



**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

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

JUNE 30, 2009



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Janie Howard Wilson Elementary School (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements, which follow this section.

Lake Wales Charter Schools, Inc. operates a system of six public charter schools in the Lake Wales, Florida area, and the School is a part of that system. In addition, a central administrative office provides certain management and administrative services to the School. Even though there is only one corporate entity, each of the six public charter schools and the central administrative office function as separate entities.

FINANCIAL HIGHLIGHTS

- The School's net assets increased compared to the prior year.
- For the fiscal year ended June 30, 2009, the School's revenues exceeded expenses by \$104,165. This represents an improvement from the prior year when expenses exceeded revenues by \$63,979.
- Overall, revenues decreased by approximately \$361,000, which represents an 8% decrease from the prior year.
- Overall, expenses decreased by approximately \$529,000, which represents a 12% decrease from the prior year.

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 health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base, the quality of the education provided and the safety of the School.

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 currently has one type of fund:

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets as of June 30, 2009 and 2008 are summarized as follows – see table below.

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2009</u>	<u>(Decrease)</u>
Current and other assets	\$ 405,333	\$ 592,056	46%
Capital assets, net	58,326	12,180	-79%
Total assets	<u>463,659</u>	<u>604,236</u>	<u>30%</u>
Current and other liabilities	<u>81,265</u>	<u>117,677</u>	<u>45%</u>
Total liabilities	<u>81,265</u>	<u>117,677</u>	<u>45%</u>
Net assets:			
Invested in capital assets	58,326	12,180	-79%
Restricted	41	-	-100%
Unrestricted	<u>324,027</u>	<u>474,379</u>	<u>46%</u>
Total net assets	<u>\$ 382,394</u>	<u>\$ 486,559</u>	<u>27%</u>

Current and other assets increased due to a rise in the amount due from the central administrative office. Since the Company maintained cash deposits on a pooled basis for all of its charter schools, these amounts primarily represent the School's share of the pooled cash balance. Additional amounts were advanced during fiscal 2009 as a result of the current year operating surplus. Net capital assets decreased due to depreciation expense in excess of capital asset purchases. Current and other liabilities increased as a result of an increase in deferred revenue represented by funds advanced from federal and non-federal programs at year-end. Current and other liabilities also increased due to an increase in compensated absences payable at year-end, which was the result of additional employees becoming tenured and accruing leave benefits during fiscal 2009. The fluctuation in net assets from the prior fiscal year is due to the current year operating surplus and depreciation expense in excess of capital asset purchases.

Change in Net Assets

The School's total revenues decreased by 8% to \$3,886,630, and the total cost of all programs and services decreased by 12% to \$3,782,465 – see table below.

	Governmental Activities		Increase (Decrease)
	2008	2009	
Revenues:			
Federal sources passed through local school district	\$ 350,815	\$ 325,073	-7%
State and local sources	3,612,520	3,343,776	-7%
Contributions and other revenue	283,838	217,781	-23%
Total revenues	4,247,173	3,886,630	-8%
Expenses:			
Instruction	2,923,001	2,478,865	-15%
Pupil personnel services	121,141	135,910	12%
Instructional media	84,564	70,207	-17%
Instruction and curriculum development	139,127	133,755	-4%
Instructional staff training	6,373	27,714	335%
Board	13,000	12,100	-7%
School administration	497,230	467,962	-6%
Fiscal services	158,935	154,854	-3%
Pupil transportation	100,968	84,342	-16%
Operation of plant	255,263	216,324	-15%
Community services	11,550	432	-96%
Total expenses	4,311,152	3,782,465	-12%
Change in net assets	\$ (63,979)	\$ 104,165	263%

The decrease in revenues from federal sources was primarily due to decreased funding from IDEA and Title I in the current year. Revenues from state and local sources constituted 86% of total revenues. The decrease in state and local revenues was due to a decline in state K-12 funding categories and local school taxes received in 2009. Contributions and other revenue decreased due to less revenue generated by the School's internal accounts.

Total instruction and instruction-related services decreased by approximately 13% in fiscal 2009 as a result of reductions in programs and related school personnel. School administration expenses decreased in 2009 due to declining internal account activity and a lower Company management fee recorded in this function. Although transportation cost contracted through the School Board increased, the School realized a decrease in expenses due to a reduction in the number of students using transportation. Operation of plant expenses decreased due to a decline in utility cost and a cost reduction for contracted custodial service. Community services decreased due to the conclusion of the School's VPK summer program in fiscal 2008.

