

**PALM GLADES
PREPARATORY ACADEMY**
A Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

INDEPENDENT AUDITOR'S REPORT
for the fiscal year ended JUNE 30, 2013

King & Walker, CPAs, PL

Certified Public Accountants

THIS PAGE IS INTENTIONALLY BLANK.

PALM GLADES PREPARATORY ACADEMY

TABLE OF CONTENTS

	PAGE NO.
FINANCIAL SECTION	
Independent Auditor’s Report on Basic Financial Statements and Required Supplementary Information	1
Management’s Discussion and Analysis – (Unaudited)	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund and Major Special Revenue Fund – (Unaudited)	25
COMPLIANCE AND INTERNAL CONTROL	
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>Governmental Auditing Standards</i>	26
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	28
Management’s Response to Audit Findings	30

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

To the Board of Directors of the Palm Glades Preparatory Academy,
a Charter School and Component Unit of the District
School Board of Miami-Dade County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Glades Preparatory Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade 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 *Governmental 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 School'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 School'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Glades Preparatory Academy, as of June 30, 2013, and the respective changes in financial position thereof for the year 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 and the Budgetary Comparison Schedule on pages 3-7 and 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 historic 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 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 August 25, 2013 on our consideration of Palm Glades Preparatory Academy'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 Palm Glades Preparatory Academy's internal control over financial reporting and compliance.

Respectfully submitted,



August 25, 2013
Tampa, Florida

PALM GLADES PREPARATORY ACADEMY

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Palm Glades Preparatory Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2013.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 24.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2013, the School's expenses exceeded revenues as shown on the School's statement of activities by \$267,029.
- As shown on the statement of net position, the School reported a negative unrestricted Net Position balance of \$(322,221).

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, and a Special Revenue Fund to account for Federal grant programs and food services. Each of these funds are major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2013:

	Net Position, End of Year	
	<u>Governmental Activities</u>	
	<u>6-30-13</u>	
ASSETS		
Current and Other Assets	\$	257,641
Capital Assets, net		<u>55,192</u>
Total Assets		<u>312,833</u>
LIABILITIES		
Current Liabilities		254,862
Long Term Liabilities		<u>325,000</u>
Total Liabilities		<u>579,862</u>
NET POSITION		
Invested in Capital Assets		55,192
Unrestricted		<u>(322,221)</u>
Total Net Position	\$	<u><u>(267,029)</u></u>

Since this was the first year of operation, there were no prior year amounts for comparison. The largest portions of the School's assets are cash (18%), an amount due from other government agencies (31%) and capital assets, net (18%). Liabilities primarily consist of wages and benefits payable at year end. The School reported a negative unrestricted net position balance of \$(322,221).

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2013, are as follows:

	Operating Results for the Year	
	<u>Governmental Activities</u>	
	<u>6-30-13</u>	
Revenues:		
Federal sources	\$	246,137
State and Local sources		2,636,253
Contributions and Other		3,634
		<u>2,886,024</u>
Total Revenues		<u>2,886,024</u>
Expenses:		
Instruction		1,507,424
Instr. & Curriculum Development		2,434
Instructional Staff Training		280
Instruction-Related Technology		20,664
Board of Education		215,882
School Administration		232,810
Facilities Acq. & Construction		435,142
Fiscal Services		113,329
Food Services		213,784
Pupil Transportation		111,696
Operation of Plant		250,594
Maintenance of Plant		6,158
Community Services		18,494
Interest & Fiscal Charges		17,392
Unallocated Depreciation		6,970
		<u>3,153,053</u>
Total Expenses		<u>3,153,053</u>
Increase (Decrease) in Net Position	\$	<u>(267,029)</u>

The largest revenue source for the School is the State of Florida (85%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses was for Instruction which represents 48% of total expenditures.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$2,779.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2013, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were equal to the final budget.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$55,192 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, and leasehold improvements. Additional information regarding the School's capital assets can be found in a subsequent note to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2014 include:

- Continued funding from FEFP.
- Expected increase in enrollment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Palm Glades Preparatory Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charter School Associates, Inc., 12524 W. Atlantic Blvd., Coral Springs, FL 33071.

