

**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, 2015**

**(DISSOLVED)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Milestones Community School of Lake County, Inc.  
Leesburg, Florida

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Milestones Community School of Lake County (the "School"), a division of Milestones Community School of Lake County, Inc., (the "Charterholder") and a component unit of the School Board of Lake County, Florida, as of and for the year ended June 30, 2015 (date of dissolution), and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As described in Note A-12 to the financial statements, in June 30, 2015 (date of dissolution), the School implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the disposal of the School's activities and transfer of assets to the Lake County School District or other parties (Note H).

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School's internal control over financial reporting and compliance.

September 25, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## Management's Discussion and Analysis

As management of Milestones Community School of Lake County (the "School"), which is a component unit of the School Board of Lake County, Florida, a division of Milestones Community School of Lake County, Inc. (the "Charterholder"), 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, 2015 (date of dissolution) 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.

Since 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 starting on page 8.

### Financial Highlights

- There were no assets or liabilities at the close of the most recent fiscal year due to School closing and transfer of assets.
- The School's total net position decreased by \$374,422.
- As of the close of the current fiscal year, the School's governmental funds reported no combined ending fund balances due to school closing.
- At the end of the current fiscal year, there was no unassigned fund balance for the general fund as a result of school closing.

### 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 have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**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 position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 School's net position changed during the most recent fiscal year. All changes in net position 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.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and food services are examples of the School's governmental activities.

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 the School in their operational results.

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

**Fund financial statements.** A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School 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 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 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 two individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

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

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and notes to these schedules have been provided to demonstrate compliance with this budget and can be found on pages 25 through 27 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 noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, for the years ended June 30, 2015 and 2014, assets and liabilities were zero and \$374,422 (net position), respectively.

Comparison of the condensed statement of net position and the statement of activities are provided below:

	<b>Statement of Net Position</b>		
	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Variance</b>
<b>ASSETS</b>			
Current assets	\$ -	\$ 121,625	\$ (121,625)
Capital assets, net of accumulated depreciation	-	324,096	(324,096)
Total assets	-	445,721	(445,721)
<b>LIABILITIES</b>			
Current and other liabilities	-	71,299	(71,299)
<b>NET POSITION:</b>			
Net invested in capital assets	-	324,096	(324,096)
Unrestricted	-	50,326	(50,326)
Total net position	<u>\$ -</u>	<u>\$ 374,422</u>	<u>\$ (374,422)</u>

The change of total assets, liabilities and net position are due to the closing and transfer of School's assets to School Board of Lake County at June 30, 2015 (date of dissolution) compared to 2014.

The following table indicates the changes in net position for the School:

	<b>Governmental Activities</b>		
	<b>2015</b>	<b>2014</b>	<b>Variance</b>
Revenues:			
Program revenues:			
Operating grants, contributions, and capital	\$ 86,364	\$ 97,001	\$ (10,637)
General revenues:			
State passed through local school district	1,309,576	1,273,679	35,897
Other revenues	25,305	15,529	9,776
Total revenues	<u>1,421,245</u>	<u>1,386,209</u>	<u>35,036</u>
Expenses			
Basic instruction	689,512	636,726	52,786
Exceptional instruction	21,884	41,672	(19,788)
Idea grant	-	4,300	(4,300)
Psychological services	-	15,903	(15,903)
Staff development	1,616	1,250	366
Instructional-related technology	2,882	-	2,882
Board of directors	10,203	7,950	2,253
School administration	212,551	139,689	72,862
Facilities	158,806	183,177	(24,371)
Fiscal services	66,693	91,275	(24,582)
Food services	25,877	29,298	(3,421)
Staff services	8,955	12,312	(3,357)
Transportation	99,734	107,384	(7,650)
Operation of plant	149,088	93,578	55,510
Maintenance of plant	16,505	11,489	5,016
Technology administration	300	150	150
Total expenses	<u>1,464,606</u>	<u>1,376,153</u>	<u>88,453</u>
Excess (deficiency) of revenues over (under) expenditures before special items	(43,361)	10,056	(53,417)
Special items - reversion of fixed assets and cash assets to school board and other parties	<u>(331,061)</u>	-	<u>(331,061)</u>
Change in net position	(374,422)	10,056	(384,478)
Net position - beginning	<u>374,422</u>	<u>364,366</u>	<u>10,056</u>
Net position - ending	<u>\$ -</u>	<u>\$ 374,422</u>	<u>\$ (374,422)</u>

The increase of \$35,897 in state passed through local school district is due to an increase in the FEFP base student allocation. Basic instruction increased \$52,786 as a result of fees and number of personnel services and consulting caused by teachers leaving. Exceptional instruction decrease resulted from a teacher leaving and hiring of consultants to fill the vacancy. Psychological service decrease is the result of not offering the service because of School closure. School administration increased mostly due to an assistant principal position being added in the 2014-15 year. Facilities increased mainly as a result of non-capitalized furniture, fixtures, and equipment. Fiscal services decreased due to lower management fees charged. Operation of plant increase was caused by salaries for personnel for closure of the School.



**Governmental activities.** There was no increase to the School's Governmental activities net position for the year ended June 30, 2015 (date of dissolution).