Audit fees are reflected in board expenses. The fiscal services expenses reflect the administration fee paid to the School Board based on FEFP revenue.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$546,499, which was above the prior year. Both revenues and expenditures decreased overall for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the year, the School revised its budget. The budget amendments were performed primarily to reflect revised student enrollment and student funding throughout the year.

For the year ended June 30, 2009, actual general fund revenues were approximately \$78,000 above the budgeted amounts, primarily due to the fact that internal account revenues are not budgeted. Actual general fund expenditures were approximately \$83,000 below the budgeted amounts, which represents an approximate 2% budget variance. This was primarily due to the fact that internal account expenditures are not budgeted.

For the year ended June 30, 2009, actual special revenue fund revenues and expenditures were approximately \$29,000 below the budgeted amounts, primarily due to less federal funds expended than expected. Revenues under the federal grants are only recognized to the extent that eligible expenditures have been incurred.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2009, the School had invested \$250,314 in capital assets, consisting primarily of computers and other electronic equipment.

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

- Defibrillator – \$1,249

The School's fiscal year 2010 capital budget does not include significant spending related to capital projects. 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

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2010:

- Declining state educational funding and student enrollment
- Escalating cost of goods and services
- Increased cost of employee benefits

Amounts available for appropriation in the general fund are \$3,066,122, an approximate 14% decrease from the actual 2009 amount of \$3,561,557. This decrease reflects a decline in student enrollment and the fact that contributions and other revenue are not budgeted.

Budgeted general fund expenditures are expected to decrease to \$3,066,122, or 10%, from the fiscal 2009 actual figure of \$3,398,835. The School has added no major new programs to the fiscal 2010 budget and existing programs are aligned with the decline in student enrollment.

If these estimates are realized, the School's general fund balance is expected to remain unchanged by the close of fiscal 2010.

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 151 East Central Avenue, Lake Wales, Florida 33853.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Trustees of Lake Wales Charter Schools, Inc. –
Janie Howard Wilson Elementary School

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Wales Charter Schools, Inc. – Janie Howard Wilson Elementary School (the “School”) as of and for the year ended June 30, 2009, which collectively comprise the School’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Lake Wales Charter Schools, Inc. – Janie Howard Wilson Elementary School as of June 30, 2009, 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 14, 2009 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 26 – 27 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 14, 2009

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
ASSETS	
Accounts receivable	\$ 93,066
Due from central administrative office	498,990
Capital assets:	
Furniture, fixtures and equipment	250,314
Less accumulated depreciation	(238,134)
Total capital assets, net	12,180
Total assets	\$ 604,236
LIABILITIES	
Accounts payable and accrued expenses	\$ 9,820
Deferred revenue	35,737
Compensated absences payable	72,120
Total liabilities	117,677
NET ASSETS	
Invested in capital assets	12,180
Unrestricted	474,379
Total net assets	486,559
Total liabilities and net assets	\$ 604,236

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

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	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	\$ 2,478,865	\$ -	\$ 269,214	\$ -	\$ (2,209,651)	\$ (2,209,651)
Pupil personnel services	135,910	-	53,952	-	(81,958)	(81,958)
Instructional media	70,207	-	-	-	(70,207)	(70,207)
Instruction and curriculum development	133,755	-	-	-	(133,755)	(133,755)
Instructional staff training	27,714	-	-	-	(27,714)	(27,714)
Board	12,100	-	-	-	(12,100)	(12,100)
School administration	467,962	-	-	-	(467,962)	(467,962)
Fiscal services	154,854	-	1,907	-	(152,947)	(152,947)
Pupil transportation	84,342	-	-	-	(84,342)	(84,342)
Operation of plant	216,324	-	-	-	(216,324)	(216,324)
Community services	432	-	-	-	(432)	(432)
Total primary government	\$ 3,782,465	\$ -	\$ 325,073	\$ -	(3,457,392)	(3,457,392)
General revenues:						
State and local sources					3,343,776	3,343,776
Contributions and other revenue					217,781	217,781
Total general revenues					3,561,557	3,561,557
Change in net assets					104,165	104,165
Net assets at beginning of year					382,394	382,394
Net assets at end of year					\$ 486,559	\$ 486,559

