

**MINNEOLA 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, 2014

CONTENTS

	<u>Page</u>
Management's Discussion and Analysis	1-6
Independent Auditor's Report on Basic Financial Statements and Supplementary Information	7-8
Basic Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet – Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Financial Statements	15-24
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i>	
Management Letter	28-30

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Minneola Elementary School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2014. 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, 2014, the School's revenues exceeded expenses by \$451,129, which is an improvement from the prior year when revenues exceeded expenses by \$439,946.
- Overall, revenues increased 11% for fiscal year 2014 while total expenses increased 12%.
- Total assets were \$5,732,433, and total liabilities were \$1,327,037, resulting in net position of \$4,405,396 as of June 30, 2014.

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 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*, 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 funds 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 net position 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 it has 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 condition. Over time, increases or decreases in the School's net position 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 kind 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 increased from fiscal years 2013 to 2014 (see table below).

	Governmental Activities		Increase (Decrease)
	2014	2013	
Current and other assets	\$ 5,518,597	\$ 5,202,355	6%
Capital assets, net	213,836	-	100%
Total assets	\$ 5,732,433	\$ 5,202,355	10%
Current and other liabilities	\$ 873,939	\$ 899,731	-3%
Long-term liabilities	453,098	348,357	30%
Total liabilities	\$ 1,327,037	\$ 1,248,088	6%
Net position:			
Net investment in capital assets	\$ 213,836	\$ -	100%
Restricted for playground equipment	-	14,300	-100%
Restricted for terminal employee benefits	30,000	30,000	0%
Restricted for capital projects	699,665	755,922	-7%
Unrestricted	3,461,895	3,154,045	10%
Total net position	\$ 4,405,396	\$ 3,954,267	11%

The increase in current and other assets is primarily due to an increase in cash as a result of the current period excess of revenues over expenses, as well as the timing of cash receipts and disbursements. Capital assets, net and the related net position invested in capital assets, increased due to the purchase of four school buses in the current year to facilitate the busing of courtesy student riders, for whom the District would no longer be providing transportation.

The increase in long-term liabilities is due to an increase in terminal leave balances at year-end. Net position increased overall due to the current year operating surplus. The net position restricted for playground equipment and restricted for capital projects both decreased as a result of current year expenditures.

Change in Net Position

The School's total revenues for fiscal 2014 increased by 11% from the prior fiscal year to \$7,180,757, and the total cost of all programs and services increased by 12% to \$6,729,628 (see table below).

	Governmental Activities		Increase
	2014	2013	(Decrease)
Revenues:			
Federal sources passed through local school district	\$ 175,163	\$ 180,271	-3%
State and local sources	6,612,234	5,887,511	12%
Contributions and other revenue	393,360	373,305	5%
Total revenues	7,180,757	6,441,087	11%
Expenses:			
Instruction and instruction-related services	5,064,013	4,484,723	13%
Board	26,281	27,472	-4%
General administration	134,856	101,814	32%
School administration	542,478	525,995	3%
Pupil transportation services	158,052	116,958	35%
Operation of plant	497,757	483,446	3%
Community services	306,191	260,733	17%
Total expenses	6,729,628	6,001,141	12%
Change in net position	\$ 451,129	\$ 439,946	3%

Revenues from state and local sources increased 12% during fiscal 2014. This increase is due to an increase in enrollment from 939 students in the previous year to 995 students in the current year. Contributions and other revenue increased as revenue from the extended day program increased, due to higher student enrollment. Contributions and other revenue also increased due to a change in estimate and subsequent reversal of a liability recorded in the prior period.

Instruction and instruction-related services increased due to an increase in personnel, as well as an increase in instructional salaries as a result of union negotiations. General administration expenses increased due to an increase in the administration fee retained by the School Board, which is calculated as 5% of state revenue, thus increasing as revenue increases. Pupil transportation services increased as the School purchased buses and added student transportation in the current fiscal year, to provide courtesy busing for their funding ineligible riders who reside within two miles of the School, as the District no longer provided the service.

