



**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, 2016**



## CONTENTS

	<u>Page</u>
<b>Management's Discussion and Analysis</b>	1 - 7
<b>Independent Auditor's Report on Basic Financial Statements and Supplementary Information</b>	8 - 9
<b>Basic Financial Statements:</b>	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16 – 25
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	26
<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>Government Auditing Standards</i></b>	27 – 28
<b>Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i></b>	
Management Letter	19 - 31

## 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, 2016. 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, 2016, the School's revenues exceeded expenses by \$189,563. This is a decrease from the prior year, when revenues exceeded expenses by \$427,436.
- The School had an ending net position of \$1,323,391 as of June 30, 2016.

### 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 Statements	Fund Statements
		Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds, 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 2016 to 2015.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>
Current and other assets	\$ 612,573	\$ 578,574	15%
Capital assets, net	1,292,861	1,357,687	-5%
Total assets	<u>\$ 1,905,434</u>	<u>\$ 1,936,261</u>	<u>2%</u>
Current and other liabilities	\$ 2,580	\$ 2,385	8%
Long-term liabilities	579,463	800,048	-28%
Total liabilities	<u>\$ 582,043</u>	<u>\$ 802,433</u>	<u>-27%</u>
Net position:			
Net investment in capital assets	\$ 713,398	\$ 603,446	24%
Restricted	223,855	219,203	2%
Unrestricted	386,138	311,179	24%
Total net position	<u>\$ 1,323,391</u>	<u>\$ 1,133,828</u>	<u>20%</u>

The increase in current and other assets is primarily due to the excess of revenues over expenses in the current year. The decrease in net capital assets is primarily due to current year depreciation expense in excess of additions. The decrease in long-term liabilities is primarily due to the current year payments on long-term liabilities. 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 2016 and 2015.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
State and local sources	\$ 1,965,053	\$ 2,099,118	-6%
Contributions and other revenue	41,759	17,499	139%
Total revenues	<u>2,006,812</u>	<u>2,116,617</u>	<u>-5%</u>
<b>Expenses:</b>			
Instruction and instruction-related services	852,819	793,969	7%
General administration	77,514	75,189	3%
School administration	481,672	429,934	12%
Student transportation services	174,409	160,558	9%
Operation and maintenance of plant	191,048	183,969	4%
Interest	39,787	45,562	-13%
Total expenses	<u>1,817,249</u>	<u>1,689,181</u>	<u>6%</u>
Change in net position	<u>\$ 189,563</u>	<u>\$ 427,436</u>	<u>-55%</u>

Revenues from state and local sources decreased due to the receipt of FEFP funds in 2015 related to a previous year that was in dispute and not previously recorded as it was not considered to be recognizable, offset by an increase in enrollment. Contributions and other revenue increased due to increases in the amounts received from sponsors during the fiscal year.

Instruction and instruction-related services and student transportation services increased due to the increase in enrollment. Interest costs decreased due to payments made on outstanding long-term liabilities.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the period, its governmental fund reported a fund balance of \$609,993. Revenues decreased while expenditures increased 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, 2016, actual revenues were approximately \$179,000 more than budgeted revenues, primarily due to an increase in enrollment. Actual expenditures were approximately \$39,000 more than budgeted expenditures, primarily due to the administrative fee paid to the School Board not being budgeted for.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital assets

As of June 30, 2016, the School had invested \$2,583,609 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
	2016	2015	(Decrease)
Land	\$ 305,395	\$ 305,395	0%
Buildings and improvements	1,650,971	1,650,971	0%
Land improvements	46,166	46,166	0%
Furniture, fixtures and equipment	424,948	407,035	4%
Motor vehicles	156,129	156,129	0%
Total capital assets, net	<u>2,583,609</u>	<u>2,565,696</u>	<u>1%</u>

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

- Furniture, fixtures and equipment - \$17,913

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



## **Long-term debt**

At June 30, 2016, the School had \$554,526 in a mortgage note payable outstanding, a decrease of \$159,914 from the prior year. The School also had \$24,937 in a note payable outstanding, a decrease of \$60,671 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 2017:

- Student population is projected to remain consistent as well as per student funding amounts.
- Capital outlay funds are projected to remain consistent.
- Projected incremental salary increases based on years of service with the School.
- Higher insurance and benefits costs.

Estimated amounts available for appropriation in the general fund are approximately \$1,863,000, a less than 1% decrease over the 2016 actual of \$1,868,368. Budgeted expenditures are expected to increase 5% to approximately \$1,882,000 from the 2016 actual of \$1,788,756. The School has added no major new programs to the fiscal 2017 budget.

