



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Spring Creek Elementary School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net assets increased compared to the prior year.
- For the fiscal year ended June 30, 2007, the School's revenues exceeded expenses by \$140,221. This is an increase from the prior year, when expenses exceeded revenues by \$151,450.
- Revenues increased by approximately \$621,000, or 17%, and expenses increased by approximately \$330,000, or 9%, from the prior year. These increases are primarily due to an increase in student enrollment, as well as administration and support during fiscal 2007.

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 compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

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 assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
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 and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities 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 assets includes all of the School’s assets and liabilities. 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 assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial position of the School, one needs to consider additional nonfinancial 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 kind 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 Assets

The School's combined net assets increased from fiscal years 2006 to 2007 (see table below).

	<u>Governmental Activities</u>		Increase
	<u>2006</u>	<u>2007</u>	<u>(Decrease)</u>
Current and other assets	\$ 850,842	\$1,663,820	96%
Capital assets, net	9,081	7,752	-15%
Total assets	<u>859,923</u>	<u>1,671,572</u>	<u>94%</u>
Current and other liabilities	<u>410,111</u>	<u>1,081,539</u>	<u>164%</u>
Total liabilities	<u>410,111</u>	<u>1,081,539</u>	<u>164%</u>
Net assets:			
Invested in capital assets	9,081	7,752	-15%
Restricted for capital projects	15,739	19,127	22%
Unrestricted	<u>424,992</u>	<u>563,154</u>	<u>33%</u>
Total net assets	<u>\$ 449,812</u>	<u>\$ 590,033</u>	<u>31%</u>

Current and other assets increased primarily due to an increase in cash as a result of the current year excess of revenues over expenses, as well as an increase in payables.

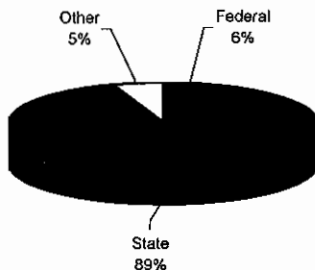
The increase in current and other liabilities is due to an increase in the amount due to the School Board for school payroll and related costs. This amount increased due to the timing of payments near year-end. Current and other liabilities also increased due to an increase in compensated absences payable, which is the result of additional employees becoming tenured and accruing leave benefits during fiscal year 2007. The fluctuation in net assets from the prior fiscal year is due to the current year operating surplus.

Change in Net Assets

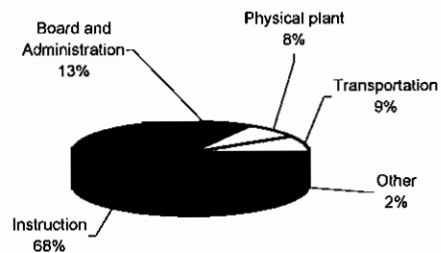
The School's total revenues increased by 17% to \$4,280,728, and the total cost of all programs and services increased by 9% to \$4,140,507 (see table below).

	Governmental Activities		Increase
	2006	2007	(Decrease)
Revenues:			
Federal sources passed through local school district	\$ 246,469	\$ 245,719	0%
State and local sources	3,288,312	3,806,846	16%
Contributions and other revenue	124,480	228,163	83%
Total revenues	3,659,261	4,280,728	17%
Expenses:			
Instruction and instruction-related services	2,384,498	2,796,855	17%
Board	7,263	22,441	209%
School administration	462,085	520,723	13%
Pupil transportation services	549,504	364,509	-34%
Operation and maintenance of plant	306,048	319,168	4%
Community services	101,313	116,811	15%
Total expenses	3,810,711	4,140,507	9%
Change in net assets	\$ (151,450)	\$ 140,221	193%

2007 Revenues



2007 Expenses



Revenues from state and local sources, which constitute 89% of total revenues, increased due to an increase in student enrollment, as well as an increase in transportation revenue received. Contributions and other revenue increased due to an increase in internal account revenues as a result of more students and more fundraising activities.

Total expenses increased 9% from 2006 to 2007. Instruction and instruction-related expenses increased due primarily to the increase in the number of instructors hired during 2007, as well as salary increases for existing staff. Board expenses increased primarily due to an increase in purchased services in fiscal 2007. Expenses for school administration increased primarily due to an increase in salaries and related expenses for administrative positions in fiscal year 2007. Pupil transportation services decreased as a result of the School renting and operating two buses from the county, resulting in a substantial cost savings in fiscal year 2007. Community service expenses increased due to increased internal account expenses during fiscal year 2007 as a result of more students and more fundraising activities.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$795,555, which is an increase from the prior year.

Revenues increased by approximately \$621,000, and total expenditures increased by approximately \$300,000. These increases were largely due to an increase in transportation revenue and expenditures as discussed above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Changes made during the year to account for variations in student enrollment and an anticipated increase in costs.
- Increases in appropriations to prevent budget overruns.