Community services expenses increased due to an increase in internal student accounts expenses, as a result of higher student enrollment, and subsequently, an increase in student activities.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$4,644,658, which increased from the prior year. Revenues and expenditures increased 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 \$2,000. Actual expenditures were approximately \$105,000 below budgeted amounts, primarily due to the fact that the School budgeted for school supplies, professional fees, computer hardware and software, and other purchased services costs which were not incurred.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2014, the School had invested \$357,091 in a broad range of capital assets, including furniture, fixtures and equipment and motor vehicles. The School purchased several buses during fiscal year 2014. 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 2015, 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 \$6,922,714, a 1% decrease from the 2014 actual revenues of \$7,005,594. Budgeted expenditures are expected to be \$6,699,107, an increase of less than 1% over the actual expenses of \$6,683,457. The School has added no major new programs to the fiscal 2015 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2015.

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 320 Pearl Street, Minneola, Florida 34715.

**Independent Auditor's Report on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of Minneola 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, the major fund and the aggregate remaining fund information of Minneola 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, 2014, 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, the major fund, and the aggregate remaining fund information of Minneola Elementary School, Inc. as of June 30, 2014, 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 – 6 and the budgetary comparison information on page 25 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 22, 2014 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 22, 2014

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

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

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,490,393
Accounts receivable	23,927
Prepaid expenses	4,277
Capital assets:	
Furniture, fixtures and equipment	112,311
Motor vehicles	244,780
Less accumulated depreciation	<u>(143,255)</u>
Total capital assets, net	<u>213,836</u>
Total assets	<u><u>\$ 5,732,433</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 4,678
Due to the District School Board of Lake County, Florida	869,261
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	433,201
Portion due or payable after one year:	
Other long-term liabilities	<u>19,897</u>
Total liabilities	<u>1,327,037</u>
NET POSITION	
Invested in capital assets	213,836
Restricted for terminal employee benefits	30,000
Restricted for capital projects	699,665
Unrestricted	<u>3,461,895</u>
Total net position	<u>4,405,396</u>
Total liabilities and net position	<u><u>\$ 5,732,433</u></u>

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

**MINNEOLA 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, 2014

	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	\$ 4,552,143	\$ -	\$ 93,024	\$ -	\$ (4,459,119)
Pupil personnel services	243,662	-	18,460	-	(225,202)
Instructional media	56,576	-	-	-	(56,576)
Instruction and curriculum development	84,907	-	-	-	(84,907)
Instructional staff training	126,725	-	62,968	-	(63,757)
Board	26,281	-	-	-	(26,281)
General administration	134,856	-	-	-	(134,856)
School administration	542,478	-	-	-	(542,478)
Pupil transportation services	158,052	-	711	-	(157,341)
Operation of plant	497,757	-	-	-	(497,757)
Community services	306,191	-	-	-	(306,191)
Total primary government	<u>\$ 6,729,628</u>	<u>\$ -</u>	<u>\$ 175,163</u>	<u>\$ -</u>	<u>(6,554,465)</u>
General revenues:					
State and local sources					6,612,234
Contributions and other revenue					393,360
Total general revenues					<u>7,005,594</u>
Change in net position					451,129
Net position at beginning of year					3,954,267
Net position at end of year					<u>\$ 4,405,396</u>
					<u>\$ 4,405,396</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,490,393
Accounts receivable	23,927
Prepaid expenses	<u>4,277</u>
Total assets	<u><u>\$ 5,518,597</u></u>
LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenditures	\$ 4,678
Due to the District School Board of Lake County, Florida	<u>869,261</u>
Total liabilities	<u>873,939</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	4,277
Restricted for:	
Terminal employee benefits	30,000
Capital projects	699,665
Assigned to:	
Internal accounts	128,253
Open purchase orders	63,527
Unassigned	<u>3,718,936</u>
Total fund balances	<u>4,644,658</u>
Total liabilities and fund balances	<u><u>\$ 5,518,597</u></u>

