

**SPRING CREEK CHARTER SCHOOL, INC.
(f/k/a SPRING CREEK 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, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Spring Creek Charter School, Inc. (f/k/a Spring Creek Elementary School, Inc.) (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- For the fiscal year ended June 30, 2013, the School's revenues exceeded expenses by \$31,307. This is a decrease from the prior year, when revenues exceeded expenses by \$57,938.
- Revenues increased by approximately \$246,000 or 6%, and expenses increased by approximately \$273,000, or 7%, from the prior year.

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 position Statement of activities	Balance sheet – governmental fund, Statement of revenues, expenditures and changes in fund balances – governmental funds
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, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/ deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources 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 position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 position and how they have changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial position. Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial position 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 Position

The School's net position for 2013 and 2012 is summarized as follows (see table below):

	Governmental Activities		Increase (Decrease)
	2013	2012	
Current and other assets	\$ 2,460,822	\$ 2,269,709	8%
Restricted cash	22,000	22,000	0%
Total assets	<u>\$ 2,482,822</u>	<u>\$ 2,291,709</u>	<u>8%</u>
Current and other liabilities	\$ 565,784	\$ 437,891	29%
Long-term liabilities	248,807	216,894	15%
Total liabilities	<u>\$ 814,591</u>	<u>\$ 654,785</u>	<u>24%</u>
Net assets:			
Restricted for student alumni financial tuition assistance	\$ 22,000	\$ -	100%
Restricted for terminal employee benefits	30,000	30,000	0%
Restricted for capital projects	59,685	115,479	-48%
Unrestricted	<u>1,556,546</u>	<u>1,491,445</u>	<u>4%</u>
Total net position	<u>\$ 1,668,231</u>	<u>\$ 1,636,924</u>	<u>2%</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.

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 2013, as well as the result of the timing of payments at year-end. Long-term liabilities increased due to an increase in the compensated absences earned by employees, but not used in the current year.

Net position increased overall due to the current year excess of revenues over expenses. The net position restricted for capital projects decreased due to the excess administration fee being less than capital outlay expenditures in the current year.

Certain reclassifications were made in the 2012 amounts to conform to their classifications in fiscal year 2013.

Change in Net Position

The School's total revenues increased by 6% to \$4,046,189, and the total cost of all programs and services increased by 7% to \$4,014,882 (see table below).

	Governmental Activities		Increase
	2013	2012	(Decrease)
Revenues:			
Federal sources passed through local school district	\$ 342,801	\$ 370,550	-7%
State and local sources	3,581,260	3,316,426	8%
Contributions and other revenue	122,128	113,033	8%
Total revenues	4,046,189	3,800,009	6%
Expenses:			
Instruction and instruction-related services	2,892,013	2,687,077	8%
Board	16,640	22,939	-27%
General administration	74,066	71,843	3%
School administration and food services	426,459	423,909	1%
Pupil transportation services	214,472	204,917	5%
Operation of plant	312,885	253,853	23%
Community services	78,347	77,533	1%
Total expenses	4,014,882	3,742,071	7%
Change in net position	\$ 31,307	\$ 57,938	-46%

Revenues from federal sources decreased 7% due to a decrease in IDEA funding awarded in the current year. Revenues from state and local sources increased 8% during fiscal 2013 due to an increase in enrollment. Revenues from contributions and other revenues increased 8% due an increase in interest earned on investments, as well as an increase in internal account receipts and extended day care fees related to the enrollment increase.

Instruction and instruction-related services increased in the current year due to the increase in salaries and related benefits, supplies, and equipment as a result of the grade expansion and increase in student enrollment in the current year. Board expenses decreased in the current year due to a decrease in insurance premiums. Operation of plant expenses increased due to an increase in support staff needed in the current year, as well as an increase in purchased services, including the addition of a school resource officer on campus.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental fund reported a fund balance of \$1,917,038, which is an increase from the prior year. Revenues and expenditures increased overall for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School revised its general fund 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.

With these adjustments, actual general fund revenues were consistent with final budgeted amounts, with a variance of approximately \$1,500. Actual general fund expenditures were approximately \$55,000 below final budgeted amounts primarily due to the fact that the School budgeted for purchased services and equipment costs which were not incurred.