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

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Accounts receivable	\$ 23,017	\$ 70,049	\$ 93,066
Due from central administrative office	<u>559,806</u>	<u>-</u>	<u>559,806</u>
Total assets	<u><u>\$ 582,823</u></u>	<u><u>\$ 70,049</u></u>	<u><u>\$ 652,872</u></u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenditures	\$ 9,820	\$ -	\$ 9,820
Deferred revenue	26,504	9,233	35,737
Due to central administrative office	<u>-</u>	<u>60,816</u>	<u>60,816</u>
Total liabilities	<u>36,324</u>	<u>70,049</u>	<u>106,373</u>
Fund balances:			
Unreserved:			
Designated for School-based student activity organizations	21,414	-	21,414
Undesignated	<u>525,085</u>	<u>-</u>	<u>525,085</u>
Total fund balances	<u>546,499</u>	<u>-</u>	<u>546,499</u>
Total liabilities and fund balances	<u><u>\$ 582,823</u></u>	<u><u>\$ 70,049</u></u>	<u><u>\$ 652,872</u></u>

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

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

Total fund balances - governmental funds	\$	546,499
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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 funds. The cost of the assets is \$250,314, and the accumulated depreciation is \$238,134.	12,180
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Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(72,120)</u>
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Total net assets - governmental activities	\$	<u><u>486,559</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

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

FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal sources passed through local school district	\$ -	\$ 325,073	\$ 325,073
State and local sources	3,343,776	-	3,343,776
Contributions and other revenue	<u>217,781</u>	<u>-</u>	<u>217,781</u>
Total revenues	<u>3,561,557</u>	<u>325,073</u>	<u>3,886,630</u>
EXPENDITURES			
Current:			
Instruction	2,157,328	269,214	2,426,542
Pupil personnel services	80,802	53,952	134,754
Instructional media	69,732	-	69,732
Instruction and curriculum development	132,373	-	132,373
Instructional staff training	27,714	-	27,714
Board	12,100	-	12,100
School administration	462,360	-	462,360
Fiscal services	152,947	1,907	154,854
Pupil transportation	84,342	-	84,342
Operation of plant	217,456	-	217,456
Community services	432	-	432
Capital outlay	<u>1,249</u>	<u>-</u>	<u>1,249</u>
Total expenditures	<u>3,398,835</u>	<u>325,073</u>	<u>3,723,908</u>
Net changes in fund balances	162,722	-	162,722
Fund balances at beginning of year	<u>383,777</u>	<u>-</u>	<u>383,777</u>
Fund balances at end of year	<u>\$ 546,499</u>	<u>\$ -</u>	<u>\$ 546,499</u>

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

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**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, 2009

Net changes in fund balances - total governmental funds	\$ 162,722
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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 (\$47,395) exceeds capital outlays (\$1,249) in the current period.	(46,146)
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Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(12,411)</u>
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Change in net assets of governmental activities	<u><u>\$ 104,165</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lake Wales Charter Schools, Inc. (the "Company") 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. Janie Howard Wilson Elementary School (the "School") operates as part of the Company with five other charter schools in the Lake Wales, Florida area. The governing body of the School is the not-for-profit corporation Board of Trustees, which is composed of no less than three and no more than nine members. Effective July 1, 2004, 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 Polk County, Florida (the "School Board"). The current charter is effective until June 30, 2013 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 not considered a component unit of the School Board; however, the School 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. As a result, 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.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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.

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.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 sixty 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

During the year ended June 30, 2009, the Company maintained cash deposits on a pooled basis for all of its charter schools. Cash deposits are generally held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories 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 Company'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>Years</u>
Furniture, fixtures and equipment	3

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

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Compensated absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as an expenditure in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the 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 Polk 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 the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the 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 fiscal services 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.

The School may receive 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.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

2 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$93,066 in funds receivable from the School Board, which are detailed as follows:

Title I Grants to Local Educational Agencies	\$ 58,234
Reading First Grant	17,509
Special Education-Grants to States (IDEA, Part B)	9,032
Title II - Improving Teacher Quality State Grant	2,783
Voluntary pre-kindergarten program	1,449
Other	4,059
	<hr/>
Total	<u><u>\$ 93,066</u></u>

Based on 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, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Furniture, fixtures and equipment	\$ 249,065	\$ 1,249	\$ -	\$ 250,314
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>(190,739)</u>	<u>(47,395)</u>	<u>-</u>	<u>(238,134)</u>
Governmental activities capital assets, net	<u><u>\$ 58,326</u></u>	<u><u>\$ (46,146)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,180</u></u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 46,736
Pupil personnel services	125
Instructional media	534
	<hr/>
Total governmental activities depreciation expense	<u><u>\$ 47,395</u></u>

