

**THE CHARTER SCHOOL  
AT WATERSTONE**

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

**INDEPENDENT AUDITOR'S REPORT and  
FEDERAL SINGLE AUDIT**

*for the fiscal year ended JUNE 30, 2012*

**King & Walker, CPAs, PL**

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*Certified Public Accountants*

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# THE CHARTER SCHOOL AT WATERSTONE

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

To the Board of Directors of The Charter School at Waterstone,  
a Charter School and Component Unit of the  
District School Board of Miami-Dade County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds of The Charter School at Waterstone ("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, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of The Charter School at Waterstone as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2012, on our consideration of The Charter School at Waterstone's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other matters included under the heading ***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***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements of the School's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

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

August 27, 2012  
Tampa, Florida

# **THE CHARTER SCHOOL AT WATERSTONE**

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of The Charter School at Waterstone ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2012.

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 23.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2012, the School's expenses exceeded revenues as shown on the School's statement of activities by \$498,809.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$1,941,845.

### **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 assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net assets 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 assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets 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. For reporting purposes, these funds are considered 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 assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of the fiscal years ended June 30, 2011, and June 30, 2012:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-2011	6-30-2012	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 3,049,705	\$ 2,448,641	\$ (601,064)
Capital Assets, Net	245,444	199,307	(46,137)
Total Assets	<u>\$ 3,295,149</u>	<u>\$ 2,647,948</u>	<u>\$ (647,201)</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 655,188	\$ 506,796	\$ (148,392)
Total Liabilities	<u>655,188</u>	<u>506,796</u>	<u>(148,392)</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	245,444	199,307	(46,137)
Unrestricted	<u>2,394,517</u>	<u>1,941,845</u>	<u>(452,672)</u>
Total Net Assets	<u>2,639,961</u>	<u>2,141,152</u>	<u>(498,809)</u>
Total Liabilities and Net Assets	<u>\$ 3,295,149</u>	<u>\$ 2,647,948</u>	<u>\$ (647,201)</u>

The largest portions of the School's assets are cash and cash equivalents (86%) and capital assets (8%). Liabilities consist of vendor accounts payable and wages and benefits payable at the fiscal year end. The School reported an unrestricted net asset balance of \$1,941,845.



The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2011, and June 30, 2012 are as follows:

	<b>Operating Results for the Year</b>		
	Governmental Activities		
	June 30, 2011	June 30, 2012	Increase (Decrease)
<b>Revenues:</b>			
Federal sources	\$ 1,015,768	\$ 1,039,935	\$ 24,167
State and Local sources	7,938,783	6,495,931	(1,442,852)
Grants, Contributions and Other	345,590	354,573	8,983
Total Revenues	9,300,141	7,890,439	(1,409,702)
<b>Expenses:</b>			
Instruction	3,818,451	3,667,127	(151,324)
Pupil Personnel Services	53,227	58,718	5,491
Instructional Media	7,764	235	(7,529)
Instruction & Curriculum Development	2,885	18	(2,867)
Instructional Staff Training	2,810	500	(2,310)
Instruction Related Technology	30,641	29,588	(1,053)
Board of Education	833,246	725,416	(107,830)
School Administration	641,257	477,857	(163,400)
Facilities Acq. & Construction	1,347,332	1,203,023	(144,309)
Fiscal Services	7,487	8,704	1,217
Food Services	1,077,231	1,113,746	36,515
Pupil Transportation	197,730	210,600	12,870
Operation of Plant	668,349	706,093	37,744
Maintenance of Plant	30,440	33,961	3,521
Community Service	108,686	93,338	(15,348)
Unallocated Depreciation	100,040	63,839	(36,201)
Total Expenses	8,927,576	8,392,763	(534,813)
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 372,565</b>	<b>\$ (502,324)</b>	<b>\$ (874,889)</b>

The largest revenue source for the School is the State of Florida (77%). 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 were for Instruction (46%) and facility costs (15%), which primarily consisted of the school building operating lease during the year.

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

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$1,941,845.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2012, 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 budgeted expenditures.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$199,307 (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 note 3 to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of The Charter School at Waterstone'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.

