



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, 2008**

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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, 2008. 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, 2008, the School's revenues exceeded expenses by \$250,641. This is an increase from the prior year, when revenues exceeded expenses by \$140,221.
- Revenues increased by approximately \$293,000, or 7%, and expenses increased by approximately \$183,000, or 4%, from the prior year. These increases are primarily due to a slight increase in student enrollment, as well as administration and support during fiscal 2008.

### 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 for 2008 and 2007 are summarized as follows (see table below).

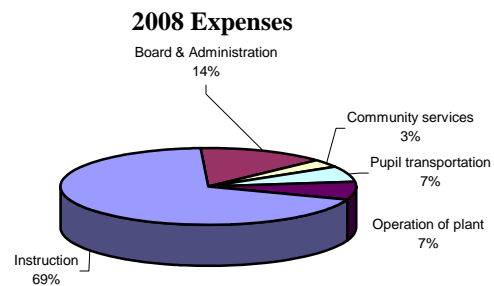
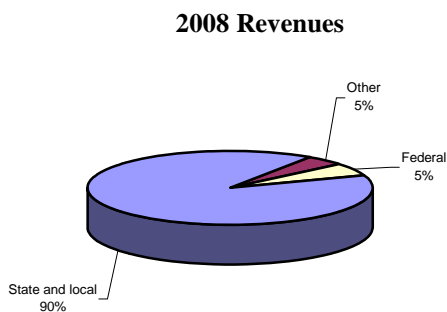
	<u>Governmental Activities</u>		<b>Increase</b>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Current and other assets	\$ 1,750,150	\$ 1,663,820	5%
Capital assets, net	6,642	7,752	-14%
Total assets	<u>1,756,792</u>	<u>1,671,572</u>	<u>5%</u>
Current and other liabilities	<u>916,118</u>	<u>1,081,539</u>	<u>-15%</u>
Total liabilities	<u>916,118</u>	<u>1,081,539</u>	<u>-15%</u>
Net assets:			
Invested in capital assets	6,642	7,752	-14%
Restricted for capital projects	29,795	19,127	56%
Unrestricted	<u>804,237</u>	<u>563,154</u>	<u>43%</u>
Total net assets	<u>\$ 840,674</u>	<u>\$ 590,033</u>	<u>42%</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. The decrease in current and other liabilities is due to a decrease in the amount due to the School Board for school payroll and related costs, which is the result of the timing of payments near year-end. The decrease in the amount due to the School Board was offset by an increase in compensated absences payable, which is the result of additional employees becoming tenured and accruing leave benefits during fiscal year 2008. 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 7% to \$4,573,944, and the total cost of all programs and services increased by 4% to \$4,323,303 (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2008</b>	<b>2007</b>	
<b>Revenues:</b>			
Federal sources passed through local school district	\$ 249,843	\$ 245,719	2%
State and local sources	4,113,871	3,806,846	8%
Contributions and other revenue	210,230	228,163	-8%
<b>Total revenues</b>	<b>4,573,944</b>	<b>4,280,728</b>	<b>7%</b>
<b>Expenses:</b>			
Instruction and instruction-related services	2,967,392	2,796,855	6%
Board	20,743	22,441	-8%
School administration	577,859	515,660	12%
Pupil transportation services	295,340	364,509	-19%
Operation of plant	318,450	319,168	0%
Community services and food services	143,519	121,874	18%
<b>Total expenses</b>	<b>4,323,303</b>	<b>4,140,507</b>	<b>4%</b>
<b>Change in net assets</b>	<b>\$ 250,641</b>	<b>\$ 140,221</b>	<b>79%</b>



Revenues from state and local sources, which constitute 90% of total revenues, increased due to an increase in student enrollment with the addition of the sixth grade classes per an agreement with the District, 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 4% from 2007 to 2008. Instruction and instruction-related expenses increased due primarily to the increase in the number of instructors hired during 2008, as well as salary increases for existing staff. Board expenses decreased primarily due to a decrease in purchased services. Expenses for school administration increased primarily due to an increase in salaries and related expenses for administrative positions. Pupil transportation services decreased as a result of the School renting and operating two buses from Lake County, resulting in a substantial cost savings. Community service expenses increased due to increased internal account expenses during fiscal year 2008 as a result of more students and more fundraising activities.

