

**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, 2009*

**King & Walker, CPAs, PL**

---

*Certified Public Accountants*

**THIS PAGE IS INTENTIONALLY BLANK.**

# THE CHARTER SCHOOL AT WATERSTONE, INC.

## TABLE OF CONTENTS

	PAGE NO.
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information</b>	1
<b>Management's Discussion and Analysis – (Unaudited)</b>	3
<b>Basic Financial Statements</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – (Unaudited) General Fund & Major Special Revenue Fund	23
Schedule of Expenditures of Federal Awards	24
<b>COMPLIANCE AND INTERNAL CONTROL</b>	
<b>Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i></b>	25
<b>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.</b>	27
Summary of Audit Results and Schedule of Findings	29
Summary Schedule of Prior Audit Findings – Federal Awards	30
<b>Management Letter</b> as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i>	31
<b>Management's Response to Audit Findings</b>	33

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

David M. King, CPA  
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
office (813) 610-0659 fax (813) 949-9376

---

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

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 the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds 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, 2009, 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, Inc. as of June 30, 2009, 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 31, 2009, on our consideration of the Charter School at Waterstone, Inc.'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,

*King & Walker, CPAs*

August 31, 2009  
Lutz, Florida

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

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, 2009.

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 22.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2009, the School's revenues exceeded expenses as shown on the School's statement of activities by \$727,945.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$1,561,670.

### **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, a Special Revenue fund to account for Federal grant programs, and a Capital Projects Fund to account for capital outlay expenditures. The School has elected to show each fund as a major fund.

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, 2008, and June 30, 2009:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-08	6-30-09	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 1,437,184	\$ 2,016,198	\$ 579,014
Capital Assets, net	197,786	194,639	(3,147)
Total Assets	<u>1,634,970</u>	<u>2,210,837</u>	<u>575,867</u>
<b>LIABILITIES</b>			
Current Liabilities	465,897	454,528	(11,369)
Obligation Under Capital Lease	140,709	-	(140,709)
Total Liabilities	<u>606,606</u>	<u>454,528</u>	<u>(152,078)</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	57,077	194,639	137,562
Unrestricted	<u>971,287</u>	<u>1,561,670</u>	<u>590,383</u>
Total Net Assets	<u>1,028,364</u>	<u>1,756,309</u>	<u>727,945</u>
Total Liabilities and Net Assets	<u>\$ 1,634,970</u>	<u>\$ 2,210,837</u>	<u>\$ 575,867</u>

The largest portions of the School's assets are cash and cash equivalents (81%) and capital assets (9%). Liabilities consist of vendor accounts payable for the purchase of instructional supplies and materials and wages payable at the fiscal year end. The School reported an unrestricted net asset balance of \$1,561,670.



The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2008, and June 30, 2009 are as follows:

	<b>Operating Results for the Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-08</u>	<u>6-30-09</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal sources	\$ -	\$ 784,579	\$ 784,579
State and Local sources	7,278,441	8,044,574	766,133
Grants, Contributions and Other	607,104	308,356	(298,748)
Total Revenues	<u>7,885,545</u>	<u>9,137,509</u>	<u>1,251,964</u>
<b>Expenses:</b>			
Instruction	3,670,489	3,604,669	(65,820)
Pupil Personnel Services	21,243	7,644	(13,599)
Instructional Media	73,553	143,606	70,053
Instruction & Curriculum Development	4,690	26,869	22,179
Instructional Staff Training	400	15,185	14,785
Board of Education	926,494	996,455	69,961
School Administration	471,904	561,271	89,367
Facilities Acq. & Construction	1,244,382	1,273,080	28,698
Fiscal Services	15,147	-	(15,147)
Food Services	374,590	687,625	313,035
Pupil Transportation	194,850	238,270	43,420
Operation of Plant	541,040	636,737	95,697
Maintenance of Plant	18,872	37,998	19,126
Community Service	123,159	118,064	(5,095)
Interest on Debt	18,566	8,903	(9,663)
Unallocated Depreciation	-	53,188	53,188
Total Expenses	<u>7,699,379</u>	<u>8,409,564</u>	<u>710,185</u>
<b>Increase/(Decrease) in Net Assets</b>	<u>\$ 186,166</u>	<u>\$ 727,945</u>	<u>\$ 541,779</u>

