



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

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2014**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Alee Academy, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and the notes to financial statements to enhance their understanding of the School's financial performance.

### FINANCIAL HIGHLIGHTS

- The School's total net position increased compared to the prior year.
- For the fiscal year ended June 30, 2014, the School's revenues exceeded expenses by \$98,734. This is an improvement from the prior year, when expenses exceeded revenues by \$256,253.
- The School had an ending net position of \$706,392 as of June 30, 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general School services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

|                                        | Government-wide<br>Statements                                                                                                                       | Fund Statements                                                                                                                                                                              |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                        |                                                                                                                                                     | Governmental<br>Funds                                                                                                                                                                        |
| Scope                                  | Entire School                                                                                                                                       | The activities of the School that are not proprietary or fiduciary                                                                                                                           |
| Required financial statements          | Statement of net position<br>Statement of activities                                                                                                | Balance sheet – governmental funds,<br>Statement of revenues, expenditures and changes in fund balances – governmental funds                                                                 |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus                                                                                                     | Modified accrual accounting and current financial resources focus                                                                                                                            |
| Type of asset/liability information    | All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term | Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included |
| Type of inflow/outflow information     | All revenues and expenses during the year, regardless of when cash is received or paid                                                              | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter   |

### Government-Wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources, and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Position

The table below provides a comparative summary of the School's net position for fiscal years 2014 to .

|                                                    | <b>Governmental Activities</b> |                    | <b>Increase<br/>(Decrease)</b> |
|----------------------------------------------------|--------------------------------|--------------------|--------------------------------|
|                                                    | <b>2014</b>                    | <b>2013</b>        |                                |
| Current and other assets                           | \$ 298,288                     | \$ 341,076         | -13%                           |
| Capital assets, net                                | 1,439,810                      | 1,522,717          | -5%                            |
| Total assets                                       | 1,738,098                      | 1,863,793          | -7%                            |
| Deferred outflows of resources:                    |                                |                    |                                |
| Deferred loan costs, net                           | 57,106                         | 66,306             | -14%                           |
| Total assets and deferred outflows of<br>resources | <u>\$1,795,204</u>             | <u>\$1,930,099</u> | <u>-7%</u>                     |
| Current and other liabilities                      | \$ 19,779                      | \$ 9,229           | 114%                           |
| Long-term liabilities                              | 1,069,033                      | 1,246,906          | -14%                           |
| Total liabilities                                  | <u>\$1,088,812</u>             | <u>\$1,256,135</u> | <u>-13%</u>                    |
| Net position:                                      |                                |                    |                                |
| Net investment in capital assets                   | \$ 515,416                     | \$ 438,231         | 18%                            |
| Restricted                                         | 224,929                        | 201,133            | 12%                            |
| Unrestricted                                       | (33,953)                       | (31,706)           | 7%                             |
| Total net position                                 | <u>\$ 706,392</u>              | <u>\$ 607,658</u>  | <u>16%</u>                     |

The decrease in current and other assets and long-term liabilities is primarily due to the current year payments on long-term liabilities. The decrease in capital assets is primarily due to current year depreciation expense in excess of additions. The increase in total net position from the prior fiscal year is due to the School's current year operating surplus.

## Changes in Net Position

The table below shows the comparative summary of change in net position and revenues and expenses for fiscal years 2014 and 2013.