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 56,614
Accounts Receivable	49,440
Due From Other Agency	97,437
Prepaid Expenses and Deposits	54,150
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	24,631
Leasehold Improvements, Net	30,561
Total Capital Assets, Net	<u>55,192</u>
TOTAL ASSETS	<u><u>312,833</u></u>
LIABILITIES	
Accounts Payable	70,016
Salaries and Benefits Payable	184,846
Long Term Liabilities:	
Note Payable, due after one year	234,562
Note Payable, due within one year	90,438
TOTAL LIABILITIES	<u><u>579,862</u></u>
NET POSITION	
Invested in Capital Assets	55,192
Unrestricted	<u>(322,221)</u>
TOTAL NET POSITION	<u><u>\$ (267,029)</u></u>

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

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Position	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 1,507,424	\$ -	\$ 85,895	\$ -	\$ (1,421,529)	\$ (1,421,529)
Instruction & Curriculum Development	2,434		2,329		(105)	(105)
Instructional Staff Training	280				(280)	(280)
Instructional Related Technology	20,664				(20,664)	(20,664)
Board of Education	215,882				(215,882)	(215,882)
School Administration	232,810				(232,810)	(232,810)
Facilities Acquisition & Construction	435,142			178,985	(256,157)	(256,157)
Fiscal Services	113,329				(113,329)	(113,329)
Food Services	213,784	15,745	157,913		(40,126)	(40,126)
Pupil Transportation	111,696				(111,696)	(111,696)
Operation of Plant	250,594				(250,594)	(250,594)
Maintenance of Plant	6,158				(6,158)	(6,158)
Community Services	18,494	3,634	1,167		(13,693)	(13,693)
Debt Service - Interest & Fiscal Charges	17,392				(17,392)	(17,392)
Unallocated Depreciation	6,970				(6,970)	(6,970)
Total Governmental Activities	\$ 3,153,053	\$ 19,379	\$ 247,304	\$ 178,985	(2,707,385)	(2,707,385)
 General Revenues:						
State and Local sources					2,440,356	2,440,356
Total General Revenues					2,440,356	2,440,356
Change in Net Position					(267,029)	(267,029)
Net Position - July 1, 2012					-	-
Net Position - June 30, 2013					\$ (267,029)	\$ (267,029)

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

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Activities
ASSETS			
Cash & Cash Equivalents	\$ 56,614	\$	\$ 56,614
Accounts Receivable	49,440		49,440
Due from Other Agency	41,894	55,543	97,437
Due From Other Fund	49,117		49,117
Prepaid Expenses and Deposits	54,150		54,150
Total Assets	\$ 251,215	\$ 55,543	\$ 306,758
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 64,906	\$ 5,110	\$ 70,016
Salaries and Benefits Payable	183,530	1,316	184,846
Due to Other Fund		49,117	49,117
Total Liabilities	248,436	55,543	303,979
Fund Balance:			
Nonspendable	54,150		54,150
Spendable - Unassigned	(51,371)		(51,371)
Total Fund Balances	2,779	-	2,779
Total Liabilities and Fund Balances	\$ 251,215	\$ 55,543	\$ 306,758

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

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds	\$	2,779
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of a notes payable.</p>		(325,000)
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.</p>		<u>55,192</u>
Total Net Position - Governmental Activities	\$	<u>(267,029)</u>

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

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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