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 2,130,091
Class size reduction	580,033
Discretionary millage funds	148,168
Supplemental academic instruction	139,872
ESE guaranteed allocation	107,032
Discretionary tax equalization funds	79,849
Reading first grant	70,036
Instructional materials	49,586
Discretionary lottery funds	12,767
Safe schools	12,011
Teacher lead pay	8,014
Excellent teacher program	4,883
Other	<u>1,434</u>
Total	<u><u>\$ 3,343,776</u></u>

The administration fee paid to the School Board during the year ended June 30, 2009 totaled approximately \$153,000 which is reflected as a fiscal services expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

5 RELATED PARTY TRANSACTIONS

As previously noted, the Company maintained cash deposits on a pooled basis for all of its charter schools during the fiscal year ended June 30, 2009. The amount due from the central administrative office in the accompanying financial statements represents the School's share of the pooled cash balance. The net balance of \$498,990 primarily includes amounts advanced by the School to the Company for operating costs. The balance is also net of payroll liabilities (taxes, insurance, retirement, etc.) to be paid by the Company on behalf of the School. Due to centralized cash management and the timing of the payroll accrual near year-end, the amount due from the central administrative office represents a significant portion of total assets as of June 30, 2009.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

In addition, the Company provides certain management and administrative services to the School. Expenses for these services are allocated to each charter school operated by the Company based on the relative number of students. For the year ended June 30, 2009, the School's share of these expenses totaled \$100,313, which is reflected as a school administration expenditure in the accompanying financial statements.

During fiscal 2009, the Company operated and managed all of its charter schools as one collective unit, although each charter school is considered a separate reporting entity. As one legal entity, the Company has the option to transfer funds between schools as it deems necessary. The following schedule reflects the unreserved and undesignated general fund balance (deficit) of each school as of June 30, 2009:

Dale R. Fair Babson Park Elementary School	\$ (622,406)
Edward W. Bok Academy	(222,383)
Hillcrest Elementary School	497,128
Janie Howard Wilson Elementary School	525,085
Lake Wales High School	1,920,961
Polk Avenue Elementary School	<u>149,458</u>
Total	<u><u>\$ 2,247,843</u></u>

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, 2009 may be impaired.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**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.

Contingencies

During fiscal 2008, the Company obtained a loan from a financial institution in order to purchase property for the location of its new middle school. In addition to a mortgage on the property acquired, the furniture, fixtures and equipment of the School also serve as collateral for the loan.

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. The School had three DROP participants during fiscal 2009.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**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 2009 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, 2009 totaled \$210,557, which was based on 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. The School had twenty-two PEORP participants during fiscal 2009.

Pension reporting

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

9 CAMPUS FACILITY

Title to the school building and facilities and other capital assets acquired prior to July 1, 2004 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 charter schools could have a material effect on the School's operations.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 3,557,029	\$ 3,400,548	\$ 3,343,776	\$ (56,772)
Contributions and other revenue	-	83,163	217,781	134,618
Total revenues	<u>3,557,029</u>	<u>3,483,711</u>	<u>3,561,557</u>	<u>77,846</u>
EXPENDITURES				
Current:				
Instruction	2,254,231	2,198,995	2,157,328	41,667
Pupil personnel services	91,323	83,115	80,802	2,313
Instructional media	86,621	85,741	69,732	16,009
Instruction and curriculum development	61,990	133,108	132,373	735
Instructional staff training	31,500	28,950	27,714	1,236
Board	12,000	15,000	12,100	2,900
School administration	496,623	457,826	462,360	(4,534)
Fiscal services	155,674	153,189	152,947	242
Pupil transportation	110,000	90,000	84,342	5,658
Operation of plant	257,067	235,527	217,456	18,071
Community services	-	-	432	(432)
Capital outlay	-	-	1,249	(1,249)
Total expenditures	<u>3,557,029</u>	<u>3,481,451</u>	<u>3,398,835</u>	<u>82,616</u>
Net change in fund balance	-	2,260	162,722	160,462
Fund balance at beginning of year	<u>383,777</u>	<u>383,777</u>	<u>383,777</u>	-
Fund balance at end of year	<u>\$ 383,777</u>	<u>\$ 386,037</u>	<u>\$ 546,499</u>	<u>\$ 160,462</u>

See report of independent auditors.