|                                              | <u>Governmental Activities</u> |                     | <u>Increase</u>   |
|----------------------------------------------|--------------------------------|---------------------|-------------------|
|                                              | <u>2014</u>                    | <u>2013</u>         | <u>(Decrease)</u> |
| Revenues:                                    |                                |                     |                   |
| Federal sources                              | \$ -                           | \$ 14,010           | -100%             |
| State and local sources                      | 1,789,437                      | 1,592,199           | 12%               |
| Contributions and other revenue              | <u>14,526</u>                  | <u>29,673</u>       | <u>-51%</u>       |
| Total revenues                               | <u>1,803,963</u>               | <u>1,635,882</u>    | <u>10%</u>        |
| Expenses:                                    |                                |                     |                   |
| Instruction and instruction-related services | 779,586                        | 821,044             | -5%               |
| General administration                       | 75,458                         | 72,512              | 4%                |
| School administration                        | 367,950                        | 391,415             | -6%               |
| Facilities acquisition and construction      | 2,122                          | -                   | 100%              |
| Student transportation services              | 170,767                        | 171,990             | -1%               |
| Operation and maintenance of plant           | 248,798                        | 244,161             | 2%                |
| Interest                                     | 60,548                         | 63,244              | -4%               |
| Loss on abandoned assets                     | <u>-</u>                       | <u>127,769</u>      | <u>-100%</u>      |
| Total expenses                               | <u>1,705,229</u>               | <u>1,892,135</u>    | <u>-10%</u>       |
| Change in net position                       | <u>\$ 98,734</u>               | <u>\$ (256,253)</u> | <u>-139%</u>      |

Revenues from federal sources decreased due to a reduction in the amount of IDEA Grant funds the School received. Revenues from state and local sources increased due to an increase in enrollment. Contributions and other revenue decreased due to decreases in the amounts received from sponsors during the fiscal year.

Instruction and instruction-related services decreased due to various cost saving initiatives the School implemented. School administration decreased due to a decrease in legal costs. The loss on abandoned assets in the prior year was due to the School not renewing a lease on an off-site location and the related leasehold improvements and other fixtures being abandoned.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

### Fund Financial Statements

As the School completed the period, its governmental fund reported a fund balance of \$278,509. Revenues increased while expenditures decreased overall due to the same factors discussed above.

### General Fund Budgetary Highlights

Over the course of the year, the School revised its operating budget several times. These budget amendments were related to changes made during the fiscal year to account for variations in student enrollment.

For the year ended June 30, 2014, actual revenues were approximately \$53,000 more than budgeted revenues, primarily due to higher than expected student enrollment. Actual expenditures were approximately \$16,000 less than budgeted expenditures, primarily due to various cost saving initiatives the School implemented.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2014, the School had invested \$2,564,293 in a broad range of capital assets, including land, buildings and improvements, furniture, fixtures and equipment and motor vehicles (see table below).

|                                   | Governmental Activities |                     | Increase<br>(Decrease) |
|-----------------------------------|-------------------------|---------------------|------------------------|
|                                   | 2014                    | 2013                |                        |
| Land                              | \$ 305,395              | \$ 305,395          | 0%                     |
| Buildings and improvements        | 1,655,835               | 1,655,835           | 0%                     |
| Land improvements                 | 46,166                  | 46,166              | 0%                     |
| Furniture, fixtures and equipment | 405,632                 | 400,630             | 1%                     |
| Motor vehicles                    | 151,265                 | 151,265             | 0%                     |
| Total capital assets              | <u>\$ 2,564,293</u>     | <u>\$ 2,559,291</u> | <u>0%</u>              |

The School had the following capital asset additions during the year:

- Furniture and equipment - \$5,002

More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

## **Long-Term Debt**

At June 30, 2014, the School had \$866,804 in a mortgage note payable outstanding, a decrease of \$142,074 from the prior year. The School also had \$114,696 in a note payable outstanding, a decrease of \$27,218 from the prior year. These decreases are due to current year principal payments. More detailed information about the School's long-term liabilities is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following factors were taken into account when adopting the general fund budget for fiscal year 2014:

- Projected increase in student population.
- Capital outlay funds are projected to remain consistent.
- Projected incremental salary increases based on years of service with the School.

Estimated amounts available for appropriation in the general fund are approximately \$1,685,000 an approximate 3% increase over the 2014 actual of \$1,635,651. Budgeted expenditures are expected to decrease less than 1% to approximately \$1,617,000 from the 2014 actual of \$1,622,683. The School has added no major new programs to the fiscal 2015 budget.

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

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1705 East County Road 44A, Eustis, Florida 32726.