For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through Local	\$ -	\$ 246,137	\$ 246,137
State and Local	2,620,508	15,745	2,636,253
Contributions and Other	3,634		3,634
Total Revenues	<u>2,624,142</u>	<u>261,882</u>	<u>2,886,024</u>
Expenditures			
Current - Education:			
Instruction	1,421,529	85,895	1,507,424
Instruction & Curriculum Development	105	2,329	2,434
Instructional Staff Training	280		280
Instructional Related Technology	20,664		20,664
Board of Education	215,882		215,882
School Administration	232,810		232,810
Facilities Acquisition & Construction	435,142		435,142
Fiscal Services	113,329		113,329
Food Services	-	213,784	213,784
Pupil Transportation	111,696		111,696
Operation of Plant	250,594		250,594
Maintenance of Plant	6,158		6,158
Community Services	18,494		18,494
Fixed Capital Outlay:			
Facilities Acquisition & Construction	29,639		29,639
Other Capital Outlay	30,323	2,200	32,523
Debt Service:			
Interest & Fiscal Charges	17,392		17,392
Total Expenditures	<u>2,904,037</u>	<u>304,208</u>	<u>3,208,245</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(279,895)</u>	<u>(42,326)</u>	<u>(322,221)</u>
Other Financing Sources (Uses):			
Proceeds from Loan	325,000	-	325,000
Transfers In		42,326	42,326
Transfers Out	(42,326)		(42,326)
Total Other Financing Sources (Uses)	<u>282,674</u>	<u>42,326</u>	<u>325,000</u>
Net Change in Fund Balances	2,779	-	2,779
Fund Balances, July 1, 2012	-	-	-
Fund Balances, June 30, 2013	<u>\$ 2,779</u>	<u>\$ -</u>	<u>\$ 2,779</u>

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

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Governmental Funds	\$	2,779
---	----	-------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlay (\$62,162) in excess of depreciation expense (\$6,970) in the current period.

55,192

Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Position.

(325,000)

Change in Net Position - Governmental Activities

\$ (267,029)

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

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Palm Glades Preparatory Academy (“School”), is a component unit of the School Board of Miami-Dade County, Florida. The School is sponsored by its charter-holder Advantage Academy of Miami, Inc. 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 in August 2005. The governing body of the School is the Board of Directors, which is comprised of not less than three members.

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 Miami-Dade County, Florida, (“District”). The charter was granted starting for the 2012-13 school year and is effective until June 30, 2021 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District 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 District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; 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 which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. 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**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School’s governmental activities. Direct expenses are those that are specifically

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for certain Federal grant program resources and food services.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Deposits and Investments**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School's deposits must be placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5-10 years
Leasehold Improvements	15-20 years

Current-year information relative to changes in capital assets is described in a subsequent note.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

➤ **Budgets and Budgetary Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2013, the School reported 444.01 unweighted FTE and 447.90 weighted FTE.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state 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 or state 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.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Recently Issued Accounting Principles**

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components; assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2011.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

➤ **Fund Balance Classification**

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

2. DUE FROM OTHER AGENCY

The amount due from other agency on the School's Statement of Net Position and Balance Sheet – Governmental Funds represents amounts due from the Florida Department of Education for the National School Lunch Program recorded in the Special Revenue Funds and for amount due from the School Board of Miami-Dade County for FEFP funding. These receivables are considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2013, the School's Special Revenue Fund owed the General Fund \$49,117 for expenditures accrued under the food service program awaiting reimbursement. The General Fund transferred \$42,326 to the Special Revenue Fund to provide financial support for the School's food service operations. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net position and the statement of activities.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ -	\$ 29,639	\$ -	\$ 29,639
Leasehold Improvements	-	32,523	-	32,523
Total Capital Assets Being Depreciated	<u>-</u>	<u>62,162</u>	<u>-</u>	<u>62,162</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	-	(5,008)	-	(5,008)
Leasehold Improvements	-	(1,962)	-	(1,962)
Total Accumulated Depreciation	<u>-</u>	<u>(6,970)</u>	<u>-</u>	<u>(6,970)</u>
Governmental Activities Capital Assets, net	<u>\$ -</u>	<u>\$ 55,192</u>	<u>\$ -</u>	<u>\$ 55,192</u>

Unallocated depreciation expense for the fiscal year was \$6,970.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

5. LONG-TERM DEBT

All long-term debt represents amounts to be repaid from governmental activities. As of June 30, 2013, the Schools long-term debt consisted of the following notes payable:

<u>Building Hope...A Charter School Facilities Fund</u>	<u>Balance at 6-30-13</u>
Promissory Note bearing a 6% interest rate maturing September 1, 2016. The borrower shall pay interest only at the note rate based on the outstanding principal loan balance as of the last day of the previous month. The outstanding principal loan balance shall be due and payable in full on the maturity date.	<u>\$ 325,000</u>

Amounts payable for the note payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	\$ 107,700	\$ 90,438	\$ 17,262
2015	115,718	104,487	11,231
2016	115,719	110,932	4,787
2017	19,287	19,143	144
Total	<u>\$ 358,424</u>	<u>\$ 325,000</u>	<u>\$ 33,424</u>

6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ -	\$ 325,000	\$ -	\$ 325,000	\$ 90,438
Total Governmental Activities	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 325,000</u>	<u>\$ 90,438</u>

7. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than three months of service with the School. Contributions made by the School totaled \$2,007 for the year ended June 30, 2013 which was computed at 1.5% of employee's deferral of wages for each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

8. FACILITY LEASE

The School entered into a 10 year operating lease for its educational facility beginning August 1, 2012, through July 31, 2022. Rental expenditures under this lease agreement for the fiscal year were \$595,650. For the 2012-2013 fiscal year, a portion of the space included in the operating lease was assigned to and paid by Palm Glades Preparatory High in the amount of \$108,300.

The following is a schedule by years of future minimum rental payments required under the facility lease with remaining lease terms in excess of one year:

Fiscal Year Ending June 30:	Minimum Lease Payments
2014	\$ 1,001,650
2015	1,051,733
2016	1,104,320
2017	1,159,536
2018	1,217,513
2019-2022	5,510,014
Total Minimum Lease Payments	\$ 11,044,766

9. OPERATING LEASES

The School leases certain computer and other technology equipment under a non-cancellable Master Lease Agreement with Lenovo Financial Services. Terms of the lease require the School to make monthly payments of \$1,849, insurance and other costs through October 2016. Rental expenses for the year ended June 30, 2013, totaled \$16,437.

Future minimum lease payments under the non-cancellable operating lease as of June 30, 2013 are as follows:

Fiscal Year Ending June 30:	Minimum Lease Payments
2014	\$ 22,185
2015	22,185
2016	22,185
2017	7,396
Total Minimum Lease Payments	\$ 73,951

10. OPERATING AGREEMENT

The School entered into a ten year contract with Charter School Associates (CSA). The contract calls for CSA to provide the School with marketing, curriculum design and implementation; student and staff recruiting; principal selection; and general management of the School's operations. An annual fee is to be 10% of the School's

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

gross operating revenue less the School's administrative fee, to be paid in monthly installments and subject to a specified fiscal year ended fund balance. Fees under this agreement incurred to CSA during the 2012-13 fiscal year amounted to \$245,187.

11. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and local revenue for the 2012-13 fiscal year:

Source	Amount
<i><u>FEDERAL:</u></i>	
Child Nutrition Cluster	\$ 157,913
Title I Grants to Local Educational Agencies	88,224
Total Federal Revenue	\$ 246,137
 <i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 1,562,426
Categorical Educational Programs:	
Class Size Reduction	408,433
Supplementary Academic Instruction	148,020
Capital Outlay Admin	54,087
Student Transportation	52,772
Instructional Materials	33,136
Safe Schools	12,378
Charter School Capital Outlay	124,898
ESE Guaranteed Allocation	54,240
Florida Teachers' Lead Program	2,744
After School Care Allocation	1,167
Total State Revenue	2,454,301
 <i><u>LOCAL:</u></i>	
Discretionary Millage	150,430
Miscellaneous Local	15,777
School Lunch Sales	15,745
Total Local Revenue	181,952
Total State and Local Revenue	\$ 2,636,253

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$69,697.