Actual special revenue fund revenues and expenditures were approximately \$9,000 below budget due to less federal funds received than anticipated.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2013, the School had invested \$41,161 in a broad range of capital assets, including furniture, fixtures and equipment. There were no capital assets purchased or disposed in fiscal year 2013. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2014, the School expects enrollment to increase by approximately 44 students, as the School is adding an eighth grade to the existing K-7 enrollment offering. The School is also anticipating a slight increase in state funding.

Amounts available for appropriation in the general fund are \$3,909,716, an increase of approximately 6% over the final 2013 actual revenues of \$3,703,388. Budgeted expenditures are expected to increase to \$3,922,795, an increase of approximately 8% over final 2013 actual expenditures of \$3,640,168. The increase is primarily due to the addition of the eighth grade, and the related increase in personnel, equipment and supplies. Additionally, the School has budgeted to purchase buses and add student transportation in the 2014 fiscal year, to provide courtesy busing for their funding ineligible riders who reside within two miles of the School and those students attending on a zone waiver, as the School Board of Lake County will no longer be providing the service.

If these estimates are realized, the School's general fund balance is expected to decrease by the close of fiscal 2014.

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 44440 Spring Creek Road, Paisley, Florida 32767.

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

To the Board of Directors of Spring Creek Charter School, Inc.
(f/k/a Spring Creek Elementary School, Inc.), a Charter School
and Component Unit of the District School Board of Lake County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Creek Charter School, Inc., (f/k/a Spring Creek 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Spring Creek Charter School, Inc. as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on pages 26 – 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

BKHM, P.A.

Winter Park, Florida
September 24, 2013

1560 Orange Avenue, Suite 600, Winter Park, Florida 32789 | 407.998.9000 | Fax 407.998.9010

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A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,460,822
Restricted cash	22,000
Capital assets:	
Furniture, fixtures and equipment	41,161
Less accumulated depreciation	<u>(41,161)</u>
Total capital assets, net	<u>-</u>
Total assets	<u><u>\$ 2,482,822</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 22,114
Due to the District School Board of Lake County, Florida	543,670
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	<u>248,807</u>
Total liabilities	<u>814,591</u>
NET POSITION	
Restricted for:	
Student alumni financial tuition assistance	22,000
Terminal employee benefits	30,000
Capital projects	59,685
Unrestricted	<u>1,556,546</u>
Total net position	<u>1,668,231</u>
Total liabilities and net position	<u><u>\$ 2,482,822</u></u>

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

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction	\$ 2,596,188	\$ -	\$ 261,430	\$ -	\$ (2,334,758)
Pupil personnel services	171,493	-	41,500	-	(129,993)
Instructional media	52,312	-	-	-	(52,312)
Curriculum development	40,713	-	3,160	-	(37,553)
Instructional staff training	48,080	-	36,711	-	(11,369)
Board	16,640	-	-	-	(16,640)
General administration	74,066	-	-	-	(74,066)
School administration and food services	409,686	-	-	-	(409,686)
Pupil transportation services	214,472	-	-	-	(214,472)
Operation of plant	312,885	-	-	-	(312,885)
Community services	78,347	-	-	-	(78,347)
Total primary government	<u>\$ 4,014,882</u>	<u>\$ -</u>	<u>\$ 342,801</u>	<u>\$ -</u>	<u>(3,672,081)</u>
General revenues:					
State and local sources					3,581,260
Contributions and other revenue					122,128
Total general revenues					<u>3,703,388</u>
Change in net position					31,307
Net position at beginning of year					1,636,924
Net position at end of year					<u>\$ 1,668,231</u>

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

**SPRING CREEK CHARTER SCHOOL, INC.
(f/k/a SPRING CREEK ELEMENTARY SCHOOL, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND**

JUNE 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 2,460,822
Restricted cash	22,000
Total assets	<u>\$ 2,482,822</u>
LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenditures	\$ 22,114
Due to the District School Board of Lake County, Florida	543,670
Total liabilities	<u>565,784</u>
Fund balances:	
Non-spendable:	
Student alumni financial tuition assistance	22,000
Restricted for:	
Terminal employee benefits	30,000
Capital projects	59,685
Assigned to:	
Internal accounts	138,973
Open purchase orders	14,194
Unassigned	<u>1,652,186</u>
Total fund balances	<u>1,917,038</u>
Total liabilities and fund balances	<u>\$ 2,482,822</u>

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

SPRING CREEK CHARTER SCHOOL, INC.
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RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total fund balances - total governmental fund	\$ 1,917,038
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Amounts reported for governmental activities in the statement of net position
are different because:

Compensated absences are not due and payable in the current
period and, therefore, are not reported as liabilities in the
governmental fund.