**THE CHARTER SCHOOL AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

*June 30, 2012*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 2,282,623
Due From Other Agency	19,839
Accounts Receivable	25,552
Prepaid Expenses and Deposits	120,627
Total Current Assets	<u>2,448,641</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	160,262
Leasehold Improvements, Net	39,045
Total Capital Assets, Net	<u>199,307</u>
TOTAL ASSETS	<u><u>\$ 2,647,948</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 47,024
Wages and Benefits Payable	459,772
TOTAL LIABILITIES	<u>506,796</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	199,307
Unrestricted	1,941,845
Total Net Assets	<u>2,141,152</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,647,948</u></u>

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

**THE CHARTER SCHOOL AT WATERSTONE**  
**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, 2012*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 3,667,127	\$ -	\$ 3,515	\$ -	\$ (3,663,612)	\$ (3,663,612)
Pupil Personnel Services	58,718				(58,718)	(58,718)
Instructional Media	235				(235)	(235)
Instruction & Curriculum Development	18				(18)	(18)
Instructional Staff Training	500				(500)	(500)
Instruction Related Technology	29,588				(29,588)	(29,588)
Board of Education	725,416				(725,416)	(725,416)
School Administration	477,857				(477,857)	(477,857)
Facilities Acquisition & Construction	1,203,023		463,760		(739,263)	(739,263)
Fiscal Services	8,704				(8,704)	(8,704)
Food Services	1,113,746	148,313	1,039,935		74,502	74,502
Pupil Transportation	210,600				(210,600)	(210,600)
Operation of Plant	706,093				(706,093)	(706,093)
Maintenance of Plant	33,961				(33,961)	(33,961)
Community Service	93,338				(93,338)	(93,338)
Unallocated Depreciation	63,839				(63,839)	(63,839)
Total Governmental Activities	<u>\$ 8,392,763</u>	<u>\$ 148,313</u>	<u>\$ 1,507,210</u>	<u>\$ -</u>	<u>(6,737,240)</u>	<u>(6,737,240)</u>
General Revenues:						
State and Local Sources					5,883,858	5,883,858
Contributions and Other					354,573	354,573
					<u>6,238,431</u>	<u>6,238,431</u>
Change in Net Assets					(498,809)	(498,809)
Net Assets - July 1, 2011					2,639,961	2,639,961
Net Assets - June 30, 2012					<u>\$ 2,141,152</u>	<u>\$ 2,141,152</u>

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

**THE CHARTER SCHOOL AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***

***June 30, 2012***

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 2,282,623	\$ -	\$ 2,282,623
Due From Other Agency	-	19,839	19,839
Accounts Receivable	25,552	-	25,552
Prepaid Expenses and Deposits	120,627	-	120,627
Due From Other Fund	17,414	-	17,414
Total Assets	<u>\$ 2,446,216</u>	<u>\$ 19,839</u>	<u>\$ 2,466,055</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 47,008	\$ 16	\$ 47,024
Wages & Benefits Payable	457,363	2,409	459,772
Due to Other Funds	-	17,414	17,414
Total Liabilities	<u>504,371</u>	<u>19,839</u>	<u>524,210</u>
Fund Balances:			
Spendable - Unassigned	1,821,218		1,821,218
Nonspendable	120,627		120,627
Total Fund Balances	<u>1,941,845</u>	<u>-</u>	<u>1,941,845</u>
Total Liabilities and Fund Balances	<u>\$ 2,446,216</u>	<u>\$ 19,839</u>	<u>\$ 2,466,055</u>

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

**THE CHARTER SCHOOL AT WATERSTONE**  
**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 ASSETS**

*June 30, 2012*

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,941,845
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>199,307</u>
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<b>Total Net Assets - Governmental Activities</b>	<u><u>\$ 2,141,152</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**THE CHARTER SCHOOL AT WATERSTONE**  
**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, 2012*