The largest revenue source for the School is the State of Florida (81%). 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 (48%) and facility costs (16%), 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 \$1,561,670.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2009, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were \$109,220 less than the final budgeted expenditures.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$194,639 (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 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., 4300 N. University Drive, Suite C-201, Sunrise, FL 33351

**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 ASSETS**

*June 30, 2009*

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 1,786,671
Due From Other Agency	63,033
Prepaid Expenses and Deposits	166,494
Total Current Assets	2,016,198
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	170,929
Leasehold Improvements, Net	23,710
Total Capital Assets, Net	194,639
<b>TOTAL ASSETS</b>	<b>\$ 2,210,837</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 46,027
Wages and Benefits Payable	408,501
<b>TOTAL LIABILITIES</b>	<b>454,528</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	194,639
Unrestricted	1,561,670
Total Net Assets	1,756,309
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,210,837</b>

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, 2009*

	Expenses	Charges for Services	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Governmental Activities:							
Instruction	3,604,669		250,392			(3,354,277)	(3,354,277)
Pupil Personnel Services	7,644					(7,644)	(7,644)
Instructional Media	143,606		3,321			(140,285)	(140,285)
Instructional & Curriculum Development	26,869					(26,869)	(26,869)
Instructional Staff Training	15,185		15,185			(985,554)	(985,554)
Board of Education	996,455		10,901			(477,120)	(477,120)
School Administration	561,271		84,151	856,998		(416,082)	(416,082)
Facilities Acquisition & Construction	1,273,080		420,629			(143,203)	(143,203)
Food Services	687,625	123,793				(238,270)	(238,270)
Pupil Transportation	238,270					(636,737)	(636,737)
Operation of Plant	636,737					(37,998)	(37,998)
Maintenance of Plant	37,998					40,028	40,028
Community Service	118,064	158,092				(8,903)	(8,903)
Debt Service - Interest	8,903					(53,188)	(53,188)
Unallocated Depreciation	53,188					(6,486,102)	(6,486,102)
<b>Total Governmental Activities</b>	<b>\$ 8,409,564</b>	<b>\$ 281,885</b>	<b>\$ 784,579</b>	<b>\$ 856,998</b>	<b>\$ 856,998</b>	<b>(6,486,102)</b>	<b>(6,486,102)</b>
General Revenues:							
State and Local sources						7,063,783	7,063,783
Grants and Contributions not restricted to specific program						150,264	150,264
Contributions and Other						7,214,047	7,214,047
Change in Net Assets						727,945	727,945
Net Assets - July 1, 2008						1,028,364	1,028,364
Net Assets - June 30, 2009						<b>\$ 1,756,309</b>	<b>\$ 1,756,309</b>

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, 2009*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 1,778,636	\$ 8,035	\$ -	\$ 1,786,671
Due From Other Agency			63,033	63,033
Due From Other Fund	63,033			63,033
Prepaid Expenses and Deposits	166,494			166,494
Total Assets	\$ 2,008,163	\$ 8,035	\$ 63,033	\$ 2,079,231
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 40,632	\$ 5,395	\$ -	\$ 46,027
Wages & Benefits Payable	405,861	2,640		408,501
Due To Other Fund	-		63,033	63,033
Total Liabilities	446,493	8,035	63,033	517,561
Fund Balances:				
Undesignated	1,561,670	-	-	1,561,670
Total Fund Balances	1,561,670	-	-	1,561,670
Total Liabilities and Fund Balances	\$ 2,008,163	\$ 8,035	\$ 63,033	\$ 2,079,231

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 ASSETS

*June 30, 2009*

**Total Fund Balances - Governmental Funds** \$ 1,561,670

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.

