

**THE CHARTER SCHOOL  
AT WATERSTONE, INC.**

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, 2014*

**King & Walker, CPAs, PL**

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*Certified Public Accountants*

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# THE CHARTER SCHOOL AT WATERSTONE, INC.

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

709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

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## **Independent Auditor's Report**

To the Board of Directors of The Charter School at Waterstone, Inc.,  
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 The Charter School at Waterstone, Inc. ("School"), a component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 The Charter School at Waterstone, Inc., as of June 30, 2014, 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, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Respectfully submitted,

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

August 14, 2014  
Tampa, Florida

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

*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, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2014.

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, as listed in the table of contents.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2014, the School's revenues exceeded expenses as shown on the School's statement of activities by \$298,026.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$2,329,389.

### **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 and business-type 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. 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 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 the fiscal years ended June 30, 2013, and June 30, 2014:

	Net Position, End of Year		
	Governmental Activities		
	6-30-13	6-30-14	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 2,898,837	\$ 3,062,929	\$ 164,092
Capital Assets, Net	148,615	116,453	(32,162)
Total Assets	3,047,452	3,179,382	131,930
<b>LIABILITIES</b>			
Current Liabilities	899,636	733,540	(166,096)
Total Liabilities	899,636	733,540	(166,096)
<b>NET POSITION</b>			
Net Investment in Capital Assets	148,615	116,453	(32,162)
Unrestricted	1,999,201	2,329,389	330,188
Total Net Position	\$ 2,147,816	\$ 2,445,842	\$ 298,026

The largest portion of the School's assets are cash and cash equivalents (86%). Liabilities consist of vendor accounts payable and wages and benefits payable at the fiscal year end. The School reported an unrestricted net position balance of \$2,329,389.



The key elements of the changes in the School's net position for the fiscal years ended June 30, 2013, and June 30, 2014 are as follows:

	<b>Operating Results for the Year</b>		
	<b>Governmental Activities</b>		
	<u>6/30/13</u>	<u>6/30/14</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal through State and Local	\$ 1,515,740	\$ 1,859,975	\$ 344,235
State Sources	6,190,524	7,058,898	868,374
Local and Other	201,172	457,625	256,453
<b>Total Revenues</b>	<u>7,907,436</u>	<u>9,376,498</u>	<u>1,469,062</u>
<b>Expenses:</b>			
Instruction	3,046,381	3,338,138	291,757
Pupil Personnel Services	98,643	11,600	(87,043)
Instructional Media	-	5,403	5,403
Instruction & Curriculum Development	59	68,308	68,249
Instructional Staff Training	60	-	(60)
Instruction Related Technology	21,414	12,001	(9,413)
Board of Education	350,521	392,907	42,386
School Administration	486,669	556,884	70,215
Facilities Acq. & Construction	1,153,730	1,319,069	165,339
Fiscal Services	372,468	428,601	56,133
Food Services	1,477,219	1,978,402	501,183
Pupil Transportation	139,620	159,660	20,040
Operation of Plant	556,301	566,721	10,420
Maintenance of Plant	12,935	38,729	25,794
Community Service	130,356	150,369	20,013
Unallocated Depreciation	54,396	51,680	(2,716)
<b>Total Expenses</b>	<u>7,900,772</u>	<u>9,078,472</u>	<u>1,177,700</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 6,664</u>	<u>\$ 298,026</u>	<u>\$ 291,362</u>

The largest revenue source for the School is the State of Florida (75%). 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 (37%), food service costs (22%), 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 \$2,329,389.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2014, 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. Refer to the Budgetary Comparison Schedule for additional information.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$116,453 (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 the notes to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of The Charter School at Waterstone, Inc.'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, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2014*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 2,739,115
Due From Other Agency	71,453
Accounts Receivable	76,175
Prepaid Expenses and Deposits	176,186
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	68,063
Leasehold Improvements, Net	48,390
Total Capital Assets, Net	<u>116,453</u>
<b>TOTAL ASSETS</b>	<u><u>3,179,382</u></u>
<b>LIABILITIES</b>	
Accounts Payable	179,789
Wages & Benefits Payable	379,135
Due to Other Agencies	<u>174,616</u>
<b>TOTAL LIABILITIES</b>	<u><u>733,540</u></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	116,453
Unrestricted	<u>2,329,389</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,445,842</u></u>