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
Federal Through Local	\$ -	\$ 1,043,450	\$ 1,043,450
State and Local	6,347,618	148,313	6,495,931
Contributions and Other	354,573	-	354,573
Total Revenues	<u>6,702,191</u>	<u>1,191,763</u>	<u>7,893,954</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	3,663,612	3,515	3,667,127
Pupil Personnel Services	58,718		58,718
Instructional Media	235		235
Instruction & Curriculum Development	18		18
Instructional Staff Training	500		500
Instruction Related Technology	29,588		29,588
Board of Education	725,416		725,416
School Administration	477,857		477,857
Facilities Acquisition & Construction	1,203,023		1,203,023
Fiscal Services	8,704		8,704
Food Services		1,113,746	1,113,746
Pupil Transportation	210,600		210,600
Operation of Plant	706,093		706,093
Maintenance of Plant	33,961		33,961
Community Service	93,338		93,338
Fixed Capital Outlay:			
Facilities Acquisition	12,300		12,300
Other Capital Outlay	5,402		5,402
Total Expenditures	<u>7,229,365</u>	<u>1,117,261</u>	<u>8,346,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(527,174)</u>	<u>74,502</u>	<u>(452,672)</u>
Other Financing Sources (Uses):			
Operating Transfers In	74,502		74,502
Operating Transfers Out		(74,502)	(74,502)
Total Other Financing Sources (Uses)	<u>74,502</u>	<u>(74,502)</u>	<u>-</u>
Net Change in Fund Balances	(452,672)		(452,672)
Fund Balances, July 1, 2011	2,394,517	-	2,394,517
Fund Balances, June 30, 2012	<u>\$ 1,941,845</u>	<u>\$ -</u>	<u>\$ 1,941,845</u>

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

**THE CHARTER SCHOOL AT WATERSTONE  
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, 2012*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ (452,672)
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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 depreciation expense (\$63,839) in excess of capital outlays (\$17,702) in the current period.

<u>(46,137)</u>
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<b>Change in Net Assets - Governmental Activities</b>	<u><u>\$ (498,809)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.



# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ Reporting Entity

The Charter School at Waterstone ("School") is a component unit of the District School Board of Miami-Dade County, Florida. The School is sponsored by its charter-holder The Charter School at Waterstone, 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 February 2004. The governing body of the School is the not-for-profit corporation 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 School's initial charter is in effect until June 30, 2012. In May 2010, the School received notice of a 15 year renewal of their charter agreement until June 30, 2025. 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 assets 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

# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 factor for determining eligibility for Federal, State, and other grant resources,

# **THE CHARTER SCHOOL AT WATERSTONE**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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.

### ➤ **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.

### ➤ **Cash and Cash Equivalents**

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 risk.

### ➤ **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 assets 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.

# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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	3 - 20 years
Leasehold Improvements	5 - 15 years

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

### ➤ **Net Assets and Fund Balance Classification**

#### *Government-wide financial statements*

Net assets are classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund financial statements*

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.

# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- 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.

### ➤ 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 (FTE) students 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, 2012, the School reported 1,044 unweighted FTE and 1,084.56 weighted FTE.

# **THE CHARTER SCHOOL AT WATERSTONE**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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 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.

A schedule of revenue sources for the current year is presented in a subsequent note.

### ➤ **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.

### ➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) 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 assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 2. DUE FROM OTHER AGENCY

The amounts Due from Other Agency included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from the Florida Department of Education for the National School Lunch Program recorded in the Special Revenue Funds. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

### 3. 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	\$755,043	\$ 5,402	\$ -	\$ 760,445
Leasehold Improvements	74,355	12,300		86,655
Total Capital Assets Being Depreciated	829,398	17,702	-	847,100
 Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(545,491)	(54,692)		(600,183)
Leasehold Improvements	(38,463)	(9,147)		(47,610)
Total Accumulated Depreciation	(583,954)	(63,839)	-	(647,793)
Governmental Activities Capital Assets, Net	<u>\$245,444</u>	<u>\$ (46,137)</u>	<u>\$ -</u>	<u>\$ 199,307</u>

Unallocated depreciation expense for the fiscal year was \$63,839.

### 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2012, the School's Special Revenue Fund owed the General Fund \$17,414 for expenditures accrued under the food service program awaiting reimbursement. The Special Revenue Fund transferred \$74,502 to the General Fund to provide financial support for the School's general operations. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net assets and the statement of activities.

### 5. FACILITY LEASE

The School entered into a 30 year noncancelable operating lease for its educational facility beginning August 1, 2005, through July 31, 2035. The lease requires monthly payments and includes annual increases in accordance with the agreement through June 2015. The payment terms on the remaining years of the lease have not been finalized. In accordance with the agreement, the School is required to maintain the premises at its own expense. Rental expenditures under this lease agreement for the fiscal year amounted to \$1,391,129. For the 2011-2012 fiscal year, a portion of the space included in the operating lease was assigned to and paid by Advantage Academy of Math and Science at Waterstone, a related party, in the amount of \$180,000.

# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2013	1,432,863
2014	1,475,848
2015	1,520,124
Total Minimum Payments Required	<u>\$ 4,428,835</u>

### 6. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than one year of service with the School. Contributions made by the School totaled \$26,655 for the year ended June 30, 2012, which were computed at 1.5% of employee compensation 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.

### 7. CONTRACTED SERVICE AGREEMENT

The School entered into an agreement for the period July 1, 2005, to June 30, 2012, with Charter School Associates, Inc. (CSA). The term of the agreement may be extended for a period up to five years, or a term equal to the School's charter renewal, should the parties decide that it is in the best interest of the School to continue the agreement. The management 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 management fee is to be 10% of the School's gross operating revenue less the School's administrative fee, plus 3% of grants obtained by CSA on behalf of the School, if allowed under the grant conditions. The Management Fee is paid in monthly installments and total fees paid to CSA during the fiscal year amounted to \$642,798.

### 8. RISK MANAGEMENT PROGRAMS

Workers' compensation and general liability coverage 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.



# THE CHARTER SCHOOL AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 9. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and local revenue:

Source	Amount
<u>FEDERAL:</u>	
Child Nutrition Cluster	\$ 1,039,935
Education Jobs Fund	3,515
Total Federal Revenue	<u>\$ 1,043,450</u>
<u>STATE:</u>	
Florida Education Finance Program	\$ 3,791,246
Categorical Educational Programs:	
Class Size Reduction	1,130,746
Supplementary Academic Instruction	340,049
ESE Guaranteed Allocation	114,628
Instructional Materials	78,185
Transportation	73,938
Safe School	29,368
Charter School Capital Outlay	375,155
School Recognition	131,554
Florida Teachers' Lead Program	11,256
Discretionary Lottery	5,220
Miscellaneous	4,510
Total State Revenue	<u>6,085,855</u>
<u>LOCAL:</u>	
Discretionary Millage	261,763
School Lunch Sales	148,313
Total Local Revenue	<u>410,076</u>
Total State and Local Revenue	<u>\$ 6,495,931</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$27,898.

Accounting policies relating to certain State revenue sources are described in Note 1.

### 10. FUNDING AND CREDIT 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.

# **THE CHARTER SCHOOL AT WATERSTONE**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

### **11. 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 collectibility of any related receivables at June 30, 2012, 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.

### **12. 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.

### **13. 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.

**THE CHARTER SCHOOL AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2012*

	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)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through Local	\$ -	\$ -	\$ -	\$ -	\$ 930,096	\$ 1,043,450	\$ 1,043,450	\$ -
State and Local	6,433,622	6,347,618	6,347,618	-	146,243	148,313	148,313	-
Contributions and Other	313,380	354,573	354,573	-	-	-	-	-
Total Revenues	6,747,002	6,702,191	6,702,191	-	1,076,339	1,191,763	1,191,763	-
<b>Expenditures:</b>								
Current - Education:								
Instruction	3,433,961	3,663,612	3,663,612	-	-	3,515	3,515	-
Pupil Personnel Services	88,704	58,718	58,718	-	-	-	-	-
Instructional Media	48,120	235	235	-	-	-	-	-
Instruction & Curriculum Development	2,262	18	18	-	-	-	-	-
Instructional Staff Training	2,826	500	500	-	-	-	-	-
Instruction Related Technology	-	29,588	29,588	-	-	-	-	-
Board of Education	693,762	725,416	725,416	-	-	-	-	-
School Administration	462,248	477,857	477,857	-	-	-	-	-
Facilities Acquisition & Construction	1,227,611	1,203,023	1,203,023	-	-	-	-	-
Fiscal Services	6,532	8,704	8,704	-	-	-	-	-
Food Services	-	-	-	-	1,048,960	1,113,746	1,113,746	-
Pupil Transportation	211,770	210,600	210,600	-	-	-	-	-
Operation of Plant	658,351	706,093	706,093	-	-	-	-	-
Maintenance of Plant	31,125	33,961	33,961	-	-	-	-	-
Community Service	88,814	93,338	93,338	-	-	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition	88,814	12,300	12,300	-	-	-	-	-
Other Capital Outlay	-	5,402	5,402	-	-	-	-	-
Total Expenditures	7,044,900	7,229,365	7,229,365	-	1,048,960	1,117,261	1,117,261	-
Excess (Deficiency) of Revenues Over Expenditures	(297,898)	(527,174)	(527,174)	-	27,379	74,502	74,502	-
Other Financing Sources (Uses):								
Operating Transfers In	-	74,502	74,502	-	-	-	-	-
Operating Transfers (Out)	-	-	-	-	(74,502)	(74,502)	(74,502)	-
Total Other Financing Sources (Uses)	-	74,502	74,502	-	-	(74,502)	(74,502)	-
Net Change in Fund Balances	(297,898)	(452,672)	(452,672)	-	27,379	-	-	-
Fund Balances, July 1, 2011	2,407,817	2,394,517	2,394,517	-	-	-	-	-
Fund Balances, June 30, 2012	\$ 2,109,919	\$ 1,941,845	\$ 1,941,845	\$ -	\$ 27,379	\$ -	\$ -	\$ -