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

To the Board of Directors of Alee Academy, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Alee Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Alee Academy, Inc. as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*BKHM, P.A.*

Winter Park, Florida  
September 30, 2014

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

|                                                 | <b>Governmental<br/>Activities</b> |
|-------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash and cash equivalents                       | \$ 298,288                         |
| Capital assets:                                 |                                    |
| Land                                            | 305,395                            |
| Buildings and improvements                      | 1,655,835                          |
| Land improvements                               | 46,166                             |
| Furniture, fixtures and equipment               | 405,632                            |
| Motor vehicles                                  | 151,265                            |
| Less accumulated depreciation                   | (1,124,483)                        |
| Total capital assets, net                       | 1,439,810                          |
| Total assets                                    | 1,738,098                          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |
| Deferred loan costs, net                        | 57,106                             |
| Total assets and deferred outflows of resources | \$ 1,795,204                       |
| <b>LIABILITIES</b>                              |                                    |
| Accrued expenses                                | \$ 19,779                          |
| Long-term liabilities:                          |                                    |
| Portion due or payable within one year:         |                                    |
| Compensated absences payable                    | 87,533                             |
| Note payable                                    | 28,868                             |
| Mortgage note payable                           | 150,137                            |
| Portion due or payable after one year:          |                                    |
| Note payable                                    | 85,828                             |
| Mortgage note payable                           | 716,667                            |
| Total liabilities                               | 1,088,812                          |
| <b>NET POSITION</b>                             |                                    |
| Net investment in capital assets                | 515,416                            |
| Restricted for:                                 |                                    |
| Debt service                                    | 201,429                            |
| Scholarships                                    | 23,500                             |
| Unrestricted                                    | (33,953)                           |
| Total net position                              | 706,392                            |
| Total liabilities and net position              | \$ 1,795,204                       |

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

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

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

|                                              | <u>Expenses</u>     | <u>Program Revenues</u>     |                                           |                                         | <u>Net (Expense) Revenue and Changes in Net Position</u> |                    |
|----------------------------------------------|---------------------|-----------------------------|-------------------------------------------|-----------------------------------------|----------------------------------------------------------|--------------------|
|                                              |                     | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u>                           | <u>Total</u>       |
| Governmental activities:                     |                     |                             |                                           |                                         |                                                          |                    |
| Instruction and instruction-related services | \$ 779,586          | \$ -                        | \$ -                                      | \$ -                                    | \$ (779,586)                                             | \$ (779,586)       |
| General administration                       | 75,458              | -                           | -                                         | -                                       | (75,458)                                                 | (75,458)           |
| School administration                        | 367,950             | -                           | -                                         | -                                       | (367,950)                                                | (367,950)          |
| Facilities acquisition and construction      | 2,122               | -                           | -                                         | -                                       | (2,122)                                                  | (2,122)            |
| Student transportation services              | 170,767             | -                           | -                                         | -                                       | (170,767)                                                | (170,767)          |
| Operation and maintenance of plant           | 248,798             | -                           | -                                         | -                                       | (248,798)                                                | (248,798)          |
| Interest                                     | 60,548              | -                           | -                                         | -                                       | (60,548)                                                 | (60,548)           |
| Total primary government                     | <u>\$ 1,705,229</u> | <u>\$ -</u>                 | <u>\$ -</u>                               | <u>\$ -</u>                             | <u>(1,705,229)</u>                                       | <u>(1,705,229)</u> |
| General revenues:                            |                     |                             |                                           |                                         |                                                          |                    |
| State and local sources                      |                     |                             |                                           |                                         | 1,789,437                                                | 1,789,437          |
| Contributions and other revenue              |                     |                             |                                           |                                         | 14,526                                                   | 14,526             |
| Total general revenues                       |                     |                             |                                           |                                         | <u>1,803,963</u>                                         | <u>1,803,963</u>   |
| Change in net position                       |                     |                             |                                           |                                         | 98,734                                                   | 98,734             |
| Net position at beginning of year            |                     |                             |                                           |                                         | <u>607,658</u>                                           | <u>607,658</u>     |
| Net position at end of year                  |                     |                             |                                           |                                         | <u>\$ 706,392</u>                                        | <u>\$ 706,392</u>  |