(248,807)

Total net position - governmental activities	<u><u>\$ 1,668,231</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**SPRING CREEK CHARTER SCHOOL, INC.
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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal sources passed through local school district	\$ -	\$ 342,801	\$ 342,801
State and local sources	3,581,260	-	3,581,260
Contributions and other revenue	122,128	-	122,128
Total revenues	<u>3,703,388</u>	<u>342,801</u>	<u>4,046,189</u>
EXPENDITURES			
Current:			
Instruction	2,310,415	261,430	2,571,845
Pupil personnel services	129,993	41,500	171,493
Instructional media	52,312	-	52,312
Curriculum development	37,553	3,160	40,713
Instructional staff training	11,369	36,711	48,080
Board	16,640	-	16,640
General administration	74,066	-	74,066
School administration and food services	402,116	-	402,116
Pupil transportation services	214,472	-	214,472
Operation of plant	312,885	-	312,885
Community services	78,347	-	78,347
Total expenditures	<u>3,640,168</u>	<u>342,801</u>	<u>3,982,969</u>
Net changes in fund balances	63,220	-	63,220
Fund balances at beginning of year	<u>1,853,818</u>	<u>-</u>	<u>1,853,818</u>
Fund balances at end of year	<u>\$ 1,917,038</u>	<u>\$ -</u>	<u>\$ 1,917,038</u>

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

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**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, 2013

Net changes in fund balances - total governmental funds	\$ 63,220
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Amounts reported for governmental activities in the statement of activities
are different because:

Compensated absences reported 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. This
represents the change in the payable during the fiscal year.

(31,913)

Change in net position of governmental activities

\$ 31,307

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

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Spring Creek Charter School, Inc., formally known as (f/k/a) Spring Creek 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 fifteen members. Effective July 1, 1998, the School converted from a traditional public school to a charter school. In October 2012, the School changed its name from Spring Creek Elementary School, Inc. to Spring Creek Charter School, Inc.

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, 2022 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 ("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.

Recently adopted accounting pronouncements

During fiscal year 2013, the School adopted guidance issued by the GASB that requires entities to present a Statement of Net Position in place of the previously issued Statement of Net Assets. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The School also adopted guidance issued by the GASB

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

regarding the reclassification of items previously reported as assets and liabilities, which are now reported as deferred outflows and inflows of resources.

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.

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 position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and special revenue funds are considered major funds. There are no other governmental funds.

**SPRING CREEK CHARTER SCHOOL, INC.
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A CHARTER SCHOOL AND COMPONENT UNIT OF
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. 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

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 and savings deposits and certificates of deposit with financial institutions.

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>Years</u>
Furniture, fixtures and equipment	3 - 5

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Information relative to changes in capital assets is described in Note 2.

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.

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 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.

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, 2013, the School had restricted funds for this purpose in the amount of \$59,685.

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.

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.

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(continued)**

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 2009.

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, 2013.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.

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**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 24, 2013, which is the date the financial statements were available to be issued.

In August 2013, the School purchased two school buses at a cost of \$29,850 to provide courtesy busing for their funding ineligible riders who reside within two miles of the School and those students attending on a zone waiver, as the School Board of Lake County will no longer be providing the service.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture, fixtures and equipment	\$ 41,161	\$ -	\$ -	\$ 41,161
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>(41,161)</u>	<u>-</u>	<u>-</u>	<u>(41,161)</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No depreciation expense was incurred in the current year.