Certain reclassifications were made in the 2007 amounts to conform to their classification in 2008.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the year, its governmental funds reported a combined fund balance of \$1,049,981, which is an increase from the prior year.

General fund revenues increased by approximately \$289,000, and total expenditures increased by approximately \$222,000. 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.

With these adjustments, actual general fund revenues were approximately \$89,000 above the final budget amounts, which represents a 2% variance. This was primarily due to an increase in student enrollment. Actual general fund expenditures were approximately \$450,000 below final budgeted amounts. This was primarily due to lower instructional, administration, transportation and plant expenditures which were included in the final budget.

The special revenue fund revenues and expenditures were approximately \$45,000 below final budget. This was primarily due to the School not incurring all budgeted revenues and expenditures.

## CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2008, the School had invested \$188,895 in a broad range of capital assets, including furniture, fixtures and equipment (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Furniture, fixtures and equipment	<u>\$188,895</u>	<u>\$184,875</u>	<u>2%</u>
Total capital assets	<u><u>\$188,895</u></u>	<u><u>\$184,875</u></u>	<u><u>2%</u></u>

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

- Pearson scanner - \$4,020

The School's fiscal year 2009 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 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2009, the School expected an increase in student enrollment.

Amounts available for appropriation in the general fund are \$4,240,379, a decrease of 2% over the final 2008 actual revenues of \$4,324,101. Budgeted expenditures are expected to increase 15% to \$4,235,766, an increase of 4% over final 2008 actual expenditures of \$4,070,075. The increase is primarily due to an increase in salaries and total School personnel. The School has added no major new programs to the fiscal 2009 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase modestly by the close of fiscal 2009.

## 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, 2008, 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. as of June 30, 2008, 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 26, 2008 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 25-26 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 supplementary information. However, we did not audit the information and express no opinion on it.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2008

**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, 2008**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,745,172
Accounts receivable	4,978
Capital assets:	
Furniture, fixtures and equipment	188,895
Less accumulated depreciation	<u>(182,253)</u>
Total capital assets, net	<u>6,642</u>
Total assets	<u><u>\$ 1,756,792</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 5,073
Due to the District School Board of Lake County, Florida	695,096
Compensated absences payable	<u>215,949</u>
Total liabilities	<u>916,118</u>
<b>NET ASSETS</b>	
Invested in capital assets	6,642
Restricted for capital projects	29,795
Unrestricted	<u>804,237</u>
Total net assets	<u>840,674</u>
Total liabilities and net assets	<u><u>\$ 1,756,792</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, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 2,584,952	\$ -	\$ 184,718	\$ -	\$ (2,400,234)	\$ (2,400,234)
Pupil personnel services	187,036	-	40,388	-	(146,648)	(146,648)
Instructional media	71,861	-	-	-	(71,861)	(71,861)
Curriculum development	98,029	-	11,699	-	(86,330)	(86,330)
Instructional staff training	25,514	-	9,436	-	(16,078)	(16,078)
Board	20,743	-	-	-	(20,743)	(20,743)
School administration	577,859	-	3,602	-	(574,257)	(574,257)
Food services	8,522	-	-	-	(8,522)	(8,522)
Pupil transportation services	295,340	-	-	-	(295,340)	(295,340)
Operation of plant	318,450	-	-	-	(318,450)	(318,450)
Community services	134,997	-	-	-	(134,997)	(134,997)
Total primary government	<u>\$ 4,323,303</u>	<u>\$ -</u>	<u>\$ 249,843</u>	<u>\$ -</u>	<u>(4,073,460)</u>	<u>(4,073,460)</u>
General revenues:						
State and local sources				4,113,871	4,113,871	
Contributions and other revenue				210,230	210,230	
Total general revenues				<u>4,324,101</u>	<u>4,324,101</u>	
Change in net assets				250,641	250,641	
Net assets at beginning of year				<u>590,033</u>	<u>590,033</u>	
Net assets at end of year				<u>\$ 840,674</u>	<u>\$ 840,674</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**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2008**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,745,172
Accounts receivable	4,978
	<u>                    </u>
Total assets	<u><u>\$ 1,750,150</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenses	\$ 5,073
Due to the District School Board of Lake County, Florida	695,096
	<u>                    </u>
Total liabilities	<u>700,169</u>
 Fund balance:	
Reserved for:	
Capital projects	29,795
Unreserved:	
Undesignated	1,020,186
	<u>                    </u>
Total fund balance	<u>1,049,981</u>
Total liabilities and fund balance	<u><u>\$ 1,750,150</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**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2008**