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

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

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2014**

|                                          | <b>General<br/>Fund</b> |
|------------------------------------------|-------------------------|
|                                          |                         |
| <b>ASSETS</b>                            |                         |
| Cash and cash equivalents                | \$ 298,288              |
| Total assets                             | \$ 298,288              |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                         |
| Accrued expenditures                     | \$ 19,779               |
| Total liabilities                        | 19,779                  |
| <br>Fund balances:                       |                         |
| Restricted for:                          |                         |
| Debt service - savings account           | 201,429                 |
| Scholarships                             | 23,500                  |
| Unassigned                               | 53,580                  |
| Total fund balances                      | 278,509                 |
| Total liabilities and fund balances      | \$ 298,288              |

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2014**

|                                                      |           |                |
|------------------------------------------------------|-----------|----------------|
| <b>Total fund balances - total governmental fund</b> | <b>\$</b> | <b>278,509</b> |
|------------------------------------------------------|-----------|----------------|

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

|                                                                                                                                                                                                                                        |  |           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$2,564,293 and the accumulated depreciation is \$1,124,483. |  | 1,439,810 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------|

|                                                                                                                                                     |  |        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|
| Non-current assets, including deferred loan costs, are not financial resources and, therefore, are not reported as assets in the governmental fund. |  | 57,106 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--|--------|

|                                                                                                                                                              |  |          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|
| Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in governmental fund. |  | (87,533) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|

Long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental fund. The long-term debt at year-end consisted of:

|                       |  |           |
|-----------------------|--|-----------|
| Note payable          |  | (114,696) |
| Mortgage note payable |  | (866,804) |

|                                                     |           |                       |
|-----------------------------------------------------|-----------|-----------------------|
| <b>Total net position - governmental activities</b> | <b>\$</b> | <b><u>706,392</u></b> |
|-----------------------------------------------------|-----------|-----------------------|

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

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

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

**FOR THE YEAR ENDED JUNE 30, 2014**

|                                              | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                              |                         |                                      |                                         |
| State and local sources                      | \$ 1,621,125            | \$ 168,312                           | \$ 1,789,437                            |
| Contributions and other revenue              | 14,526                  | -                                    | 14,526                                  |
| Total revenues                               | 1,635,651               | 168,312                              | 1,803,963                               |
| <b>EXPENDITURES</b>                          |                         |                                      |                                         |
| Current:                                     |                         |                                      |                                         |
| Instruction and instruction-related services | 734,383                 | -                                    | 734,383                                 |
| General administration                       | 75,458                  | -                                    | 75,458                                  |
| School administration                        | 337,177                 | -                                    | 337,177                                 |
| Facilities acquisition and construction      | 2,122                   | -                                    | 2,122                                   |
| Student transportation services              | 163,513                 | -                                    | 163,513                                 |
| Operation and maintenance of plant           | 233,228                 | 10,272                               | 243,500                                 |
| Debt service:                                |                         |                                      |                                         |
| Principal                                    | 16,254                  | 153,038                              | 169,292                                 |
| Interest                                     | 60,548                  | -                                    | 60,548                                  |
| Capital outlay                               | -                       | 5,002                                | 5,002                                   |
| Total expenditures                           | 1,622,683               | 168,312                              | 1,790,995                               |
| Net changes in fund balances                 | 12,968                  | -                                    | 12,968                                  |
| Fund balances at beginning of year           | 265,541                 | -                                    | 265,541                                 |
| Fund balances at end of year                 | \$ 278,509              | \$ -                                 | \$ 278,509                              |

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

|                                                                                                                                                                                                                                                                                                                                        |                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| <b>Net changes in fund balances - total governmental funds</b>                                                                                                                                                                                                                                                                         | <b>\$ 12,968</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                                                                     |                         |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$87,909) exceeds capital outlays (\$5,002) in the current period. | (82,907)                |
| Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds until they are paid out. This is the amount the accrual changed in the current period.                                                   | 8,581                   |
| Governmental funds report deferred loan costs paid as expenditures. However, in the statement of activities, the deferred loan costs are allocated over the term of the loan and reported as amortization expense. This is the amount of amortization expense in the current period.                                                   | (9,200)                 |
| Repayments of long-term debt are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a decrease in long-term debt in the statement of net position. This amount represents the current year repayment of principal on long-term debt.                 | 169,292                 |
| <b>Change in net position of governmental activities</b>                                                                                                                                                                                                                                                                               | <b><u>\$ 98,734</u></b> |

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

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY**

Alee Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six 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 Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2022 and may be renewed thereafter by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of presentation**

The basic financial statements of the School have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Accordingly, both governmental-wide and fund financial statements are presented.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds are considered major funds. There are no other governmental funds.