Actual general fund and special revenue fund expenditures were below final budget amounts by approximately \$192,000 and \$37,000, respectively.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2007, the School had invested \$184,875 in a broad range of capital assets, including furniture, fixtures and equipment (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2006</u>	<u>2007</u>	<u>(Decrease)</u>
Furniture, fixtures and equipment	<u>\$178,339</u>	<u>\$184,875</u>	<u>4%</u>
Total capital assets	<u>\$178,339</u>	<u>\$184,875</u>	<u>4%</u>

This year's major capital asset additions included the following:

- Golf cart - \$2,500
- Two computers - \$2,250
- Inventory scanner - \$1,786

The School's fiscal year 2008 capital budget includes approximately \$41,000 in spending related to capital projects, principally for remodeling. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2008, the School expected an increase in student enrollment.

Amounts available for appropriation in the general fund are \$4,459,189, an increase of 11% over the final 2007 actual revenues of \$4,035,009. Budgeted expenditures are expected to increase 15% to \$4,441,860, primarily due to an increase in salaries and total School personnel. The School has added no major new programs to the fiscal 2008 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2008.

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 44440 Spring Creek Road, Paisley, Florida 32767.



**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of Spring Creek Elementary School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Creek Elementary School, 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, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Spring Creek Elementary School, Inc. at June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1-7 and the budgetary comparison schedules on pages 24-25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
September 25, 2007

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,663,820
Capital assets:	
Furniture, fixtures and equipment	184,875
Less accumulated depreciation	<u>(177,123)</u>
Total capital assets, net	<u>7,752</u>
Total assets	<u><u>\$ 1,671,572</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 2,912
Due to the District School Board of Lake County, Florida	864,953
Compensated absences payable	<u>213,674</u>
Total liabilities	<u>1,081,539</u>
NET ASSETS	
Invested in capital assets	7,752
Restricted for capital projects	19,127
Unrestricted	<u>563,154</u>
Total net assets	<u>590,033</u>
Total liabilities and net assets	<u><u>\$ 1,671,572</u></u>

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

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 2,451,854	\$ -	\$ 201,937	\$ -	\$ (2,249,917)	\$ (2,249,917)
Instructional support services	165,274	-	27,615	-	(137,659)	(137,659)
Instructional media	68,797	-	-	-	(68,797)	(68,797)
Curriculum development	88,310	-	-	-	(88,310)	(88,310)
Instructional staff training	22,620	-	6,648	-	(15,972)	(15,972)
Board	22,441	-	-	-	(22,441)	(22,441)
School administration	520,723	-	9,519	-	(511,204)	(511,204)
Pupil transportation services	364,509	-	-	-	(364,509)	(364,509)
Operation of plant	319,168	-	-	-	(319,168)	(319,168)
Community services	116,811	-	-	-	(116,811)	(116,811)
Total primary government	\$ 4,140,507	\$ -	\$ 245,719	\$ -	(3,894,788)	(3,894,788)
General revenues:						
State and local sources					3,806,846	3,806,846
Contributions and other revenue					228,163	228,163
Total general revenues					4,035,009	4,035,009
Change in net assets					140,221	140,221
Net assets at beginning of year					449,812	449,812
Net assets at end of year					\$ 590,033	\$ 590,033

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

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,663,820
Total assets	<u>\$ 1,663,820</u>
 LIABILITIES AND FUND BALANCE	
Accounts payable and accrued expenses	\$ 2,912
Due to the District School Board of Lake County, Florida	<u>864,953</u>
Total liabilities	<u>867,865</u>
Fund balance:	
Reserved for:	
Capital projects	19,127
Unreserved:	
Undesignated	<u>776,828</u>
Total fund balance	<u>795,955</u>
Total liabilities and fund balance	<u>\$ 1,663,820</u>

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

**SPRING CREEK ELEMENTARY SCHOOL, 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 ASSETS**

JUNE 30, 2007

Total fund balances - total governmental funds	\$ 795,955
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Amounts reported for governmental activities in the statement of net assets 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 \$184,875, and the accumulated depreciation is \$177,123.	7,752
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Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.	<u>(213,674)</u>
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Total net assets - governmental activities	<u><u>\$ 590,033</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Federal sources passed through local school district	\$ -	\$ 245,719	\$ 245,719
State and local sources	3,806,846	-	3,806,846
Contributions and other revenue	228,163	-	228,163
	<u>4,035,009</u>	<u>245,719</u>	<u>4,280,728</u>
EXPENDITURES			
Current:			
Instruction	2,225,925	201,937	2,427,862
Instructional support services	137,659	27,615	165,274
Instructional media	68,797	-	68,797
Curriculum development	88,310	-	88,310
Instructional staff training	15,972	6,648	22,620
Board	22,441	-	22,441
School administration	491,111	-	491,111
Pupil transportation services	354,990	9,519	364,509
Operation of plant	319,168	-	319,168
Community services	116,811	-	116,811
Capital outlay	6,536	-	6,536
	<u>3,847,720</u>	<u>245,719</u>	<u>4,093,439</u>
Net changes in fund balances	187,289	-	187,289
Fund balances at beginning of year	608,666	-	608,666
Fund balances at end of year	<u>\$ 795,955</u>	<u>\$ -</u>	<u>\$ 795,955</u>

