

**MILESTONES
COMMUNITY
SCHOOL OF LAKE
COUNTY**

**(A Division of Milestones
Community School of
Lake County, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2009**

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Milestones Community School of Lake County
Sorrento, Florida



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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School of Lake County (the "School"), a component unit of the School Board of Lake County, Florida and a division of Milestones Community School of Lake County, Inc. (the "Charterholder"), as of and for the year ended June 30, 2009, which collectively comprise Milestones Community School of Lake County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Milestones Community School of Lake County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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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 basic 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 the 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.

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As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Milestones Community School of Lake County at June 30, 2009, and the changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School of Lake County as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2009, on our consideration of Milestones Community School of Lake County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Milestones Community School of Lake County's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

September 28, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management Milestones Community School of Lake County (the "School"), a division of Milestones Community School of Lake County, Inc., we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2009 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 8 - 23.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$475,661.
- The government's total net assets increased by \$97,449.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$96,895, an increase of \$58,885 in comparison with the prior year.
- At the end of the current fiscal year, the School's total debt decreased by \$65,573 due to the principal payments made during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The School as a Whole

The information in the government-wide financial statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc, to assess the overall health of the School.

Changes in the School's net assets were as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Current assets	\$ 163,704	\$ 125,427	\$ 38,277
Capital assets—net	<u>450,640</u>	<u>477,649</u>	<u>(27,009)</u>
Total assets	<u>614,344</u>	<u>603,076</u>	<u>11,268</u>
Current liabilities	66,809	87,417	(20,608)
Long-term obligations	<u>71,874</u>	<u>137,447</u>	<u>(65,573)</u>
Total liabilities	<u>138,683</u>	<u>224,864</u>	<u>(86,181)</u>
Net assets consist of:			
Invested in capital assets, net of related debt	378,766	340,202	38,564
Restricted net assets	4,221	5,949	(1,728)
Unrestricted net assets	<u>92,674</u>	<u>32,061</u>	<u>60,613</u>
Net assets	<u>\$ 475,661</u>	<u>\$ 378,212</u>	<u>\$ 97,449</u>

Capital assets decreased due to \$28,711 of depreciation expense offset by \$1,702 in purchases. Capital assets consist of buildings, improvements other than buildings, furniture, fixture and equipment, and information technology equipment.

The decrease in long-term obligations was a result of current year principal payments.

Changes in the School's expenses were as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Basic instruction	\$ 658,340	\$ 661,365	\$ (3,025)
Exceptional instruction	17,655	19,308	(1,653)
Psychological services	5,665	3,066	2,599
Staff development	7,000	8,187	(1,187)
Board of directors	9,939	12,783	(2,844)
General administration	3,237	-	3,237
School administration	151,021	117,493	33,528
Facilities	135,127	131,066	4,061
Fiscal services	135,244	133,638	1,606
Food services	79,836	74,580	5,256
Staff services	8,438	7,351	1,087
Transportation	149,035	133,710	15,325
Operation of plant	82,045	79,352	2,693
Maintenance of plant	8,104	8,118	(14)
Debt service	<u>6,115</u>	<u>9,805</u>	<u>(3,690)</u>
Total expenses	<u>\$ 1,456,801</u>	<u>\$ 1,399,822</u>	<u>\$ 56,979</u>

School administration fees increased due to the hiring of a new administrator. The prior year administrator left mid-year and was not replaced until the current year; therefore, there was not a full year of salary expenses recorded in the prior year. Transportation expenditures increased due to additional repair and maintenance incurred on the School's buses.

Changes in the School's revenues were as follows:

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Revenues:			
Program revenues			
Changes for service	\$ 17,244	\$ 19,667	\$ (2,423)
Operating grant	172,343	41,828	130,515
Capital grants	118,992	130,893	(11,901)
General revenues	<u>1,245,671</u>	<u>1,251,602</u>	<u>(5,931)</u>
	<u>\$ 1,554,250</u>	<u>\$ 1,443,990</u>	<u>\$ 110,260</u>

The overall revenue increase was a result of a donation of services from the management company, resulting in a recorded contribution of the yearly contracted value of \$122,331.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School include the overall operations of the School.