**Basis of accounting**

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

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary basis of accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Cash and cash equivalents**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The School's cash consists primarily of demand and savings deposits with financial institutions.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings and improvements        | 15 - 39      |
| Land improvements                 | 7 - 39       |
| Furniture, fixtures and equipment | 5 - 15       |
| Motor vehicles                    | 5            |

Information relative to changes in capital assets is described in Note 2.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Compensated absences**

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employee. The liability for compensated absences is classified as a long-term liability that is due within one year because the amount of vacation and personal time to be used after the following year cannot be reasonably estimated.

**Deferred loan costs**

Deferred loan costs are being amortized over the life of the outstanding mortgage note payable. As of June 30, 2014, deferred loan costs, net of related amortization, totaled \$57,106 and are included in deferred outflows of resources in the accompanying statement of net position.

**Long-term liabilities**

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Changes in long-term liabilities for the current year are reported in Note 3.

**Restricted net position/ restricted fund balance**

Restricted net position/restricted fund balance of \$201,429 included in the accompanying financial statements as of June 30, 2014 represents a portion of net position and the general fund balance which is restricted for debt service payments, as required by the mortgage note payable.

**Revenue sources**

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

The School has received federal and 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 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 is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying statement of net position and balance sheet – governmental funds, respectively.

**Income taxes**

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School's financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2010.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Fund balance spending policy**

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The governing board shall review the amounts in the fund balances in conjunction with the annual budget approval and make adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to the restricted fund balance first and then follow the order above.

Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Principal up to the amount of \$50,000. The minimum fund balance requirement for the School's funds is five percent of the annual revenue.

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**Subsequent events**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 30, 2014, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 CHANGES IN CAPITAL ASSETS**

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

|                                               | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|-----------------------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities:                      |                              |                    |                  |                           |
| Capital assets not being depreciated:         |                              |                    |                  |                           |
| Land                                          | \$ 305,395                   | \$ -               | \$ -             | \$ 305,395                |
| Total capital assets not<br>being depreciated | <u>305,395</u>               | <u>-</u>           | <u>-</u>         | <u>305,395</u>            |
| Capital assets being depreciated:             |                              |                    |                  |                           |
| Buildings and improvements                    | 1,655,835                    | -                  | -                | 1,655,835                 |
| Land improvements                             | 46,166                       | -                  | -                | 46,166                    |
| Furniture, fixtures and equipment             | 400,630                      | 5,002              | -                | 405,632                   |
| Motor vehicles                                | 151,265                      | -                  | -                | 151,265                   |
| Total capital assets<br>being depreciated     | <u>2,253,896</u>             | <u>5,002</u>       | <u>-</u>         | <u>2,258,898</u>          |
| Less accumulated depreciation:                |                              |                    |                  |                           |
| Buildings and improvements                    | (650,821)                    | (42,233)           | -                | (693,054)                 |
| Land improvements                             | (22,920)                     | (2,811)            | -                | (25,731)                  |
| Furniture, fixtures and equipment             | (210,284)                    | (40,885)           | -                | (251,169)                 |
| Motor vehicles                                | (152,549)                    | (1,980)            | -                | (154,529)                 |
| Total accumulated depreciation                | <u>(1,036,574)</u>           | <u>(87,909)</u>    | <u>-</u>         | <u>(1,124,483)</u>        |
| Total capital assets being depreciated, net   | <u>1,217,322</u>             | <u>(82,907)</u>    | <u>-</u>         | <u>1,134,415</u>          |
| Governmental activities capital assets, net   | <u>\$ 1,522,717</u>          | <u>\$ (82,907)</u> | <u>\$ -</u>      | <u>\$ 1,439,810</u>       |