### **Financial Analysis of the Government's Funds**

As noted previously, 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, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the School. At the end of the current fiscal year, there was no unassigned fund balance of the general fund. The fund balance of the School's general fund did not increase or decrease due to the closure of the School and transfer of assets to the District during the current fiscal year.

### **General Fund Budgetary Highlights**

The final budgeted revenues and expenditures exceeded actual revenues and expenditures by \$21,781 and \$28,436, respectively.

The budgetary information can be found on pages 25 and 26 of this report.

### **Capital Assets**

The School has no net investment in capital assets for its governmental activities as of June 30, 2015 (date of dissolution). Additional information on the School's capital assets can be found in Note C.

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. The School has no forecast enrollment as a result of closing the School.

### **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 POSITION**

**June 30, 2015**  
**(Date of Dissolution)**

	Governmental Activities
<b>ASSETS</b>	
<i>ASSETS</i>	
<b>ASSETS</b>	
Total assets	-
<i>LIABILITIES</i>	
<b>LIABILITIES</b>	
Total liabilities	-
<i>NET POSITION</i>	
Total net position	\$ -
Total liabilities and net assets	\$ -

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 ACTIVITIES**

**For the year ended June 30, 2015**  
**(Date of Dissolution)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Basic instruction	\$ 689,512	\$ -	\$ -	\$ -	\$ (689,512)
Exceptional instruction	21,884	-	-	-	(21,884)
Idea grant	-	-	2,150	-	2,150
Staff development	1,616	-	-	-	(1,616)
Instructional-related technology	2,882	-	-	-	(2,882)
Board of directors	10,203	-	-	-	(10,203)
School administration	212,551	-	-	-	(212,551)
Facilities	158,806	-	72,492	11,722	(74,592)
Fiscal services	66,693	-	-	-	(66,693)
Food services	25,877	-	-	-	(25,877)
Staff services	8,955	-	-	-	(8,955)
Transportation	99,734	-	-	-	(99,734)
Operation of plant	149,088	-	-	-	(149,088)
Maintenance of plant	16,505	-	-	-	(16,505)
Technology administration	300	-	-	-	(300)
<b>Total governmental activities</b>	<b>\$ 1,464,606</b>	<b>\$ -</b>	<b>\$ 74,642</b>	<b>\$ 11,722</b>	<b>(1,378,242)</b>
<b>General revenues:</b>					
State passed through local school district					1,309,576
Other revenues					25,305
<b>Total general revenues</b>					<b>1,334,881</b>
Excess (deficiency) of revenues over (under) expenditures before special items					(43,361)
Special items - reversion of fixed assets and cash assets to school board and other parties (see Note H)					(331,061)
Change in net position					(374,422)
Net position at July 1, 2014					374,422
Net position at June 30, 2015					\$ -

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, 2015**  
**(Date of Dissolution)**

	General Fund	Capital Outlay Fund	Total Governmental Funds
<b>ASSETS</b>			
Total assets	\$ -	\$ -	\$ -
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Total liabilities	-	-	-
<b>FUND BALANCES</b>			
Total fund balances	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -

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 POSITION**

**June 30, 2015  
(Date of Dissolution)**

Fund balances - total governmental funds	\$ -
	<hr/>
Total net position of governmental activities	<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, 2015**  
**(Date of Dissolution)**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ 2,150	\$ -	\$ -	\$ 2,150
State passed through local school district	1,309,576	84,214	-	1,393,790
Other revenues	25,305	-	-	25,305
<b>Total revenues</b>	<b>1,337,031</b>	<b>84,214</b>	<b>-</b>	<b>1,421,245</b>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	689,512	-	-	689,512
Exceptional instruction	21,884	-	-	21,884
Staff development	1,616	-	-	1,616
Instructional-related technology	2,882	-	-	2,882
Board of directors	10,203	-	-	10,203
School administration	212,523	-	-	212,523
Facilities	68,797	72,492	-	141,289
Fiscal services	66,693	-	-	66,693
Food services	-	-	24,648	24,648
Staff services	8,955	-	-	8,955
Transportation	99,734	-	-	99,734
Operation of plant	148,752	-	-	148,752
Maintenance of plant	16,505	-	-	16,505
Technology administration	300	-	-	300
<b>Total expenditures</b>	<b>1,348,356</b>	<b>72,492</b>	<b>24,648</b>	<b>1,445,496</b>
Excess (deficiency) of revenues over (under) expenditures before special items	(11,325)	11,722	(24,648)	(24,251)
Special item - reversion of cash assets to school district	(26,075)	-	-	(26,075)
<b>Other financing sources and (uses)</b>				
Transfer in	-	-	24,648	24,648
Transfer out	(12,926)	(11,722)	-	(24,648)
<b>Total other financing sources and (uses)</b>	<b>(12,926)</b>	<b>(11,722)</b>	<b>24,648</b>	<b>-</b>
Net change in fund balances	(50,326)	-	-	(50,326)
Fund balances at July 1, 2014	50,326	-	-	50,326
Fund balances at June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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.)**

**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, 2015  
(Date of Dissolution)**

Net change in fund balances - total government funds \$ (50,326)

The change in net position reported for governmental activities  
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the costs of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Less: depreciation \$ (19,110)  
(19,110)

In the statement of activities, the special items - reversion of  
fixed assets and cash assets to school board and other  
parties are reported. However, in the governmental funds,  
only the special item - reversion of cash assets are  
reported. Thus, the change in net position differs by the  
change in fund balance by the special item - reversion of  
fixed asset to school district and other parties. (Note H)

(304,986)

Change in net position of governmental activities \$ (374,422)

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, 2015**  
**(Date of Dissolution)**

**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"), 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 the School only and is not intended to be a complete presentation of the Charterholder.