See Independent Auditor's Report.

**THE CHARTER SCHOOL AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Sub recipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Miami-Dade County District School Board:				
School Breakfast Program	10.553	NA	\$ 117,633	\$ 47,227
National School Lunch Program	10.555	NA	922,302	332,802
<b>Total United States Department of Education</b>			<u>1,039,935</u>	<u>380,029</u>
<b>United States Department of Education:</b>				
Indirect:				
Miami-Dade County District School Board:				
Education Jobs Fund	84.410	NA	3,515	-
<b>Total United States Department of Education</b>			<u>3,515</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,043,450</u>	<u>380,029</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2011-12 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the School's accounting records from which the basic financial statements have been reported.

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**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 Charter School at Waterstone,  
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 Charter School at Waterstone ("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, 2012, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2012, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, 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 that are required to be reported under *Government Auditing Standards*.

This report 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,

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

August 27, 2012  
Tampa, Florida

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

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**Independent Auditor's Report On Compliance With Requirements Applicable To Each  
Major Federal Program And On Internal Control Over Compliance In Accordance With  
OMB Circular A-133**

To the Board of Directors of The Charter School at Waterstone,  
a Charter School and Component Unit of the  
District School Board of Miami-Dade County, Florida

**Compliance**

We have audited the compliance of The Charter School at Waterstone ("School") with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to the Child Nutrition Cluster (Program) for the fiscal year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the School's major Federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of the School's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB's *Circular A-133*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to

test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow managements or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis..

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report 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,

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

August 27, 2012  
Tampa, Florida



# THE CHARTER SCHOOL AT WATERSTONE

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

## SUMMARY SCHEDULE OF AUDIT RESULTS AND SCHEDULE OF FINDINGS

### OMB CIRCULAR A-133

June 30, 2012

#### SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of The Charter School at Waterstone, for the fiscal year ended June 30, 2012:

<u>Financial Statements</u>	<u>Results</u>
Type of Financial Statement Opinion	Unqualified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported.
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over major program:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported.
Type of auditor's report issued on compliance for major program?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major program:	Child Nutrition Cluster (CFDA#'s 10.553, 10.555)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**THE CHARTER SCHOOL AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS***  
***For the Fiscal Year Ended June 30, 2012***

Listed below is the School's summary of the status of prior audit findings on Federal programs:

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/ Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
King & Walker, CPAs, PL audit as of June 30, 2010.	Not Applicable	No prior audit findings	Not applicable.	None.

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

709 W. Azelee St.  
Tampa, FL 33606  
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www.KingandWalker.com

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**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 Charter School at Waterstone,  
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 Charter School at Waterstone ("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, 2012, and have issued our report thereon dated August 27, 2012.

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 27, 2012. 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. 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.

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 The Charter School at Waterstone.

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,

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

August 27, 2012  
Tampa, Florida

**THE CHARTER SCHOOL AT WATERSTONE**

**Management's Response to Audit Findings**

Year Ended June 30, 2012

The following is the School's response to the item in the Management Letter dated August 27, 2012, as required by Rule 10.857, Rules of the Auditor General:

No response required.