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

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

Net changes in fund balances - total governmental funds	\$ 187,289
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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 (\$7,865) exceeds capital outlays (\$6,536) in the current period.	(1,329)
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Compensated absences reported 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.	<u>(45,739)</u>
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Change in net assets of governmental activities	<u><u>\$ 140,221</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Spring Creek Elementary School, 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 no less than three and no more than fifteen members. Effective July 1, 1998, the School converted from a public school to a charter school.

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 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 revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; 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 Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

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 assets includes all of the School's assets and liabilities. 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, liabilities, 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.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and special revenue funds constitute major funds. There are no other governmental funds.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

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 period 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 accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

Deposits and investments

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 as required by Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits and certificates of deposit 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.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

	<u>Years</u>
Furniture, fixtures and equipment	3 - 5

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

Compensated absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in 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 employees. The liability for compensated absences is classified as current in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

Revenue sources

Revenues for current operations are received primarily from the District School Board of Lake County, Florida pursuant to the funding provisions included in the School's charter. 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 Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program 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 school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds. This administrative fee is calculated on the FEFP revenue up to 500 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2007, the School had restricted funds for this purpose in the amount of \$19,127.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The School also receives federal 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.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture, fixtures and equipment	\$ 178,339	\$ 6,536	\$ -	\$ 184,875
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>(169,258)</u>	<u>(7,865)</u>	<u>-</u>	<u>(177,123)</u>
Governmental activities capital assets, net	<u>\$ 9,081</u>	<u>\$ (1,329)</u>	<u>\$ -</u>	<u>\$ 7,752</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 6,595
School administration	<u>1,270</u>
Total governmental activities depreciation expense	<u>\$ 7,865</u>

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 DUE TO THE SCHOOL BOARD

Amounts due to the School Board include \$154,698 in transportation expenses and \$710,255 for certain payroll expenses paid by the School Board on behalf of the School. The amount due to the School Board as of June 30, 2007 totaled \$864,953.

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	\$ 2,363,064
Class size reduction	444,335
Discretionary millage funds	229,951
ESE guaranteed allocation	216,637
Transportation	170,668
Supplemental academic instruction	140,532
Pre-school project	66,024
Instructional materials	61,083
School recognition	55,813
Discretionary lottery funds	21,803
Teacher bonus	15,023
Safe schools	12,553
Teacher lead	9,360
	<hr/>
Total	<u><u>\$ 3,806,846</u></u>

The administration fee paid to the School Board during the year ended June 30, 2007 totaled approximately \$152,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 CAMPUS FACILITY

Title to the school building and facilities and other capital assets acquired prior to July 1, 1998 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion schools could have a material effect on the School's operations.

6 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 exceeded commercial coverage.

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 at June 30, 2007 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.

**SPRING CREEK ELEMENTARY SCHOOL, 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.

**SPRING CREEK ELEMENTARY SCHOOL, 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, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 3,679,518	\$ 3,854,185	\$ 3,806,846	\$ (47,339)
Contributions and other revenue	163,021	201,421	228,163	26,742
Total revenues	<u>3,842,539</u>	<u>4,055,606</u>	<u>4,035,009</u>	<u>(20,597)</u>
EXPENDITURES				
Current:				
Instruction	2,171,525	2,201,408	2,225,925	(24,517)
Instructional support services	146,545	145,694	137,659	8,035
Instructional media	75,990	77,438	68,797	8,641
Curriculum development	166,945	166,150	88,310	77,840
Instructional staff training	9,023	8,923	15,972	(7,049)
Board	32,300	32,300	22,441	9,859
School administration	461,236	480,972	491,111	(10,139)
Pupil transportation services	416,330	379,623	354,990	24,633
Operation of plant	358,095	346,515	319,168	27,347
Community services	169,278	170,300	116,811	53,489
Capital outlay	30,000	30,800	6,536	24,264
Total expenditures	<u>4,037,267</u>	<u>4,040,123</u>	<u>3,847,720</u>	<u>192,403</u>
Net change in fund balance	(194,728)	15,483	187,289	171,806
Fund balance at beginning of year	608,666	608,666	608,666	-
Fund balance at end of year	<u>\$ 413,938</u>	<u>\$ 624,149</u>	<u>\$ 795,955</u>	<u>\$ 171,806</u>

See the report of independent auditors.