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

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in net position	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 3,338,138	\$ -	\$ -	\$ -	\$ (3,338,138)	\$ (3,338,138)
Pupil Personnel Services	11,600				(11,600)	(11,600)
Instructional Media	5,403				(5,403)	(5,403)
Instruction & Curriculum Development	68,308				(68,308)	(68,308)
Instruction Related Technology	12,001				(12,001)	(12,001)
Board of Education	392,907				(392,907)	(392,907)
School Administration	556,884				(556,884)	(556,884)
Facilities Acquisition & Construction	1,319,069			509,859	(809,210)	(809,210)
Fiscal Services	428,601				(428,601)	(428,601)
Food Services	1,978,402	74,825	1,859,975		(43,602)	(43,602)
Pupil Transportation	159,660				(159,660)	(159,660)
Operation of Plant	566,721				(566,721)	(566,721)
Maintenance of Plant	38,729				(38,729)	(38,729)
Community Service	150,369	206,165			55,796	55,796
Unallocated Depreciation	51,680				(51,680)	(51,680)
Total Governmental Activities	<u>\$ 9,078,472</u>	<u>\$ 280,990</u>	<u>\$ 1,859,975</u>	<u>\$ 509,859</u>	<u>(6,427,648)</u>	<u>(6,427,648)</u>
General Revenues:						
State Sources					6,549,039	6,549,039
Local and Other					176,635	176,635
Total General Revenues					<u>6,725,674</u>	<u>6,725,674</u>
Change in Net Position					298,026	298,026
Net Position - July 1, 2013					<u>2,147,816</u>	<u>2,147,816</u>
Net Position - June 30, 2014					<u>\$ 2,445,842</u>	<u>\$ 2,445,842</u>

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

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

***BALANCE SHEET - GOVERNMENTAL FUNDS***

***June 30, 2014***

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 2,739,115	\$ -	\$ 2,739,115
Due From Other Agency	36,057	35,396	71,453
Accounts Receivable	76,175		76,175
Prepaid Expenses and Deposits	176,186		176,186
Due From Other Fund		142,419	142,419
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 3,027,533</u>	<u>\$ 177,815</u>	<u>\$ 3,205,348</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 179,789	\$ -	\$ 179,789
Wages & Benefits Payable	375,936	3,199	379,135
Due to Other Agencies		174,616	174,616
Due to Other Funds	142,419		142,419
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>698,144</u>	<u>177,815</u>	<u>875,959</u>
<b>FUND BALANCE</b>			
Nonspendable	176,186		176,186
Spendable - Unassigned	2,153,203	-	2,153,203
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances	<u>2,329,389</u>	<u>-</u>	<u>2,329,389</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$ 3,027,533</u>	<u>\$ 177,815</u>	<u>\$ 3,205,348</u>

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

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

<b>Total Fund Balances - Governmental Funds</b>	\$ 2,329,389
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Amounts reported for governmental activities in the statement of net position 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>116,453</u>
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<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 2,445,842</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
Federal Through State and Local	\$ -	\$ 1,859,975	\$ 1,859,975
State	7,058,898		7,058,898
Local and Other	382,800	74,825	457,625
Total Revenues	<u>7,441,698</u>	<u>1,934,800</u>	<u>9,376,498</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	3,338,138		3,338,138
Pupil Personnel Services	11,600		11,600
Instructional Media	5,403		5,403
Instruction & Curriculum Development	68,308		68,308
Instruction Related Technology	12,001		12,001
Board of Education	392,907		392,907
School Administration	556,884		556,884
Facilities Acquisition & Construction	1,319,069		1,319,069
Fiscal Services	428,601		428,601
Food Services		1,978,402	1,978,402
Pupil Transportation	159,660		159,660
Operation of Plant	566,721		566,721
Maintenance of Plant	38,729		38,729
Community Service	150,369		150,369
Fixed Capital Outlay:			
Facilities Acquisition	15,975		15,975
Other Capital Outlay	2,598	945	3,543
Total Expenditures	<u>7,066,963</u>	<u>1,979,347</u>	<u>9,046,310</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>374,735</u>	<u>(44,547)</u>	<u>330,188</u>
Other Financing Sources (Uses):			
Operating Transfers In		44,547	44,547
Operating Transfers (Out)	(44,547)		(44,547)
Total Other Financing Sources (Uses)	<u>(44,547)</u>	<u>44,547</u>	<u>-</u>
Net Change in Fund Balances	330,188		330,188
Fund Balances, July 1, 2013	1,999,201		1,999,201
Fund Balances, June 30, 2014	<u>\$ 2,329,389</u>	<u>\$ -</u>	<u>\$ 2,329,389</u>

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

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 330,188
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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 (\$51,680) in excess of capital outlays (\$19,518) in the current period.