<b>Total fund balance - total governmental fund</b>	\$	1,049,981
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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 \$188,895, and the accumulated depreciation is \$182,253.		6,642
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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.		(215,949)
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<b>Total net assets - governmental activities</b>	<b>\$</b>	<b>840,674</b>
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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, 2008**

	General Fund	Special Revenue Fund	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>REVENUES</b>			
Federal sources passed through local school district	\$ -	\$ 249,843	\$ 249,843
State and local sources	4,113,871	-	4,113,871
Contributions and other revenue	210,230	-	210,230
	<u>4,324,101</u>	<u>249,843</u>	<u>4,573,944</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,409,495	184,718	2,594,213
Pupil personnel services	146,648	40,388	187,036
Instructional media	71,861	-	71,861
Curriculum development	86,330	11,699	98,029
Instructional staff training	16,078	9,436	25,514
Board	20,743	-	20,743
School administration	557,591	3,602	561,193
Food services	8,522	-	8,522
Pupil transportation services	295,340	-	295,340
Operation of plant	318,450	-	318,450
Community services	134,997	-	134,997
Capital outlay	4,020	-	4,020
	<u>4,070,075</u>	<u>249,843</u>	<u>4,319,918</u>
Net changes in fund balances	254,026	-	254,026
Fund balances at beginning of year	795,955	-	795,955
Fund balances at end of year	<u>\$ 1,049,981</u>	<u>\$ -</u>	<u>\$ 1,049,981</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, 2008**

<b>Net changes in fund balances - total governmental funds</b>	\$	254,026
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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 (\$5,130) exceeds capital outlays (\$4,020) in the current period.		(1,110)
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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.		(2,275)
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<b>Change in net assets of governmental activities</b>	\$	250,641
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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  
(continued)**

**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.

**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

**SPRING CREEK ELEMENTARY SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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.

**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

**SPRING CREEK ELEMENTARY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
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**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

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

Information relative to changes in capital assets is described in Note 3.

**SPRING CREEK ELEMENTARY SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**Compensated absences**

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in 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. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by 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 Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent 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, 2008, the School had restricted funds for this purpose in the amount of \$29,795.

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.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying statement of net assets and balance sheet – governmental fund include \$4,978 due from the School Board. Based on the collectibility of funds from this source, an allowance for doubtful accounts is not considered necessary.

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Furniture, fixtures and equipment	\$ 184,875	\$ 4,020	\$ -	\$ 188,895
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>(177,123)</u>	<u>(5,130)</u>	<u>-</u>	<u>(182,253)</u>
Governmental activities capital assets, net	<u>\$ 7,752</u>	<u>\$ (1,110)</u>	<u>\$ -</u>	<u>\$ 6,642</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 4,482
School administration	<u>648</u>
Total governmental activities depreciation expense	<u>\$ 5,130</u>

**4 DUE TO THE SCHOOL BOARD**

Amounts due to the School Board total \$695,096 as of June 30, 2008, which include \$102,467 in transportation expenses and \$592,629 in payroll expenses paid by the School Board on behalf of the School.

**SPRING CREEK ELEMENTARY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**5 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	\$ 2,468,910
Class size reduction	576,121
Discretionary millage funds	257,569
ESE guaranteed allocation	224,482
Transportation	190,296
Supplemental academic instruction	153,328
Pre-school project	69,204
Instructional materials	61,946
School recognition	58,433
Discretionary lottery funds	27,303
Safe schools	13,449
Teacher lead	11,504
Other state revenue	<u>1,326</u>
Total	<u><u>\$ 4,113,871</u></u>

The administration fee paid to the School Board during the year ended June 30, 2008 totaled approximately \$159,000, 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.

**6 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.

**SPRING CREEK ELEMENTARY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**7 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.

**8 RETIREMENT PROGRAM**

**Defined benefit plan**

All regular employees of the School are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age.

The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest.

**SPRING CREEK ELEMENTARY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Funding policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2008 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0%	9.85%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.05% for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2008 totaled approximately \$257,000, which was equal to the required contributions for the fiscal year.