If these estimates are realized, the School's general fund balance is expected to decrease by the close of fiscal 2017.

## **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, 2016, 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, 2016, 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, 2016 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, 2016

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

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 612,573
Capital assets:	
Land	305,395
Buildings and improvements	1,650,971
Land improvements	46,166
Furniture, fixtures and equipment	424,948
Motor vehicles	156,129
Less accumulated depreciation	(1,290,748)
Total capital assets, net	<u>1,292,861</u>
Total assets	<u><u>\$ 1,905,434</u></u>
<b>LIABILITIES</b>	
Accrued expenses	\$ 2,580
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	24,937
Mortgage note payable	167,553
Portion due or payable after one year:	
Mortgage note payable	<u>386,973</u>
Total liabilities	<u>582,043</u>
<b>NET POSITION</b>	
Net investment in capital assets	713,398
Restricted for:	
Debt service - savings account	202,005
Scholarships	21,850
Unrestricted	<u>386,138</u>
Total net position	<u>1,323,391</u>
Total liabilities and net position	<u><u>\$ 1,905,434</u></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**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<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	\$ 852,819	\$ -	\$ -	\$ -	\$ (852,819)	\$ (852,819)
General administration	77,514	-	-	-	(77,514)	(77,514)
School administration	481,672	-	-	-	(481,672)	(481,672)
Student transportation services	174,409	-	-	-	(174,409)	(174,409)
Operation and maintenance of plant	191,048	-	-	-	(191,048)	(191,048)
Interest	39,787	-	-	-	(39,787)	(39,787)
Total primary government	<u>\$ 1,817,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,817,249)</u>	<u>(1,817,249)</u>
General revenues:						
State and local sources					1,965,053	1,965,053
Contributions and other revenue					41,759	41,759
Total general revenues					<u>2,006,812</u>	<u>2,006,812</u>
Change in net position					189,563	189,563
Net position at beginning of year					<u>1,133,828</u>	<u>1,133,828</u>
Net position at end of year					<u>\$ 1,323,391</u>	<u>\$ 1,323,391</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, 2016**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 612,573
Total assets	\$ 612,573
 <b>LIABILITIES AND FUND BALANCES</b>	
Accrued expenditures	\$ 2,580
Total liabilities	2,580
Fund balances:	
Restricted for:	
Debt service - savings account	202,005
Scholarships	21,850
Unassigned	386,138
Total fund balances	609,993
Total liabilities and fund balances	\$ 612,573

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, 2016**

<b>Total fund balances - total governmental fund</b>	<b>\$</b>	<b>609,993</b>
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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 \$2,583,609 and the accumulated depreciation is \$1,290,748.		1,292,861
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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		(24,937)
Mortgage note payable		(554,526)
		(579,463)

<b>Total net position - governmental activities</b>	<b>\$</b>	<b>1,323,391</b>
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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, 2016**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
State and local sources	\$ 1,826,609	\$ 138,444	\$ 1,965,053
Contributions and other revenue	41,759	-	41,759
Total revenues	1,868,368	138,444	2,006,812
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction-related services	803,749	-	803,749
General administration	77,514	-	77,514
School administration	414,827	-	414,827
Student transportation services	166,946	-	166,946
Operation and maintenance of plant	185,879	-	185,879
Debt service:			
Principal	100,054	120,531	220,585
Interest	39,787	-	39,787
Capital outlay	-	17,913	17,913
Total expenditures	1,788,756	138,444	1,927,200
Net changes in fund balances	79,612	-	79,612
Fund balances at beginning of year	530,381	-	530,381
Fund balances at end of year	\$ 609,993	\$ -	\$ 609,993

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, 2016**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$</b>	<b>79,612</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 (\$82,740) exceeds capital outlays (\$17,913) in the current period.		(64,827)
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.		(45,807)
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.		220,585
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>189,563</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, 2016**

**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 government-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)**

**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 \$202,005 included in the accompanying financial statements as of June 30, 2016 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. 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 fund, respectively.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 2012.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 evaluated subsequent events through September 30, 2016, the date these financial statements were available to be issued.