194,639

**Total Net Assets - Governmental Activities**

\$ 1,756,309

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, 2009*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through Local	\$ -	\$ 784,579	\$ -	\$ 784,579
State and Local	7,063,783	123,793	856,998	8,044,574
Contributions and Other	308,356			308,356
<b>Total Revenues</b>	<b>7,372,139</b>	<b>908,372</b>	<b>856,998</b>	<b>9,137,509</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	3,354,277	250,392	-	3,604,669
Pupil Personnel Services	7,644			7,644
Instructional Media	140,285	3,321		143,606
Instruction & Curriculum Development	26,869			26,869
Instructional Staff Training		15,185		15,185
Board of Education	985,554	10,901		996,455
School Administration	477,120	84,151		561,271
Facilities Acquisition & Construction	416,082		856,998	1,273,080
Food Services		687,625		687,625
Pupil Transportation	238,270			238,270
Operation of Plant	636,737			636,737
Maintenance of Plant	37,998			37,998
Community Service	118,064			118,064
Fixed Capital Outlay:				
Other Capital Outlay	50,041			50,041
Debt Service:				
Principal	140,709			140,709
Interest & Fiscal Charges	8,903			8,903
<b>Total Expenditures</b>	<b>6,638,553</b>	<b>1,051,575</b>	<b>856,998</b>	<b>8,547,126</b>
Excess (Deficiency) of Revenues Over Expenditures	733,586	(143,203)	-	590,383
Other Financing Sources (Uses):				
Operating Transfers In		143,203		143,203
Operating Transfers Out	(143,203)			(143,203)
<b>Total Other Financing Sources (Uses)</b>	<b>(143,203)</b>	<b>143,203</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	590,383			590,383
Fund Balances, July 1, 2008	971,287	-	-	971,287
<b>Fund Balances, June 30, 2009</b>	<b>\$ 1,561,670</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,561,670</b>

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, 2009*

Net Change in Fund Balances - Governmental Funds \$ 590,383

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 in excess of capital outlays  
in the current period.

(3,147)

Repayment of debt principal is an expenditure in the governmental funds,  
but the payment reduces long-term liabilities in the statement of  
net assets.

140,709

**Change in Net Assets - Governmental Activities**

\$ 727,945

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, 2009

### 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 in February 2004. The School entered into an agreement with the District School Board of Miami-Dade County, Florida to operate a charter school beginning for 2005-06 school year under the registered name The Charter School at Waterstone, Inc. The reporting entity consists of the The Charter School at Waterstone, Inc. 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 current charter had been made effective for the 2005-06 school year, is effective until June 30, 2012, and is subject to annual review and may be renewed by mutual agreement between the School and the District for up to an additional 15 years. 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

# 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, 2009

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.

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.
- Capital Projects Fund - to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

### ➤ 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

# 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, 2009

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 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

# 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, 2009

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 years

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

### ➤ 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, 2009, the School reported 1,150 unweighted FTE and 1,185 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 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).

# 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, 2009

- 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.

## 2. DUE FROM OTHER AGENCY

Amounts due from other agency included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from the Miami-Dade County District School Board for Charter School Capital Outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**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, 2009**

**3. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009
<b>Governmental Activities:</b>				
Furniture, Fixtures and Equipment	\$ 504,265	\$ 50,041	\$ -	\$ 554,306
Leasehold Improvements	43,792	-	-	43,792
Total Capital Assets Being Depreciated	548,057	50,041	-	598,098
<b>Less Accumulated Depreciation for:</b>				
Furniture, Fixtures and Equipment	(338,948)	(44,429)	-	(383,377)
Leasehold Improvements	(11,323)	(8,759)	-	(20,082)
Total Accumulated Depreciation	(350,271)	(53,188)	-	(403,459)
Governmental Activities Capital Assets, Net	\$ 197,786	\$ (3,147)	\$ -	\$ 194,639

Unallocated depreciation expense for the 2008-09 fiscal year was \$53,188.

