it was completed within two weeks of the deadline, and prior to the commencement of audit procedures. Additionally, the board member has subsequently completed the four hour training course required to continue to remain eligible for the board. The School will continue to inform the board members of the requirements and follow up with them to ensure the required training is completed within the required timeframe.

Sincerely,

Linda Bartberger,  
Principal