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

**MINNEOLA 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 POSITION**

JUNE 30, 2014

Total fund balances - governmental fund	\$ 4,644,658
--	---------------------

Amounts reported for governmental activities in the statement of net position
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 \$357,091 and the accumulated depreciation is (\$143,255).	213,836
--	---------

Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.	(433,201)
--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.	<u>(19,897)</u>
---	-----------------

Total net position - governmental activities	<u>\$ 4,405,396</u>
---	----------------------------

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

MINNEOLA 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, 2014

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Federal sources passed through local school district	\$ -	\$ 175,163	\$ 175,163
State and local sources	6,612,234	-	6,612,234
Contributions and other revenue	393,360	-	393,360
Total revenues	<u>7,005,594</u>	<u>175,163</u>	<u>7,180,757</u>
EXPENDITURES			
Current:			
Instruction	4,399,551	93,024	4,492,575
Pupil personnel services	225,202	18,460	243,662
Instructional media	56,576	-	56,576
Instruction and curriculum development	84,907	-	84,907
Instructional staff training	63,757	62,968	126,725
Board	26,281	-	26,281
General administration	134,856	-	134,856
School administration	517,202	-	517,202
Pupil transportation services	126,397	711	127,108
Operation of plant	497,757	-	497,757
Community services	306,191	-	306,191
Capital outlay	244,780	-	244,780
Total expenditures	<u>6,683,457</u>	<u>175,163</u>	<u>6,858,620</u>
Excess of revenues over expenditures	322,137	-	322,137
OTHER FINANCING SOURCES			
Increase from other long-term liabilities	19,897	-	19,897
Total other financing sources	<u>19,897</u>	<u>-</u>	<u>19,897</u>
Net changes in fund balances	342,034	-	342,034
Fund balances at beginning of year	<u>4,302,624</u>	<u>-</u>	<u>4,302,624</u>
Fund balances at end of year	<u>\$ 4,644,658</u>	<u>\$ -</u>	<u>\$ 4,644,658</u>

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

**MINNEOLA 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, 2014

Net changes in fund balances - total governmental funds	\$ 342,034
--	-------------------

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 assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$244,780 exceeded depreciation expense (\$30,944) in the current period.	213,836
---	---------

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.	(84,844)
---	----------

Proceeds from long-term debt are reported as other financing sources in the governmental funds because they represent an increase in current financial resources. They are reported as an increase in other long-term liabilities in the statement of net position. These amounts represent the current year borrowings under long-term debt.	(19,897)
---	----------

Change in net position of governmental activities	\$ 451,129
--	-------------------

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

**MINNEOLA 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, 2014

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Minneola 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, 2002, the School converted from a traditional public school to a public 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, 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'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.

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

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

NOTES TO FINANCIAL STATEMENTS
(continued)

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 fund is the only major fund. The special revenue fund is considered 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.

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

Cash and cash equivalents

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
Motor vehicles	5 -10

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

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 full balance of the liability for compensated absences is classified as a long-term liability that is

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

due within one year as 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 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 5% 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, 2014, the School had restricted funds for this purpose in the amount of \$699,665.

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 2010.

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, 2014.

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.

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 22, 2014, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

2 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying statement of net position and balance sheet – governmental fund include \$14,509 due from Altoona School, Inc. for expenses paid on their behalf and \$9,418 in other receivables. Based on the collectibility of funds from these sources, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

3 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Furniture, fixtures and equipment	\$112,311	\$ -	\$ -	\$112,311
Motor vehicles	-	244,780	-	244,780
Total capital assets at historical cost	<u>112,311</u>	<u>244,780</u>	<u>-</u>	<u>357,091</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(112,311)	-	-	(112,311)
Motor vehicles	-	(30,944)	-	(30,944)
Total accumulated depreciation	<u>(112,311)</u>	<u>(30,944)</u>	<u>-</u>	<u>(143,255)</u>
Capital assets, net of accumulated depreciation	<u>\$ -</u>	<u>\$213,836</u>	<u>\$ -</u>	<u>\$213,836</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