**4. CAPITAL LEASE OBLIGATIONS**

The school previously entered into two capital lease agreements for the purchase of school equipment and educational supplies. The final capital lease payments were made during the current fiscal year. Principal payments totaled \$140,709 and interest payments totaled \$8,903.

**5. CHANGES IN LONG-TERM LIABILITIES**

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

	Balance 7/1/2008	Additions	Deductions	Balance 6/30/2009	Due in One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Obligation Under Capital Leases	\$ 140,709	\$ -	\$ (140,709)	\$ -	\$ -
Total Governmental Activities	\$ 140,709	\$ -	\$ (140,709)	\$ -	\$ -

# 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, 2009

### 6. 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. 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 2008-09 fiscal year amounted to \$1,273,080.

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:

Fiscal Year Ending June	Amount
<u>30:</u>	
2010	\$ 1,311,272
2011	1,350,611
2012	1,391,129
2013	1,432,863
2014	1,475,848
2015	1,520,124
Total Minimum Payments Required	<u>\$ 8,481,847</u>

### 7. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2009, the School's Capital Projects Fund owed the General Fund \$63,033, for expenditures paid awaiting the reimbursement under the Charter School Capital Outlay program from the District. A "due from" and "due to" in this amount was reported in the statement of revenues, expenditures, and changes in fund balances – governmental funds. These amounts are netted together and not reported in the statement of net assets.

### 8. 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 \$22,651 for the year ended June 30, 2009, 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.

### 9. MANAGEMENT AGREEMENT

The School entered into a management agreement for the period July 1, 2005, to June 30, 2010, 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,

# 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, 2009

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 2008-09 fiscal year amounted to \$679,474.

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

The School's Federal, State and local revenue for the 2008-09 fiscal year is as follows:

Source	Amount
<i>FEDERAL:</i>	
Child Nutrition Cluster	\$ 420,629
Charter School - Implementation Grant	363,950
Total Federal Revenue	<u>\$ 784,579</u>
<i>STATE:</i>	
Florida Education Finance Program	\$ 4,381,485
Categorical Educational Programs:	
Class Size Reduction	1,194,300
Supplementary Academic Instruction	411,430
Instructional Materials	109,406
Transportation	98,016
ESE Guaranteed Allocation	132,202
Safe School	35,703
Charter School Capital Outlay	656,198
Over 500 FTE Capital Outlay	200,800
School Recognition	157,858
Discretionary Lottery	28,054
Florida Teachers' Lead Program	1,495
Declining Enrollment Allocation	3,630
Total State Revenue	<u>7,410,577</u>
<i>LOCAL:</i>	
Discretionary Millage	510,204
School Lunch Sales	123,793
Total Local Revenue	<u>633,997</u>
Total State and Local Revenue	<u>\$ 8,044,574</u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$154,462.

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



# **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, 2009**

### **11. 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.

### **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, 2009, 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. 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.

### **14. 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, 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, 2009**