**Defined contribution plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

**9 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, 2008 may be impaired.

**SPRING CREEK ELEMENTARY SCHOOL, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

**Legal matters**

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

**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, 2008**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
State and local sources	\$ 4,420,189	\$ 4,028,596	\$ 4,113,871	\$ 85,275
Contributions and other revenue	130,237	206,386	210,230	3,844
Total revenues	<u>4,550,426</u>	<u>4,234,982</u>	<u>4,324,101</u>	<u>89,119</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	2,579,702	2,592,288	2,409,495	182,793
Pupil personnel services	159,250	160,369	146,648	13,721
Instructional media	81,450	86,590	71,861	14,729
Curriculum development	88,425	92,575	86,330	6,245
Instructional staff training	27,150	19,082	16,078	3,004
Board	36,300	36,300	20,743	15,557
School administration	602,608	619,136	557,591	61,545
Food services	6,250	8,531	8,522	9
Pupil transportation services	398,700	338,030	295,340	42,690
Operation of plant	371,145	372,651	318,450	54,201
Community services	139,343	139,498	134,997	4,501
Capital outlay	55,100	55,100	4,020	51,080
Total expenditures	<u>4,545,423</u>	<u>4,520,150</u>	<u>4,070,075</u>	<u>450,075</u>
Net change in fund balance	5,003	(285,168)	254,026	539,194
Fund balance at beginning of year	795,955	795,955	795,955	-
Fund balance at end of year	<u>\$ 800,958</u>	<u>\$ 510,787</u>	<u>\$ 1,049,981</u>	<u>\$ 539,194</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, 2008**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 203,041	\$ 295,068	\$ 249,843	\$ (45,225)
Total revenues	203,041	295,068	249,843	(45,225)
<b>EXPENDITURES</b>				
Current:				
Instruction	150,978	193,481	184,718	8,763
Pupil personnel services	7,743	54,505	40,388	14,117
Curriculum development	3,161	-	11,699	(11,699)
Instructional staff training	14,968	23,448	9,436	14,012
School administration	26,190	23,634	3,602	20,032
Total expenditures	203,041	295,068	249,843	45,225
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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, 2008, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 26, 2008. 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Segregation of Duties: Our evaluation of the internal control disclosed that one person has the primary responsibility for most of the accounting duties. As a result, most of those aspects of the internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the School. Management has represented that detailed review of financial transactions and reconciliations is performed on a regular basis; however, the documentation of this procedure and policy was not provided. Management and the board of directors should develop policies and procedures to document the review of financial reports and reconciliations in order to mitigate the risk created by the lack of segregation of duties.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's response to the significant deficiency identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 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 26, 2008

**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

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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, 2008, 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 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.

Section 10.855(10), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we have applied financial condition assessment procedures as of June 30, 2008, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

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 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 26, 2008

**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, 2008**

There are no findings or recommendations in the current year.

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

# Spring Creek Elementary

Robert Curry  
Principal

Melinda Watson  
Guidance Counselor

Delores Deen  
Curriculum Specialist

Renee Pinkman  
Guidance Counselor



44440 Spring Creek Road, Paisley, FL 32767 (352) 669-3275 FAX (352) 669-3762

<http://www.lake.k12.fl.us/school-sce/>

September 29, 2008

## MEMORANDUM

To: BKHM, P.A.  
1560 Orange Avenue  
Winter Park, FL 32789

From: Bob Curry, Principal

A handwritten signature in blue ink, appearing to read "Bob Curry". The signature is written in a cursive style and is positioned to the right of the "From:" field.

Subject: Response to deficiency in internal control (segregation of duties)

For the past few years, because of budgetary constraints, we have only had the ability to employ one bookkeeper. This has caused an overload of duties handling both operating and internal school accounts. Because of this overload, we have sometimes found ourselves behind in reconciling bank statements as well as having them checked and signed off by the budget analyst and principal.

Beginning this school year (2008-2009) we have added a second bookkeeper. This will allow us to separate the duties of internal accounting from school operation. This will permit us to operate in a more efficient manner and not overload any one person. In addition to this we have implemented a procedure that we formerly used to make sure that monthly reconciliations for both internal and school operating funds are done in a timely manner and presented to both the school budget analyst and the school principal for review and verification.