PALM GLADES PREPARATORY ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2013

12. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

13. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state 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 collectability of any related receivables at June 30, 2013, may be impaired.

In the opinion of the School, there are no significant 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.

14. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

15. 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.

16. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

PALM GLADES PREPARATORY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND- (UNAUDITED)
For the Fiscal Year Ended June 30, 2013

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal through Local	\$ -	\$ -	\$ -	\$ -	\$ 88,224	\$ 246,137	\$ 246,137	\$ -
State and Local	2,729,696	2,620,508	2,620,508	-	-	15,745	15,745	-
Contributions and Other	-	3,634	3,634	-	-	-	-	-
Total Revenues	2,729,696	2,624,142	2,624,142	-	88,224	261,882	261,882	-
Expenditures:								
Current - Education:								
Instruction	1,285,113	1,421,529	1,421,529	-	88,224	85,895	85,895	-
Pupil Personnel Services	35,030	-	-	-	-	-	-	-
Instructional Media	103	-	-	-	-	-	-	-
Instruction & Curriculum Development	-	105	105	-	-	2,329	2,329	-
Instructional Staff Training	219	280	280	-	-	-	-	-
Instructional Related Technology	12,938	20,664	20,664	-	-	-	-	-
Board of Education	334,446	215,882	215,882	-	-	-	-	-
School Administration	179,426	232,810	232,810	-	-	-	-	-
Facilities Acquisition & Construction	498,160	435,142	435,142	-	-	-	-	-
Fiscal Services	3,806	113,329	113,329	-	-	-	-	-
Food Services	-	-	-	-	-	213,784	213,784	-
Pupil Transportation	92,091	111,696	111,696	-	-	-	-	-
Operation of Plant	257,579	250,594	250,594	-	-	-	-	-
Maintenance of Plant	14,850	6,158	6,158	-	-	-	-	-
Community Services	7,127	18,494	18,494	-	-	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	-	29,639	29,639	-	-	-	-	-
Other Capital Outlay	-	30,323	30,323	-	-	2,200	2,200	-
Debt Service:								
Interest & Fiscal Charges	-	17,392	17,392	-	-	-	-	-
Total Expenditures	2,720,888	2,904,037	2,904,037	-	88,224	304,208	304,208	-
Excess (Deficiency) of Revenues Over Expenditures	8,808	(279,895)	(279,895)	-	-	(42,326)	(42,326)	-
Other Financing Sources (Uses):								
Proceeds from Loan	-	325,000	325,000	-	-	-	-	-
Transfers In	-	-	-	-	-	42,326	42,326	-
Transfers Out	-	(42,326)	(42,326)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	282,674	282,674	-	-	42,326	42,326	-
Net Change in Fund Balances	8,808	2,779	2,779	-	-	-	-	-
Fund Balances, July 1, 2012	-	-	-	-	-	-	-	-
Fund Balances, June 30, 2013	\$ 8,808	2,779	\$ 2,779	\$ -	\$ -	\$ -	\$ -	\$ -

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 the Palm Glades Preparatory Academy,
a Charter School and Component Unit of the District
School Board of Miami-Dade 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, each major fund, and the aggregate remaining fund information of Palm Glades Preparatory Academy (“School”), a charter school and component unit of the District School Board of Miami-Dade 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 August 25, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 25, 2013
Tampa, Florida

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, Charter School Audits**

To the Board of Directors of the Palm Glades Preparatory Academy,
a Charter School and Component Unit of the District
School Board of Miami-Dade County, Florida

We have audited the basic financial statements of the Palm Glades Preparatory Academy (“School”), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated August 25, 2013.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 25, 2013. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. This is the School’s first audit and therefore, there were no prior audit findings.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Palm Glades Preparatory Academy.

This letter is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

King Q Walker, CPAs

August 25, 2013
Tampa, Florida

PALM GLADES PREPARATORY ACADEMY

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2013

The following is the School's response to the item in the Management Letter dated August 25, 2013, as required by Rule 10.857, Rules of the Auditor General:

No response required.