The government-wide financial statements include only the School itself, which is a component unit of, the School Board of Lake County, Florida. The School Board of Lake County, Florida, includes the operations of Milestones Community School of Lake County as a component unit in their operations.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of Milestone Community School of Lake County are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital outlay fund, both of which are considered to be major funds.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the school to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$475,661 at the close of the most recent fiscal year.

A majority of the School's net assets is reflected in its investment in capital assets (e.g., buildings, improvements other than buildings, furniture, fixtures, and equipment and information technology equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Government's Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$96,895.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$92,674.

The fund balance of the School's general fund increased by \$58,885 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$1,320. Actual expenditures were less than budgeted expenditures by \$14,198.

Capital asset and debt administration

Capital assets. The School's investment in capital assets for its governmental type activities as of June 30, 2009, amounts to \$450,640 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements other than buildings, furniture, fixtures and equipment, and information technology equipment.

Debt. At the end of the current fiscal year, the School had capital leases payable of \$71,874 for the buildings in which the school operates.

The School's total debt decreased by \$65,573 during the current fiscal year due to the principal payments on capital leases.

Request for Information

This financial report is designed to provide a general overview of Milestones Community School of Lake County's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 101-A Business Centre Miramar Beach, FL 32550.

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash	\$ 120,142
Accounts receivable	980
Due from other agencies	5,641
Prepaid expenses	16,941
Deposits	<u>20,000</u>
Total current assets	<u>163,704</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Buildings	338,543
Improvements other than buildings	105,542
Furniture, fixtures, and equipment	5,137
Information technology equipment	<u>1,418</u>
Total capital assets	<u>450,640</u>
Total assets	<u>614,344</u>
LIABILITIES	
Accrued payroll and payroll taxes	66,809
Noncurrent liabilities	
Due within one year	<u>71,874</u>
Total liabilities	<u>138,683</u>
NET ASSETS	
Investment in capital assets, net of related debt	378,766
Restricted for	
Categorical projects	4,221
Unrestricted	<u>92,674</u>
Total net assets	<u><u>\$ 475,661</u></u>

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

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 120,142	\$ -	\$ -	\$ 120,142
Accounts receivable	980	-	-	980
Due from other agencies	-	-	5,641	5,641
Due from other funds	5,641	-	-	5,641
Prepaid expenses	16,941	-	-	16,941
Deposits	20,000	-	-	20,000
	\$ 163,704	\$ -	\$ 5,641	\$ 169,345
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued payroll and payroll taxes	\$ 66,809	\$ -	\$ -	\$ 66,809
Due to other funds	-	-	5,641	5,641
Total liabilities	66,809	-	5,641	72,450
 FUND BALANCES				
Reserved for				
Categorical projects	4,221	-	-	4,221
Unreserved	92,674	-	-	92,674
Total fund balances	96,895	-	-	96,895
Total liabilities and fund balances	\$ 163,704	\$ -	\$ 5,641	\$ 169,345

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

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

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

June 30, 2009

Fund balances - total governmental funds	\$ 96,895
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Buildings, net of \$54,481 accumulated depreciation	\$ 338,543
Improvements other than buildings, net of \$49,237 accumulated depreciation	105,542
Furniture, fixtures, and equipment, net of \$73,418 accumulated depreciation	5,137
Information technology equipment, net of \$400 accumulated depreciation	<u>1,418</u>
Total capital assets	450,640
are	
not reported in the funds. Those liabilities consist of:	
Capital leases	<u>(71,874)</u>
Total net assets of governmental activities	<u><u>\$ 475,661</u></u>