3 DUE TO THE SCHOOL BOARD

The amount due to the School Board as of June 30, 2013 of \$543,670 is comprised of \$505,090 in payroll expenses/expenditures paid by the School Board on behalf of the School and \$47,255 in transportation, student services and other expenses/expenditures. In addition, \$8,675 in amounts due from the School Board to the School has been offset against the amount due to the School Board.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 CAMPUS FACILITY

Title to the school building and facilities and other capital assets acquired prior to July 1, 1998 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.

5 RISK MANAGEMENT PROGRAM

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

6 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.

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 five DROP participants during fiscal 2013.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Funding policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2013 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%	5.18%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the Retiree Health Insurance Subsidy and 0.03% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

(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, 2013 totaled approximately \$52,000, which was equal to the required contributions for the fiscal year. Effective July 1, 2011, employees were required to contribute 3% to the Plan, and the employer contribution was reduced accordingly.

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 2013.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

Pension reporting

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

7 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	\$ 2,179,100
Class size reduction	699,263
Discretionary local effort	168,208
ESE guaranteed allocation	158,516
Supplemental academic instruction	137,438
Transportation	128,683
Discretionary millage funds	48,304
Instructional materials	43,108
Safe schools	11,471
Teacher lead	7,169
Total	<u>\$ 3,581,260</u>

The administration fee paid to the School Board during the year ended June 30, 2013 totaled approximately \$30,000, 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.

8 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

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

money received may be required and the collectibility of any related receivable as of June 30, 2013 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.

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.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary	Final Budget-
			Basis)	Positive
				(Negative)
REVENUES				
State and local sources	\$ 3,580,021	\$ 3,581,121	\$ 3,581,260	\$ 139
Contributions and other revenue	112,808	120,808	122,128	1,320
Total revenues	3,692,829	3,701,929	3,703,388	1,459
EXPENDITURES				
Current:				
Instruction	2,303,978	2,322,907	2,310,415	12,492
Pupil personnel services	139,657	134,701	129,993	4,708
Instructional media	66,669	58,708	52,312	6,396
Curriculum development	38,796	38,850	37,553	1,297
Instructional staff training	13,680	13,680	11,369	2,311
Board	26,600	17,600	16,640	960
General administration	76,800	74,800	74,066	734
School administration and food services	432,419	420,283	402,116	18,167
Pupil transportation services	217,000	217,000	214,472	2,528
Operation of plant	306,980	318,464	312,885	5,579
Community services	78,671	78,671	78,347	324
Total expenditures	3,701,250	3,695,664	3,640,168	55,496
Net change in fund balance	(8,421)	6,265	63,220	56,955
Fund balance at beginning of year	1,853,818	1,853,818	1,853,818	-
Fund balance at end of year	\$ 1,845,397	\$ 1,860,083	\$ 1,917,038	\$ 56,955

See report of independent auditors.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
REVENUES				
Federal sources passed through local school district	\$ 350,735	\$ 351,458	\$ 342,801	\$ (8,657)
Total revenues	350,735	351,458	342,801	(8,657)
EXPENDITURES				
Current:				
Instruction	268,535	266,051	261,430	4,621
Pupil personnel services	41,640	41,645	41,500	145
Curriculum development	-	3,191	3,160	31
Instructional staff training	40,211	40,561	36,711	3,850
Pupil transportation services	10	10	-	10
Central services	339	-	-	-
Total expenditures	350,735	351,458	342,801	8,657
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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 Spring Creek Charter School, Inc.
(f/k/a Spring Creek Elementary School, Inc.), a Charter School
and Component Unit of the District School Board of Lake County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Spring Creek Charter School, Inc., (f/k/a Spring Creek 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, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 24, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

BKHM, P.A.

Winter Park, Florida
September 24, 2013

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

To the Board of Directors of Spring Creek Charter School, Inc.
(f/k/a Spring Creek 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 and each major fund of Spring Creek Charter School, Inc., (f/k/a Spring Creek Elementary School, Inc.) (the "School") as of and for the year ended June 30, 2013, and have issued our report thereon dated September 24, 2013.

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 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*. Disclosures in that report, which is dated September 24, 2013, 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. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the charter school or center 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.

- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Spring Creek Charter School, Inc.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2013, 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and the Board of Directors of the School 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 24, 2013