<u>(32,162)</u>
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<b>Change in Net Position - Governmental Activities</b>
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<u><u>\$ 298,026</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, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **➤ Reporting Entity**

The Charter School at Waterstone, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is 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 current charter is effective until June 30, 2025, 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 associated with a service, program, or department and are thereby clearly identifiable to a particular function.

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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 federal grant programs and food service operations.

### ➤ **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, 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

# THE CHARTER SCHOOL AT WATERSTONE, INC.

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### ➤ **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 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	3 - 20 years
Leasehold Improvements	5 - 15 years

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

### ➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an

# THE CHARTER SCHOOL AT WATERSTONE, INC.

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

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

#### *Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – 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 Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

#### *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.
- 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.

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

- 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, 2014, the School reported 1,001.67 unweighted FTE and 1,091.21 weighted FTE.

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

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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.

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

### ➤ **Recently Issued Accounting Principles**

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The School does not have any items that qualify for reporting in this category.

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

### ➤ **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. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

### ➤ **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 position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

### ➤ **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.

## **2. ACCOUNTS RECEIVABLE**

The accounts receivable on the School's Statement of Net Position and Balance Sheet – Governmental Funds consists of amounts due from other charter schools for expenses paid on their behalf and awaiting reimbursement. This receivable is considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

## **3. DUE FROM OTHER AGENCY**

The amounts Due from Other Agency included in the accompanying statement of net position and balance sheet – governmental funds primarily consists of amounts due from the Florida Department of Agriculture and Consumer Services for the National School Lunch Program recorded in the Special Revenue Funds, as well as Charter School Capital Outlay funds due from the District School Board of Miami-Dade County. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

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

At June 30, 2014, the General Fund owed the Special Revenue Fund \$142,419 for expenditures accrued under the food service program awaiting reimbursement. The General Fund transferred \$44,547 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.

# THE CHARTER SCHOOL AT WATERSTONE, INC.

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### 5. 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	\$ 762,037	\$ 3,543	\$ -	\$ 765,580
Leasehold Improvements	88,767	15,975		104,742
Total Capital Assets Being Depreciated	850,804	19,518	-	870,322
 Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(650,780)	(46,737)		(697,517)
Leasehold Improvements	(51,409)	(4,943)		(56,352)
Total Accumulated Depreciation	(702,189)	(51,680)	-	(753,869)
Governmental Activities Capital Assets, Net	\$ 148,615	\$ (32,162)	\$ -	\$ 116,453

Unallocated depreciation expense for the fiscal year was \$51,680.

### 6. DUE TO OTHER AGENCY

The amounts Due to Other Agency included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due to sub-recipients for the National School Lunch and Breakfast Program.

### 7. 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 \$1,472,266. For the 2013-14 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, in the amount of \$153,197.

### 8. 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.



# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

### **9. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue for the 2013-14 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,023,461
Class Size Reduction	1,300,954
Discretionary Millage	415,587
Charter School Capital Outlay	413,678
Supplementary Academic Instruction	334,975
Teacher Salary Allocation	183,454
Capital Outlay Admin	96,181
Instructional Materials	75,823
Transportation	71,904
ESE Guaranteed Allocation	62,216
Miscellaneous State	36,663
Safe School	28,154
Florida Teachers' Lead Program	15,848
Total State and Local Revenue	<u><u>\$ 7,058,898</u></u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$31,989.

### **10. CONTRACTED SERVICE AGREEMENT**

The School entered into an agreement for the period July 1, 2011, to June 30, 2025, 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 11% 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 \$732,814.

### **11. 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 \$25,156 for the year ended June 30, 2014, 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

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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.

### **12. 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, 2014, 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.