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation expense was charged to functions as follows:

|                                                    |                         |
|----------------------------------------------------|-------------------------|
| Governmental activities:                           |                         |
| Instruction and instruction-related services       | \$ 49,646               |
| School administration                              | 25,711                  |
| Student transportation services                    | 7,254                   |
| Operation and maintenance of plant                 | <u>5,298</u>            |
| Total governmental activities depreciation expense | <u><u>\$ 87,909</u></u> |

**3 LONG-TERM DEBT**

Long-term debt as of June 30, 2014 includes a mortgage note payable to a financial institution that is secured by the School's Eustis, Florida facility. Terms of the mortgage note include monthly principal and interest payments, with interest being calculated at the Wall Street Journal prime rate plus 1% (4.25% as of June 30, 2014). The maturity date of the mortgage note is August 2019. The loan agreement also contains certain financial covenants with which the School must comply. As of June 30, 2014, the School was in compliance with these restrictive covenants.

The School also entered into a five year note payable in fiscal 2013 to purchase furniture and equipment. Terms of the note payable include monthly principal and interest payments of \$2,905 with a fixed interest rate of 6.0%. The maturity date of the note payable is January 2018.

Long-term debt activity during the current fiscal year was as follows:

|                                          | <b>Mortgage<br/>Note Payable</b> | <b>Note<br/>Payable</b>  |
|------------------------------------------|----------------------------------|--------------------------|
| Balance outstanding at beginning of year | \$ 1,008,878                     | \$ 141,914               |
| Additions                                | -                                | -                        |
| Reductions                               | <u>(142,074)</u>                 | <u>(27,218)</u>          |
| Balance outstanding at end of year       | <u><u>\$ 866,804</u></u>         | <u><u>\$ 114,696</u></u> |
| Amount due within one year               | <u><u>\$ 150,137</u></u>         | <u><u>\$ 28,868</u></u>  |

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Future debt service requirements related to the mortgage note payable are as follows:

| <b>Year ending<br/>June 30,</b> | <b>Principal</b>  | <b>Interest</b>   | <b>Total</b>      |
|---------------------------------|-------------------|-------------------|-------------------|
| 2015                            | \$ 150,137        | \$ 43,804         | \$ 193,941        |
| 2016                            | 158,606           | 35,335            | 193,941           |
| 2017                            | 167,553           | 26,388            | 193,941           |
| 2018                            | 177,004           | 16,937            | 193,941           |
| 2019                            | 213,504           | 6,952             | 220,456           |
| Total                           | <u>\$ 866,804</u> | <u>\$ 129,416</u> | <u>\$ 996,220</u> |

Future debt service requirements related to the note payable are as follows:

| <b>Year ending<br/>June 30,</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|---------------------------------|-------------------|------------------|-------------------|
| 2015                            | \$ 28,868         | \$ 5,992         | \$ 34,860         |
| 2016                            | 30,618            | 4,242            | 34,860            |
| 2017                            | 32,474            | 2,386            | 34,860            |
| 2018                            | 22,736            | 16,937           | 39,673            |
| Total                           | <u>\$ 114,696</u> | <u>\$ 29,557</u> | <u>\$ 144,253</u> |

Interest paid during the year ended June 30, 2014 for all long-term debt totaled approximately \$60,000.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts:

|                                                |                            |
|------------------------------------------------|----------------------------|
| District School Board of Lake County, Florida: |                            |
| Florida Education Finance Program              | \$ 987,713                 |
| Class size reduction                           | 238,128                    |
| Capital outlay                                 | 168,312                    |
| Transportation                                 | 88,088                     |
| Discretionary local effort                     | 72,885                     |
| ESE guaranteed allocation                      | 71,846                     |
| Supplemental academic instruction              | 62,470                     |
| Teacher salary allocation                      | 43,124                     |
| Discretionary millage compression              | 24,891                     |
| Instructional materials                        | 20,907                     |
| Other FEFP                                     | 5,112                      |
| Teacher lead                                   | 2,653                      |
| Discretionary lottery funds                    | 2,427                      |
| Additional allocation                          | <u>881</u>                 |
| Total                                          | <u><u>\$ 1,789,437</u></u> |

The administrative fee paid to the School Board during the year ended June 30, 2014 totaled approximately \$75,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**5 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 SALARY SAVINGS PLAN**

The School has adopted a SIMPLE IRA retirement program (the "Plan"), which covers all full time employees upon employment. Eligible employees may elect to contribute a portion of their earnings to the Plan. The School makes contributions to the Plan by matching 100% of employee contributions up to 3% of compensation. Employer contributions during fiscal 2014 totaled approximately \$7,000.