**2 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 305,395	\$ -	\$ -	\$ 305,395
Other capital assets:				
Buildings and improvements	1,650,971	-	-	1,650,971
Land improvements	46,166	-	-	46,166
Furniture, fixtures and equipment	407,035	17,913	-	424,948
Motor vehicles	156,129	-	-	156,129
Total other capital assets at historical cost	<u>2,260,301</u>	<u>17,913</u>	<u>-</u>	<u>2,278,214</u>
Less accumulated depreciation for:				
Buildings and building improvements	(735,286)	(42,235)	-	(777,521)
Land improvements	(30,129)	(4,326)	-	(34,455)
Furniture, fixtures and equipment	(286,276)	(34,623)	-	(320,899)
Motor vehicles	(156,317)	(1,556)	-	(157,873)
Total accumulated depreciation	<u>(1,208,008)</u>	<u>(82,740)</u>	<u>-</u>	<u>(1,290,748)</u>
Total other capital assets, net	<u>1,052,293</u>	<u>(64,827)</u>	<u>-</u>	<u>987,466</u>
Governmental activities capital assets, net	<u>\$1,357,688</u>	<u>\$(64,827)</u>	<u>\$ -</u>	<u>\$1,292,861</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	\$ 49,070
School administration	21,038
Student transportation services	7,463
Operation and maintenance of plant	<u>5,169</u>
Total governmental activities depreciation expense	<u><u>\$ 82,740</u></u>

**3 LONG-TERM DEBT**

Long-term debt as of June 30, 2016 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% (5.5% as of June 30, 2016). 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, 2016, 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 February 2018.

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

	<b>Mortgage Note Payable</b>	<b>Note Payable</b>
Balance outstanding at beginning of year	<u>\$ 714,440</u>	<u>\$ 85,608</u>
Additions	-	-
Reductions	<u>(159,914)</u>	<u>(60,671)</u>
Balance outstanding at end of year	<u><u>\$ 554,526</u></u>	<u><u>\$ 24,937</u></u>
Amount due within one year	<u><u>\$ 167,553</u></u>	<u><u>\$ 24,937</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 June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 167,553	\$ 26,388	\$ 193,941
2018	177,004	16,937	193,941
2019	186,989	6,952	193,941
2020	22,980	1,263	24,243
Total	<u>\$ 554,526</u>	<u>\$ 51,540</u>	<u>\$ 606,066</u>

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

<b>Year ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 24,937	\$ 725	\$ 25,662

Interest paid during the year ended June 30, 2016 for all long-term debt totaled approximately \$40,000.

**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	\$ 1,192,007
Class size reduction	258,362
Capital outlay	138,444
Student transportation	92,180
Discretionary millage equalization	85,329
Supplemental academic instruction	68,105
ESE guaranteed allocation	64,705
Discretionary millage compression	34,704
Instructional materials	22,467
Safe schools	5,884
Teacher lead	2,866
Total	<u>\$ 1,965,053</u>

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The administrative fee paid to the School Board during the year ended June 30, 2016 totaled approximately \$78,000, 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.

**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 2016 totaled approximately \$3,800.

**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, 2016 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.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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.

**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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 1,689,806	\$ 1,689,806	\$ 1,826,609	\$ 136,803
Contributions and other revenue	-	-	41,759	41,759
Total revenues	<u>1,689,806</u>	<u>1,689,806</u>	<u>1,868,368</u>	<u>178,562</u>
<b>EXPENDITURES</b>				
Current:				
Instruction and instruction-related services	798,064	798,064	803,749	(5,685)
General administration	1,200	1,200	77,514	(76,314)
School administration	428,903	428,903	414,827	14,076
Pupil transportation services	150,868	150,868	166,946	(16,078)
Operation and maintenance of plant	176,528	176,528	185,879	(9,351)
Debt service:				
Principal	155,300	155,300	100,054	55,246
Interest	39,000	39,000	39,787	(787)
Total expenditures	<u>1,749,863</u>	<u>1,749,863</u>	<u>1,788,756</u>	<u>(38,893)</u>
Net change in fund balance	(60,057)	(60,057)	79,612	139,669
Fund balance at beginning of year	530,381	530,381	530,381	-
Fund balance at end of year	<u><u>\$ 470,324</u></u>	<u><u>\$ 470,324</u></u>	<u><u>\$ 609,993</u></u>	<u><u>\$ 139,669</u></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, 2016, 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, 2016.

**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.



To the Board of Directors of Alee Academy, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida  
Page 2

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.

*BKHM, P.A.*

Winter Park, Florida  
September 30, 2016

**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

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

We have audited 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 fiscal year ended June 30, 2016, and have issued our report thereon dated September 30, 2016.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

### **Other Reports**

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, 2016, 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.

### **Official Title**

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.

### **Financial Condition**

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to 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.





To the Board of Directors of Alee Academy, Inc., a Charter School  
and Component Unit of the District School Board of Lake County, Florida  
Page 2

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

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its 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.

### **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, applicable management, and the District School Board of Lake County, Florida 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, 2016