Transportation	<u>\$ 30,944</u>
Total governmental activities depreciation expense	<u>\$ 30,944</u>

4 DUE TO THE SCHOOL BOARD

The amount due to the School Board as of June 30, 2014 of \$869,261 is comprised of \$834,458 in payroll expenses/expenditures paid by the School Board on behalf of the School, \$47,411 in student services and other expenses/expenditures. In addition, \$12,608 in amounts due from the School Board to the School has been offset against the amount due to the School Board.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 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	\$ 3,991,379
Class size reduction	1,272,543
Discretionary local efforts	294,510
ESE guaranteed allocation	289,124
Supplemental academic instruction	231,823
Teacher salary allocation	174,252
Discretionary millage funds	92,370
Pre-kindergarten program	88,595
Instructional materials	76,414
Student transportation	48,363
Safe schools	20,655
Teacher lead	18,836
Discretionary lottery funds	9,809
Other	3,561
	<hr/>
Total	<u><u>\$ 6,612,234</u></u>

The administration fee paid to the School Board during the year ended June 30, 2014 totaled approximately \$81,000, 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.

6 CAMPUS FACILITY

Title to the school building and facilities and other capital assets acquired prior to July 1, 2002 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 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 exceeded commercial coverage.

8 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 six DROP participants during fiscal 2014.

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

**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 2014 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%	6.95%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.20% 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, 2014 totaled approximately \$293,000, 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 2014.

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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, 2014 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.

**MINNEOLA 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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget-Positive (Negative)
REVENUES				
State and local sources	\$ 6,186,484	\$ 6,610,814	\$ 6,612,234	\$ 1,420
Contributions and other revenue	498,807	392,571	393,360	789
Total revenues	6,685,291	7,003,385	7,005,594	2,209
EXPENDITURES				
Current:				
Instruction	4,554,074	4,435,999	4,399,551	36,448
Pupil personnel services	219,440	229,312	225,202	4,110
Instructional media	65,922	61,877	56,576	5,301
Instruction and curriculum development	83,946	85,167	84,907	260
Instructional staff training	66,529	70,627	63,757	6,870
Instructional-related technology	1,180	1,180	-	1,180
Board	31,250	29,750	26,281	3,469
General administration	135,000	137,000	134,856	2,144
School administration	502,431	533,307	517,202	16,105
Pupil transportation services	209,437	135,887	126,397	9,490
Operation of plant	517,229	512,112	497,757	14,355
Community services	306,845	310,795	306,191	4,604
Capital outlay	166,000	245,000	244,780	220
Total expenditures	6,859,283	6,788,013	6,683,457	104,556
Excess of revenues over expenditures	(173,992)	215,372	322,137	(102,347)
OTHER FINANCING SOURCES				
Increase from other long-term liabilities	-	-	19,897	(19,897)
Total other financing sources	-	-	19,897	(19,897)
Net change in fund balance	(173,992)	215,372	342,034	(122,244)
Fund balance at beginning of year	4,302,624	4,302,624	4,302,624	-
Fund balance at end of year	<u>\$ 4,128,632</u>	<u>\$ 4,517,996</u>	<u>\$ 4,644,658</u>	<u>\$ (122,244)</u>

See independent auditor's report.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Minneola 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, the major fund and the aggregate remaining fund information of Minneola 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, 2014, 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 22, 2014.

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 22, 2014

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

To the Board of Directors of Minneola 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, each major fund and the aggregate remaining fund information of Minneola 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, 2014, and have issued our report thereon dated September 22, 2014.

Auditor's Responsibility

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.

Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 22, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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 conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The financial condition assessment was done as of the fiscal year-end.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school. The name of the School is Minneola Elementary School, Inc.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management 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 22, 2014