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

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

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

For the year ended June 30, 2009

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 50,012	\$ 50,012
State passed through local school district	1,242,783	118,992	-	1,361,775
Contributions	122,331	-	-	122,331
Other revenues	2,888	-	17,244	20,132
Total revenues	<u>1,368,002</u>	<u>118,992</u>	<u>67,256</u>	<u>1,554,250</u>
Expenditures				
Current:				
Basic instruction	658,340	-	-	658,340
Exceptional instruction	17,655	-	-	17,655
Psychological services	5,665	-	-	5,665
Staff development	7,000	-	-	7,000
Board of directors	9,939	-	-	9,939
General administration	3,237	-	-	3,237
School administration	151,021	-	-	151,021
Facilities	59,396	47,304	-	106,700
Fiscal services	135,244	-	-	135,244
Food services	-	-	79,552	79,552
Staff services	8,438	-	-	8,438
Transportation	149,035	-	-	149,035
Operation of plant	82,045	-	-	82,045
Maintenance of plant	8,104	-	-	8,104
Debt service:				
Principal	-	65,573	-	65,573
Interest	-	6,115	-	6,115
Fixed capital outlay	-	-	1,702	1,702
Total expenditures	<u>1,295,119</u>	<u>118,992</u>	<u>81,254</u>	<u>1,495,365</u>
Excess (deficiency) of revenues over (under) expenditures	72,883	-	(13,998)	58,885
Other financing sources and (uses)				
Transfer in	-	-	13,998	13,998
Transfer out	(13,998)	-	-	(13,998)
Total other financing sources and (uses)	<u>(13,998)</u>	<u>-</u>	<u>13,998</u>	<u>-</u>
Net change in fund balances	58,885	-	-	58,885
Fund balances at July 1, 2008	<u>38,010</u>	<u>-</u>	<u>-</u>	<u>38,010</u>
Fund balances at June 30, 2009	<u>\$ 96,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,895</u>

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

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

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

For the year ended June 30, 2009

Net change in fund balances - total government fund \$ 58,885

The change in net assets 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 costs of those assets
are allocated over their estimated useful lives and reported as
depreciation expense. This and the net effect of various other
transactions involving capital assets increased net asset

Capital outlay additions	\$ 1,702	
Depreciation	<u>(28,711)</u>	
		(27,009)

The issuance of long-term liabilities (e.g., capital leases, notes
payable) provides current financial resources to governmental
funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds.
Neither transaction, however, has any effect on net assets. The
net effect of these differences in the treatment of noncurrent
liabilities debt and related items increased net asset:

Principal payments on capital lease		<u>65,573</u>
Change in net assets of governmental activities	\$	<u><u>97,449</u></u>

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

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Milestones Community School of Lake County (the "School") is a division of Milestones Community School of Lake County, Inc. (the "Charterholder"), which 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 Board of Directors, which is composed of five members. The financial information presented is that of Milestones Community School of Lake County only.

The general operating authority of Milestones Community School of Lake County is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Lake County, Florida (the "District"). The current charter is effective through June 30, 2009 (see Note J). At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District 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 District may also terminate the charter if good cause is shown. Milestones Community Charter School is considered a component unit of the School Board of Lake County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets, and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation
(continued)

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - this is a special revenue fund used in accordance with guidelines established by the School Board of Lake County, Florida, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital grants.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash

Cash is made up of checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of program receivables and amounts due from other agencies. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the School must account for in other funds.

7. Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	5 - 39
Improvements other than buildings	15 - 39
Furniture, fixtures, and equipment	5 - 7
Information technology equipment	3

9. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures.

10. Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (DOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the DOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Revenue sources (continued)

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

11. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

12. Reserves of fund balances

The School has a portion of their general fund balance designated for local categoricals. Categoricals are funds the legislature may appropriate for specified programs, activities, or purposes.