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources passed through local school district	\$ 34,877	\$ 282,418	\$ 245,719	\$ (36,699)
Total revenues	<u>34,877</u>	<u>282,418</u>	<u>245,719</u>	<u>(36,699)</u>
EXPENDITURES				
Current:				
Instruction	13,452	208,469	201,937	6,532
Instructional support services	15,605	38,339	27,615	10,724
Instructional staff training	-	26,069	6,648	19,421
Pupil transportation services	5,820	9,541	9,519	22
Total expenditures	<u>34,877</u>	<u>282,418</u>	<u>245,719</u>	<u>36,699</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the report of independent auditors.



Report of Independent Auditors 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 Spring Creek Elementary School, 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 Spring Creek Elementary School, 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, 2007, and have issued our report thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the School in a separate letter dated September 25, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described as follows:

Board Fingerprinting: Florida Statutes require that all charter school Board members be fingerprinted. During our compliance audit procedures, we noted one member of the Board had not properly completed the fingerprinting process.

The School's response to the finding identified in our audit is included in the Written Statement of Explanation or Rebuttal on pages 31-32. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the District School Board of Lake County, Florida, the Florida Department of Education and the Florida Auditor General 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 25, 2007

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS
AND SIMILAR ENTITIES***



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Board of Directors of Spring Creek Elementary School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Spring Creek Elementary School, 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, 2007, we considered the School's internal control in order to determine our auditing procedures 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.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The specific matter noted during our audit, together with management's response thereto, is included in the memorandum which follows.

During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (the "conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.

The School's written response to the matter identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management and others within Spring Creek Elementary School, Inc. 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 25, 2007

**SPRING CREEK ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECOMMENDATIONS TO IMPROVE COMPLIANCE, INTERNAL CONTROL
AND THE FINANCIAL REPORTING PROCESS**

JUNE 30, 2007

RECOMMENDATION 1:

Revise procedures to ensure that proper personnel file data is maintained for all employees, either at the School or at the Lake County School Board office.

During our audit procedures with regard to personnel files, we noted that three employees tested did not have all of the required personnel records on file at the Lake County School Board office.

We recommend that the School open a dialogue with the District School Board of Lake County to ensure that the proper personnel information is maintained.

MANAGEMENT'S RESPONSE:

The School will maintain copies of any personnel documents available to us. In addition, we will communicate to the appropriate District personnel the need for keeping personnel files up to date and available for audit purposes.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no findings or recommendations in the prior year.

Spring Creek Elementary

Robert Curry
Principal

Mim Gottfried
Assistant Principal



Melinda Watson
Guidance Counselor

Delores Deen
Curriculum Specialist

44440 Spring Creek Road, Paisley, FL 32767 (352) 669-3275 FAX (352) 669-3762
<http://www.lake.k12.fl.us/school-sce/>

Kyle Ange
BKHM
1560 Orange Ave.
Winter Park, FL 32789

Dear Kyle:

Attached is our newly adopted policy which in addition to advertising and notification procedures, specifies a timeline which we will follow for the fingerprinting of new Board members. Prior to this time, although we know it was a requirement, we had no written school policy for monitoring that this was done in a timely manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Curry". The signature is stylized and cursive.

Robert Curry, Principal
Spring Creek Elementary, Inc.

Spring Creek Elementary

Robert Curry
Principal

Mim Gottfried
Assistant Principal



Melinda Watson
Guidance Counselor

Delores Deen
Curriculum Specialist

44440 Spring Creek Road, Paisley, FL 32767 (352) 669-3275 FAX (352) 669-3762
<http://www.lake.k12.fl.us/school-sce/>

CHARTER BOARD PROCEDURES

New Charter Board Members must be fingerprinted within 30 days of being elected.

- 1. Advertise in local paper: time, date and agenda 7-9 days prior to meeting.**
- 2. Send letter to each Board Member 1 week prior to meeting.**
- 3. Call each Board Member (4 days prior to remind).**

AFTER THE CHARTER BOARD MEETING

- 1. Send a copy of letter, minutes, agenda and sign-in sheet to:**

**Lewis Stone:
Stone & Gerken, PA
4850 . Hwy 19-A
Mt. Dora, FL 32757
357-0330**

**Billie Birdsong:
Community Ed.
County Office
(Charter Liaison)**

- 2. Send a copy of minutes to ALL Board Members to review. Send copy of agenda and handouts to all members not present.**

DO NOT REMOVE FROM BINDER

*The mission of Spring Creek Elementary
is to produce a strong academic student with good judgment, discipline and drive.*