	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					\$ 363,950	\$ 600,959	\$ 784,579	\$ 183,620
State and Local	7,071,168	7,079,374	7,063,783	(15,591)	307,735	251,695	123,793	(127,902)
Contributions and Other	322,928	267,541	308,356	40,815				
Total Revenues	7,394,096	7,346,915	7,372,139	25,224	671,685	852,654	908,372	55,718
<b>Expenditures:</b>								
Current - Education:								
Instruction	3,368,812	3,452,903	3,354,277	98,626	287,547	250,392	250,392	-
Pupil Personnel Services	26,472	7,644	7,644	-				
Instructional Media	144,269	142,202	140,285	1,917		3,321	3,321	-
Instruction & Curriculum Development	4,925	26,164	26,869	(705)				
Instructional Staff Training	420	2,321	-	2,321	7,000	15,185	15,185	-
Board of Education	954,030	992,763	985,554	7,209	69,403	10,901	10,901	-
School Administration	497,071	504,822	477,120	27,702		84,151	84,151	-
Facilities Acquisition & Construction	416,082	416,082	416,082	-	389,957	692,029	687,625	4,404
Food Services								
Pupil Transportation	204,593	211,740	238,270	(26,530)				
Operation of Plant	559,720	616,663	636,737	(20,074)				
Maintenance of Plant	19,816	38,375	37,998	377				
Community Service	119,680	97,680	118,064	(20,384)				
Fixed Capital Outlay:								
Other Capital Outlay	36,068	88,867	50,041	38,826				
Debt Service:								
Principal	140,644	140,644	140,709	(65)				
Interest & Fiscal Charges	22,569	8,903	8,903	-				
Total Expenditures	6,515,171	6,747,773	6,638,553	109,220	753,907	1,055,979	1,051,575	4,404
Excess (Deficiency) of Revenues Over Expenditures	878,925	599,142	733,586	134,444	(82,222)	(203,325)	(143,203)	60,122
Other Financing Sources (Uses):								
Operating Transfers In		(143,203)	(143,203)	-		143,203	143,203	-
Operating Transfers (Out)		(143,203)	(143,203)	-		143,203	143,203	-
Total Other Financing Sources (Uses)								
Net Change in Fund Balances	878,925	455,939	590,383	134,444	(82,222)	(60,122)	-	60,122
Fund Balances, July 1, 2008			971,287	971,287				
Fund Balances, June 30, 2009	\$ 878,925	\$ 455,939	\$ 1,561,670	\$ 1,105,731	\$ (82,222)	\$ (60,122)	\$ -	\$ 60,122

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**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Fiscal Year Ended June 30, 2009*

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Miami-Dade County District School Board:			
School Breakfast Program	10.553	NA	\$ 55,583
National School Lunch Program	10.555	NA	<u>365,046</u>
<b>Total United States Department of Education</b>			<u><u>420,629</u></u>
<b>United States Department of Education:</b>			
Indirect:			
Miami-Dade County District School Board:			
Charter School - Implementation Grant	84.282	NA	<u>363,950</u>
<b>Total United States Department of Education</b>			<u><u>363,950</u></u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 784,579</u></u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2008-09 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.

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

David M. King, CPA  
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
office (813) 610-0659 fax (813) 949-9376

---

## **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 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, 2009, 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, 2009, 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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,

*King & Walker, CPAs*

August 31, 2009  
Lutz, Florida

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

David M. King, CPA  
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
office (813) 610-0659 fax (813) 949-9376

---

## 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, Inc.,  
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, Inc. ("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, 2009. 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, 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 the 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 requirements referred to above that are applicable to the Program for the fiscal year ended June 30, 2009.

### 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 the Program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the School's internal control over compliance exists when the design or operation of a control does not allow managements or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the School's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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,

*King & Walker, CPAs*

August 31, 2009  
Lutz, Florida

# 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 RESULTS AND SCHEDULE OF FINDINGS

### OMB CIRCULAR A-133

June 30, 2009

#### 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, 2009:

<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?	No
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, 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, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Keefe, McCullough & Co., LLP audit as of June 30, 2008.	Not Applicable	No prior audit findings	Not applicable.	None.

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

David M. King, CPA  
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
office (813) 610-0659 fax (813) 949-9376

---

## 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

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, 2009, and have issued our report thereon dated August 31, 2009.

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 31, 2009. 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 and is not in a state of financial emergency.

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

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

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

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

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

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is The Charter School at Waterstone, Inc.

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

Respectfully submitted,

*King & Walker, CPAs*

August 31, 2009  
Lutz, Florida

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

**Management's Response to Audit Findings**

Year Ended June 30, 2009

The following is the School's response to the item in the Management Letter dated August 31, 2009, as required by Rule 10.857, Rules of the Auditor General:

No response required.