NOTE B - INTERFUND ACTIVITY

1. Interfund transfers

Interfund transfers balances for the year ended June 30, 2009 are as follows:

	Transfers In	Transfers Out
General fund	\$ -	\$ 13,998
Other governmental fund	13,998	-
	\$ 13,998	\$ 13,998

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE B - INTERFUND ACTIVITY (continued)

2. Interfund receivable and payable

Interfund receivable and payable balances for the year ended June 30, 2009 are as follows:

	Due to other fund	Due from other fund
General fund	\$ -	\$ 5,641
Other governmental fund	5,641	-
	\$ 5,641	\$ 5,641

NOTE C - CASH

Custodial credit risk - The bank balance of the School's deposits were \$142,349 at June 30, 2009. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes.

NOTE D - CAPITAL ASSETS

Changes in capital assets activity was as follow:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Capital assets depreciated:				
Buildings	\$ 393,024	\$ -	\$ -	\$ 393,024
Improvements other than buildings	154,779	-	-	154,779
Furniture, fixtures and equipment	78,555	-	-	78,555
Information technology equipment	116	1,702	-	1,818
Total assets depreciated	626,474	\$ 1,702	\$ -	628,176
Less accumulated depreciation:				
Buildings	40,089	\$ 14,392	\$ -	54,481
Improvements other than buildings	39,940	9,297	-	49,237
Furniture, fixtures and equipment	68,680	4,738	-	73,418
Information technology equipment	116	284	-	400
Total accumulated depreciation	148,825	\$ 28,711	\$ -	177,536
Total governmental activities capital assets, net	\$ 477,649			\$ 450,640

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE D - CAPITAL ASSETS (continued)

For the year ended June 30, 2009, \$284 and \$28,427 of depreciation expense was charged to the food service and facilities function of the School, respectively.

NOTE E - LONG-TERM LIABILITIES

1. Changes in long-term liabilities

Changes in long-term liabilities are as follows:

	Balance at July 1, 2008	Additions	Reductions	Balance at June 30, 2009	Due within one year
Capital leases	\$ 137,447	\$ -	\$ 65,573	\$ 71,874	\$ 71,874

2. Capital leases

The School entered into lease agreements in April 2005 and February 2006 as a lessee for financing the acquisition of modular buildings and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, are recorded at the present value of the future minimum lease payments at the inception date. During the current year, the School paid \$65,573 and \$6,115 in principal and interest, respectively.

The assets acquired through the capital leases are recorded in the government-wide statements as follows:

	Governmental Activities:
Asset:	
Buildings	\$ 310,455
Furniture, fixtures and equipment	7,072
Less: accumulated depreciation	37,168
	\$ 280,359

The future minimum lease obligations and the net present value of the minimum lease payments, as of June 30, 2009, were as follows:

Fiscal year ending June 30, 2010	\$ 73,214
Less: amount representing interest	1,340
Present value of future minimum lease payments	\$ 71,874

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Operating leases

The School entered into a lease agreement for facilities with a third party effective July 1, 2007. Monthly payments are \$8,000 through June 30, 2008. On July 1, 2008 monthly payments increase to \$8,240. Payments shall increase each year thereafter by 3% through June 30, 2010. For the year ended June 30, 2009, \$98,880 of operating leases was charged to operations.

The future minimum lease payments for the year ending June 30, 2010 are \$101,846.

2. Management service contract

The School has entered into a cancelable service agreement with a third party management service, commencing on January 28, 2002. The contract is for management services through June 2004. An extension of this agreement has been approved and will expire June 2009. The management fee is calculated as 9% of State passed through revenues, payable in twelve monthly installments.

For the year ending June 30, 2009, the management company waived the School's expenses for the services they provide. As a result, a contribution in the amount of the current year contract value was recorded as revenue. In addition, the related expenditure of \$122,331 was charged to operations.

NOTE G - RELATED PARTY TRANSACTION

Management service contract

The management company provides oversight and management services based on a contractual arrangement with the School. The management company manages the finances and operations and makes recommendations to the School's independent board of directors, which makes the final determinations regarding policies and contracts. For the year ending June 30, 2009, the management company donated these services to the school (see Note F-2).