**7 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2014 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Lease commitments**

The School leases a Sub Shop under a non-cancelable operating lease expiring in July 2016. The lease is payable in monthly installments of \$856, and contains varying renewal options and requires the School to pay insurance and other costs. The aggregate remaining minimum rental commitment as of June 30, 2014 under the remaining lease is \$20,544 through July 2016.

Rental expense/expenditure for the year ended June 30, 2014 totaled approximately \$10,000 and is included in operation and maintenance of plant in the accompanying financial statements.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2014**

|                                              | <u>Budgeted Amounts</u> |                   | <u>Actual</u>     | <u>Variance with</u> |
|----------------------------------------------|-------------------------|-------------------|-------------------|----------------------|
|                                              | <u>Original</u>         | <u>Final</u>      | <u>(Budgetary</u> | <u>Final Budget-</u> |
|                                              |                         |                   | <u>Basis)</u>     | <u>Positive</u>      |
|                                              |                         |                   |                   | <u>(Negative)</u>    |
| <b>REVENUES</b>                              |                         |                   |                   |                      |
| State and local sources                      | \$ 1,671,823            | \$ 1,582,802      | \$ 1,621,125      | \$ 38,323            |
| Contributions and other revenue              | -                       | -                 | 14,526            | 14,526               |
| Total revenues                               | <u>1,671,823</u>        | <u>1,582,802</u>  | <u>1,635,651</u>  | <u>52,849</u>        |
| <b>EXPENDITURES</b>                          |                         |                   |                   |                      |
| Current:                                     |                         |                   |                   |                      |
| Instruction and instruction-related services | 733,369                 | 733,369           | 734,383           | (1,014)              |
| General administration                       | 79,350                  | 79,350            | 75,458            | 3,892                |
| School administration                        | 357,784                 | 357,784           | 337,177           | 20,607               |
| Facilities acquisition and construction      | -                       | -                 | 2,122             | (2,122)              |
| Pupil transportation services                | 141,585                 | 141,585           | 163,513           | (21,928)             |
| Operation and maintenance of plant           | 132,692                 | 132,692           | 233,228           | (100,536)            |
| Debt service:                                |                         |                   |                   |                      |
| Principal                                    | 142,121                 | 142,121           | 16,254            | 125,867              |
| Interest                                     | 51,821                  | 51,821            | 60,548            | (8,727)              |
| Total expenditures                           | <u>1,638,722</u>        | <u>1,638,722</u>  | <u>1,622,683</u>  | <u>16,039</u>        |
| Net change in fund balance                   | 33,101                  | (55,920)          | 12,968            | 68,888               |
| Fund balance at beginning of year            | <u>265,541</u>          | <u>265,541</u>    | <u>265,541</u>    | <u>-</u>             |
| Fund balance at end of year                  | <u>\$ 298,642</u>       | <u>\$ 209,621</u> | <u>\$ 278,509</u> | <u>\$ 68,888</u>     |

See independent auditor's report.

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

To the Board of Directors of Alee Academy, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Alee Academy, Inc. (the “School”), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated September 30, 2014.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Winter Park, Florida  
September 30, 2014

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

To the Board of Directors of Alee Academy, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida

We have audited the financial statements of the governmental activities and each major fund of Alee Academy, Inc. (the "School") as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 30, 2014.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2014, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Financial Condition**

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

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



## **Transparency**

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

## **Other Matters**

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

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

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

## **Purpose of this Letter**

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

*BKHM, P.A.*

Winter Park, Florida  
September 30, 2014