### **13. 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.

### **14. 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.

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

	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 State and Local	\$ -	\$ -	\$ -	\$ -	\$ 1,759,959	\$ 1,859,975	\$ 1,859,975	\$ -
State	7,025,626	7,058,898	7,058,898	-	73,235	-	-	-
Local and Other	205,207	382,800	382,800	-		74,825	74,825	-
Total Revenues	7,230,833	7,441,698	7,441,698	-	1,833,194	1,934,800	1,934,800	-
<b>Expenditures:</b>								
Current - Education:								
Instruction	3,276,669	3,338,138	3,338,138	-		-	-	-
Pupil Personnel Services	45,341	11,600	11,600	-		-	-	-
Instructional Media	72,712	5,403	5,403	-		-	-	-
Instruction & Curriculum Development	92,363	68,308	68,308	-		-	-	-
Instructional Staff Training	66	-	-	-		-	-	-
Instruction Related Technology	22,577	12,001	12,001	-		-	-	-
Board of Education	383,407	392,907	392,907	-		-	-	-
School Administration	398,925	556,884	556,884	-		-	-	-
Facilities Acquisition & Construction	1,266,597	1,319,069	1,319,069	-		-	-	-
Fiscal Services	411,521	428,601	428,601	-		-	-	-
Food Services	-	-	-	-	1,710,640	1,978,402	1,978,402	-
Pupil Transportation	167,036	159,660	159,660	-		-	-	-
Operation of Plant	571,760	566,721	566,721	-		-	-	-
Maintenance of Plant	14,477	38,729	38,729	-		-	-	-
Community Service	165,358	150,369	150,369	-		-	-	-
Fixed Capital Outlay:								
Facilities Acquisition		15,975	15,975	-		-	-	-
Other Capital Outlay		2,598	2,598	-		945	945	-
Total Expenditures	6,888,809	7,066,963	7,066,963	-	1,710,640	1,979,347	1,979,347	-
Excess (Deficiency) of Revenues Over Expenditures	342,024	374,735	374,735	-	122,554	(44,547)	(44,547)	-
Other Financing Sources (Uses):								
Operating Transfers In		-	-	-		44,547	44,547	-
Operating Transfers (Out)		(44,547)	(44,547)	-		-	-	-
Total Other Financing Sources (Uses)	-	(44,547)	(44,547)	-	-	44,547	44,547	-
Net Change in Fund Balances	342,024	330,188	330,188	-	122,554	-	-	-
Fund Balances, July 1, 2013	1,999,201	1,999,201	1,999,201	-		-	-	-
Fund Balances, June 30, 2014	\$ 2,341,225	2,329,389	\$ 2,329,389	\$ -	\$ 122,554	-	\$ -	\$ -

See Independent Auditor's Report.

# **THE CHARTER SCHOOL AT WATERSTONE, INC.**

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

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

### **1. BUDGETARY BASIS OF 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.

**THE CHARTER SCHOOL AT WATERSTONE, INC.**  
**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, 2014*

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:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	NA	\$ 198,287	\$ 134,224
National School Lunch Program	10.555	NA	<u>1,661,688</u>	<u>1,113,383</u>
<b>Total United States Department of Agriculture</b>			<u>1,859,975</u>	<u>1,247,607</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,859,975</u></u>	<u><u>\$ 1,247,607</u></u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2013-14 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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709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

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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, Inc.,  
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 The Charter School at Waterstone, Inc. ("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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 14, 2014  
Tampa, Florida

Members:  
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Government Audit Quality Center

709 W. Azeele St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

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**Independent Auditor's Report On Compliance With Requirements  
Applicable To Each Major Federal Program And On Internal Control Over**

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

**Report on Compliance for Each Major Federal Program**

We have audited The Charter School at Waterstone, Inc.'s ("School") compliance of with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the fiscal year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of 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, 2014.

### **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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* is a deficiency, or combination of deficiencies, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements. We issued our report thereon August 14, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of

the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements 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 14, 2014  
Tampa, Florida

# THE CHARTER SCHOOL AT WATERSTONE, INC.

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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### OMB CIRCULAR A-133

June 30, 2014

#### 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, Inc., for the fiscal year ended June 30, 2014:

<u>Financial Statements</u>	<u>Results</u>
Type of Financial Statement Opinion	Unmodified
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?	Unmodified
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, INC.**  
**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, 2014***

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

<u>Audit Report No. and Federal Awards Finding No.</u>	<u>Program/ Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
King & Walker, CPAs, PL audit as of June 30, 2013.	Not Applicable	No prior audit findings	Not applicable	None

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

709 W. Azeele St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
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, Inc.,  
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 basic financial statements of The Charter School at Waterstone, Inc. ("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, 2014, and have issued our report thereon dated August 14, 2014.

**Auditor's Responsibility**

We conducted our audit 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Other Reporting Required by *Government Auditing Standards***

We have issued our independent auditor's report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, independent auditor's report on compliance for each major federal program and report on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated August 14, 2014, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The School did not have findings and recommendations made in the preceding annual financial audit report.

**Financial Condition**

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

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

### **Transparency**

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

### **Other Matters**

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

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

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Charter School at Waterstone, Inc.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

August 14, 2014  
Tampa, Florida