The School's executive director also serves as a board member for another charter school managed by the same management company.

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE H - CONCENTRATIONS

Revenue sources

As stated in Note A-10, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
The School Board of Lake County, Florida:	
Base funding	\$ 817,907
ESE guaranteed allocation	44,129
Supplemental academic instruction	51,809
Class size reduction	210,514
Safe schools	4,520
Discretionary local effort	54,183
Discretionary lottery	4,884
Discretionary millage equalization	21,024
Discretionary millage compression	13,045
Instructional materials allocation	19,000
Library media	1,155
Student transportation	64,818
Lead teacher program	2,581
Administration fee withheld (5%)	(66,786)
Subtotal	1,242,783
Capital outlay funds	118,992
Total from the School Board of Lake County, Florida	1,361,775
Contributions	122,331
Federal lunch reimbursement	50,012
Student lunches	17,244
Other	2,888
	\$ 1,554,250

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE I - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during the fiscal year 2009. Settled claims resulting from the risks described above have not exceeded the insurance coverage in the previous three years.

NOTE J - SUBSEQUENT EVENT

Charter contract

After year end, the School's charter contract was renewed for five years and will expire June 30, 2014 (see Note A-1).

REQUIRED SUPPLEMENTAL INFORMATION

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FTE revenue	\$ 1,197,524	\$ 1,240,715	\$ 1,240,202	\$ (513)
Lead teacher funds	2,500	2,581	2,581	-
State lunch supplement	-	555	277	(278)
Field trips	-	-	164	164
Miscellaneous	2,500	500	2,447	1,947
Total revenues	<u>1,202,524</u>	<u>1,244,351</u>	<u>1,245,671</u>	<u>1,320</u>
Expenditures				
Salaries	667,531	741,181	740,310	871
Social security	51,065	57,559	56,764	795
Group insurance	66,525	45,600	45,623	(23)
Worker's compensation	7,000	8,500	8,438	62
Unemployment compensation	10,850	12,850	12,559	291
Other employment benefit:	2,000	-	-	-
ESE services	17,000	21,000	19,945	1,055
Computer services	1,750	1,200	1,064	136
Staff development	10,800	8,000	7,805	195
Auditing services	11,000	11,000	11,000	-
Insurance	30,500	28,000	27,988	12
Travel	2,000	15,000	14,838	162
Repairs and maintenance	13,500	14,000	15,480	(1,480)
Vehicle maintenance	7,500	11,000	11,010	(10)
Fire alarm inspection:	500	500	328	172
Copier lease	2,000	2,000	1,756	244
Treadway lease	44,814	55,814	55,066	748
Postage	4,600	4,000	3,916	84
Telephone	9,000	10,500	10,329	171
Water and sewer	1,700	3,000	2,534	466
Garbage	4,300	4,100	4,077	23
Printing/advertising	2,000	2,100	1,866	234
Security/fire alarm	1,300	3,800	3,767	33
Custodial service	-	9,750	9,375	375
Electricity	27,000	24,000	24,034	(34)
Vehicle gasoline	20,000	18,000	15,878	2,122
Supplies	17,500	21,000	20,105	895
Textbooks	18,550	19,500	19,121	379
Furniture, equipment under \$750	5,000	4,000	3,045	955
Improvements	-	1,750	-	1,750
Remodeling & renovation:	-	2,580	-	2,580
Computer software under \$750	-	1,702	1,978	(276)
Dues and fees	2,000	3,000	2,944	56
Other personal services:	6,000	21,000	19,845	1,155
Total expenditures	<u>1,065,285</u>	<u>1,186,986</u>	<u>1,172,788</u>	<u>14,198</u>
Excess of revenues over expenditures	137,239	57,365	72,883	15,518
Other financing uses				
Transfer out	-	-	(13,998)	(13,998)
Net changes in fund balances (budgetary basis)	137,239	57,365	58,885	1,520
Adjustment to conform with GAAP:				
Contribution	-	-	122,331	(122,331)
Fiscal services	-	-	(122,331)	122,331
Net changes in fund balances (GAAP basis)	137,239	57,365	58,885	1,520
Fund balance at July 1, 2008	<u>38,010</u>	<u>38,010</u>	<u>38,010</u>	<u>-</u>
Fund balance at June 30, 2009	<u>\$ 175,249</u>	<u>\$ 95,375</u>	<u>\$ 96,895</u>	<u>\$ 1,520</u>

See accompanying note to required supplemental information.