**LAKE WALES CHARTER SCHOOLS, INC.
JANIE HOWARD WILSON ELEMENTARY SCHOOL**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources passed through local school district	\$ 354,445	\$ 354,445	\$ 325,073	\$ (29,372)
Total revenues	<u>354,445</u>	<u>354,445</u>	<u>325,073</u>	<u>(29,372)</u>
EXPENDITURES				
Current:				
Instruction	352,995	352,995	269,214	83,781
Pupil personnel services	-	-	53,952	(53,952)
Fiscal services	1,450	1,450	1,907	(457)
Total expenditures	<u>354,445</u>	<u>354,445</u>	<u>325,073</u>	<u>29,372</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 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 Trustees of Lake Wales Charter Schools, Inc. –
Janie Howard Wilson Elementary School

We have audited the financial statements of the governmental activities and each major fund of Lake Wales Charter Schools, Inc. – Janie Howard Wilson Elementary School (the “School”) as of and for the year ended June 30, 2009, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 14, 2009. 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.

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.



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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described as follows:

2009-01: Notice for Reporting Alleged Misconduct: Florida Statutes, Section 1006.061(2), state that each school must post in a prominent place at each school site and on each school's internet website, if available, the policies and procedures for reporting alleged misconduct by instructional personnel or school administrators which affects the health, safety or welfare of a student; the contact person to whom the report is made; and the penalties imposed on instructional personnel or school administrators who fail to report such misconduct. During our audit procedures, we noted that, while the appropriate notice was posted on the Lake Wales Charter Schools, Inc. website, this notice has not been posted at the School site. We recommend that the School post the appropriate notice at the School site immediately, using the sample poster provided by the Florida Department of Education.

2009-02: Posting of Sanitation Certificate and Inspection Report: Florida Statutes, Section 1013.12(2)(b), state that each school cafeteria must post in a visible location and on the school website the school's semiannual sanitation certificate and a copy of its most recent sanitation inspection report. During our audit procedures, we noted that, while the appropriate certificate and inspection report were posted in a visible location at the School site, these items were not posted on the Lake Wales Charter Schools, Inc. website. We recommend that the School post the appropriate items on the website immediately.

The School's response to the findings identified in our audit is included in the Written Statement of Explanation or Rebuttal on page 33. 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 Board of Trustees, the District School Board of Polk 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 14, 2009

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



To the Board of Trustees of Lake Wales Charter Schools, Inc. –
Janie Howard Wilson Elementary School

We have audited the financial statements of the governmental activities and each major fund of Lake Wales Charter Schools, Inc. – Janie Howard Wilson Elementary School (the “School”) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 14, 2009.

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. We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 14, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements);



(b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official title of the School is Lake Wales Charter Schools, Inc. – Janie Howard Wilson Elementary School.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. 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.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, 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.

Status of Prior Year Findings and Recommendations

Prior year management letter recommendation 1: Revise accounting procedures to include the regular maintenance and preparation of government-wide financial statements, in addition to fund financial statements. During our current year audit procedures, we noted that the School maintained both government-wide and fund financial statements throughout the year.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Trustees 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 14, 2009



151 E. Central Ave.
Lake Wales FL 33853

P.O. Box 3309
Lake Wales FL 33859-3309

PHONE 863-679-6560
FAX 863-679-6565
www.lwcharterschools.com

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Brian Fisher

Director of ESE
Rebecca Steverson

Coordinator of
Community Outreach
Frances McMichael

Executive Assistant to
Superintendent & Board
Sue Medders

The mission of Lake Wales Charter Schools, Inc. is to bring the best of public education to our community by providing innovation and choice within a continuous pre-school through postsecondary curriculum so that each child recognizes the benefits of life-long learning, constructive citizenship and personal happiness.

The Lake Wales Charter Schools, Inc. is an equal opportunity institution for education and employment.

September 14, 2009

BKHM
Certified Public Accountants
1560 N Orange Avenue
Suite 600
Winter Park, FL 32789-5540

RE: Response to Report on Compliance and Other Matters, Fiscal Year 2008-09

Dear Sirs:

The following information is provided in response to the 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*.

2009-01: Notice for Reporting Alleged Misconduct: In keeping with Florida Statutes, Section 1006.061(2) the School has posted the policies and procedures for reporting alleged misconduct in a conspicuous location at the School facility in addition to the Company website.

2009-02: Posting of Sanitation Certificate and Inspection Report: The School's cafeteria is operated and managed by the School Board. In addition to the visible school posting of the semi-annual sanitation certificate and the sanitation inspection report, the School administration has received and posted both documents on the Company website as outlined by Florida Statutes, Section 1013.12(2)(b).

Lake Wales Charter Schools, Inc. takes the compliance issues contained in the report very seriously, and strives diligently to comply with the issues contained therein as we have been entrusted with public funds.

Sincerely,

Brian Fisher
CFO
Lake Wales Charter Schools

Beverly Lynne
Principal
Janie Howard Wilson Elementary