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL OUTLAY FUND**

For the year ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charter school capital outlay	\$ 130,000	\$ 119,000	\$ 118,992	\$ (8)
Expenditures				
Treadway lease	130,000	119,000	47,304	71,696
Principal	-	-	65,573	(65,573)
Interest	-	-	6,115	(6,115)
Total expenditures	<u>130,000</u>	<u>119,000</u>	<u>118,992</u>	<u>8</u>
Fund balance at July 1, 2008	-	-	-	-
Fund balance at June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplemental information.

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2009

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the Board of Directors (the "Board"). Actual amounts in the accompanying required supplemental information is presented on the budgetary basis. A reconciliation to excess of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplemental information. The budgets presented for fiscal year ended June 30, 2009, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the object level.

SUPPLEMENTAL INFORMATION

**Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2009

	Basic Instruction	Exceptional Instruction	Psychological Services	Staff Development	Board of Directors	General Administration	School Administration
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974
Dues and fees	-	-	-	-	176	-	723
Electricity	-	-	-	-	-	-	-
Garbage	-	-	-	-	-	-	-
Gasoline	-	-	-	-	-	-	-
Group insurance	32,904	-	-	-	-	-	5,098
In county travel	-	-	-	-	-	-	-
Insurance	-	-	-	-	7,597	-	-
Non-professional services	-	-	-	7,000	-	-	-
Other personal services	19,505	160	-	-	-	-	180
Out-of-county travel	287	-	-	-	1,560	-	11,480
Postage	-	-	-	-	-	-	3,916
Printing	-	-	-	-	-	-	892
Professional services	-	14,280	5,665	-	606	-	199
Rental	-	-	-	-	-	-	1,756
Repairs and maintenance	-	-	-	-	-	-	-
Salaries	532,779	2,820	-	-	-	3,000	104,652
Social security	41,203	228	-	-	-	227	7,775
Supplies	4,891	-	-	-	-	-	9,269
Telephone	-	-	-	-	-	-	-
Textbooks	19,121	-	-	-	-	-	-
Unemployment compensation	7,063	167	-	-	-	10	2,251
Water and sewer	-	-	-	-	-	-	-
Worker's compensation	-	-	-	-	-	-	-
Furniture and fixtures	-	-	-	-	-	-	465
Computer hardware	530	-	-	-	-	-	1,224
Computer software	57	-	-	-	-	-	167
	<u>\$ 658,340</u>	<u>\$ 17,655</u>	<u>\$ 5,665</u>	<u>\$ 7,000</u>	<u>\$ 9,939</u>	<u>\$ 3,237</u>	<u>\$ 151,021</u>

Facilities	Fiscal Services	Staff Services	Transportation	Operation of Plant	Maintenance of Plant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 974
-	510	-	1,405	130	-	2,944
-	-	-	-	24,034	-	24,034
-	-	-	-	4,077	-	4,077
-	-	-	15,496	382	-	15,878
-	-	-	7,410	211	-	45,623
-	-	-	336	-	-	336
-	-	-	9,389	11,002	-	27,988
-	-	-	-	13,142	-	20,142
-	-	-	-	-	-	19,845
-	1,175	-	-	-	-	14,502
-	-	-	-	-	-	3,916
-	-	-	-	-	-	892
-	133,331	-	-	1,064	-	155,145
55,066	-	-	-	-	-	56,822
1,750	-	-	11,010	5,961	8,097	26,818
-	-	-	88,744	8,315	-	740,310
-	-	-	6,695	636	-	56,764
-	228	-	30	5,680	7	20,105
-	-	-	5,886	4,443	-	10,329
-	-	-	-	-	-	19,121
-	-	-	2,634	434	-	12,559
-	-	-	-	2,534	-	2,534
-	-	8,438	-	-	-	8,438
2,580	-	-	-	-	-	3,045
-	-	-	-	-	-	1,754
-	-	-	-	-	-	224
<u>\$ 59,396</u>	<u>\$ 135,244</u>	<u>\$ 8,438</u>	<u>\$ 149,035</u>	<u>\$ 82,045</u>	<u>\$ 8,104</u>	<u>\$ 1,295,119</u>

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

SCHEDULE OF FUNCTIONAL EXPENDITURES - CAPITAL OUTLAY FUND

For the year ended June 30, 2009

	Facilities	Fixed Capital Outlay	Debt Service	Total
Rental	\$ 47,304	\$ -	\$ -	\$ 47,304
Payment of principal	-	-	65,573	65,573
Interest	-	-	6,115	6,115
	<u>\$ 47,304</u>	<u>\$ -</u>	<u>\$ 71,688</u>	<u>\$ 118,992</u>

Milestones Community School of Lake County
(A Division of Milestones Community School of Lake County, Inc.)

SCHEDULE OF CATEGORICAL EXPENDITURES

For the year ended June 30, 2009

<u>Categorical</u>	Prior Year	<u>FY 2008-2009</u>		
	<u>Carryforward</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Carryforward</u>
Instructional materials	\$ -	\$ 19,147	\$ 19,121	\$ 26
Public school technology	5,949	-	1,754	4,195
Transportation	-	61,577	61,577	-
Safe schools	-	4,294	4,294	-
Total	<u>\$ 5,949</u>	<u>\$ 85,018</u>	<u>\$ 86,746</u>	<u>\$ 4,221</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**



To the Board of Directors
Milestones Community School of Lake County
Sorrento, Florida

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Melbourne, FL 32940
321.757.2020
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407.644.5811
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301 Clematis Street
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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milestones Community School of Lake County (the "School"), a component unit of the School Board of Lake County, Florida and a division of Milestones Community School of Lake County, Inc. (the "Charterholder") as of and for the year ended June 30, 2009, which collectively comprise Milestones Community School of Lake County's basic financial statements, and have issued our report thereon dated September 28, 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 Milestones Community School of Lake County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Milestones Community School of Lake County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Milestones Community School of Lake County'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 entity'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 Milestones Community School of Lake County's financial statements that is more than inconsequential will not be prevented or detected by the Milestones Community School of Lake County's internal control.

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

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

This report is intended solely for the information and use of Milestones Community School of Lake County's management, Board of Directors, others within the entity, the School Board of Lake County, the State of Florida Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 28, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER



To the Board of Directors
Milestones Community School of Lake County
Sorrento, Florida

We have audited the financial statements of Milestones Community School of Lake County, a component unit of the School Board of Lake County, Florida and a division of Milestones Community School of Lake County, Inc. as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 28, 2009.

8035 Spyglass Hill Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which are dated September 28, 2009, should be considered in conjunction with this management letter.

480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
407.644.5811
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Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the 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 auditors' reports or schedule:

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W. Palm Beach, FL 33401
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- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations in the preceding 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.

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- 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 *Milestones Community School of Lake County*, a division of Milestones Community School of Lake County, Inc. which 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.
- 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(s) met. In connection with our audit, we determined that Milestones Community School of Lake County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10)., Rules of the Auditor General, we applied financial condition assessment procedures. 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.

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 Milestones Community School of Lake County's management, Board of Directors, others within the entity, the School Board of Lake County, the State of Florida Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 28, 2009
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

CURRENT YEAR MANAGEMENT RECOMMENDATIONS

For the year ended June 30, 2009, there are no management recommendations.