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, which is the School Board of Lake County, Florida (the "District"). The current charter is effective through June 30, 2015. Milestones Community School of Lake County 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 position 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 position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, restricted net position, and unrestricted net position. Net position is 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 position 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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 School considers revenues to be available if they are collected within sixty days of the end 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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:

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

Capital Outlay Fund - 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 outlay funds.

4. Cash

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

5. Receivables

Receivables include accounts receivable. As of June 30, 2015, there were no accounts receivables due to the School. Therefore, no allowance for doubtful accounts has been provided.

6. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid expenses in both government-wide and fund financial statements. As of June 30, 2015, there were no prepaid expenses.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Revenue sources

Revenues for current operations are received primarily from the state of Florida passed through 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 (FDOE) for funding through the Florida Education Finance Program. 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 FTE students reported by the School during the designated FTE student survey periods.

The School receives 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 requirements whereby the issuance of grant funds is withheld until qualifying 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.

8. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2011.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. 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.

10. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Fund balance classification (continued)

Committed fund balance - amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. No other fund except the general fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

12. Disposal and transfer of operations

On February 12, 2015, the School's Board voted not to renew the charter agreement with Lake County District Schools. Under GASB Statement No. 69, Government Combinations and Disposals of Government Operations, the School will dispose of operation and transfer assets to the Lake County District School and other parties at the date of dissolution of June 30, 2015 (see Note H).

**NOTE B - CASH**

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. As of June 30, 2015, there are no total bank deposits. The deposits are insured by the FDIC up to \$250,000 per financial institution. 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. At June 30, 2015, the School's deposits were not exposed to custodial credit risk.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets depreciated:				
Buildings	\$ 393,024	\$ -	\$ 393,024	\$ -
Improvements other than buildings	83,037	-	83,037	-
Furniture, fixtures, and equipment	36,438	-	36,438	-
Information technology equipment	1,702	-	1,702	-
Total assets depreciated	<u>514,201</u>	<u>\$ -</u>	<u>\$ 514,201</u>	<u>-</u>
Less accumulated depreciation:				
Buildings	120,880	\$ 13,002	\$ 133,882	-
Improvements other than buildings	34,314	4,515	38,829	-
Furniture, fixtures, and equipment	33,209	1,593	34,802	-
Information technology equipment	1,702	-	1,702	-
Total accumulated depreciation	<u>190,105</u>	<u>\$ 19,110</u>	<u>\$ 209,215</u>	<u>-</u>
Total governmental activities capital assets, net	<u>\$ 324,096</u>			<u>\$ -</u>

Depreciation expense for the year ended June 30, 2015 was charged to functions of the School as follows:

Facilities	\$ 17,517
Food services	1,229
Operation of plant	336
School administration	28
	<u>\$ 19,110</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE D - COMMITMENTS AND CONTINGENCIES**

1. Operating leases

The School entered into a facility lease agreement with a third party effective July 1, 2011 which expires on June 30, 2016. The base monthly payments are \$13,805 for the current year, including taxes and insurance and the full utilization of the gymnasium. For the year ended June 30, 2015, lease expense charged to operations was \$140,664 which includes a rent reduction offered by the landlord of \$25,000 due to the school closure. The School will not renew the lease agreement due to the closure of the School (see Note H).

2. Management service contract

The School's service agreement with a third party management service was commenced on October 23, 2014. The management fee is calculated at the Board of Directors discretion and will be approved in the budget process. The approved management fee was payable in twelve monthly installments. For the year ending June 30, 2015, the management fee was \$40,000.

**NOTE E - RELATED PARTY TRANSACTION**

1. 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, 2015, the management fee was \$40,000 (see Note D-2).

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015  
(Date of Dissolution)**

**NOTE F - CONCENTRATIONS**

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the local school district. The following is a schedule of revenue sources and amounts:

Sources	Amounts
Revenue sources passed through the School Board of Lake County, Florida:	
Base funding	\$ 932,411
Class size reduction	232,680
Discretionary local effort	62,870
Student transportation	66,427
Supplemental academic instruction	49,820
Discretionary millage compression	22,266
Library media	905
Digital classroom allocation	3,034
Instructional materials allocation	15,134
Discretionary lottery	734
Prior period adjustment and pro-ration to available funds	(7,813)
Administration fee withheld (5%)	<u>(68,892)</u>
Subtotal	1,309,576
Capital outlay	84,214
Total revenues sources passed through the School Board of Lake County, Florida	1,393,790
Federal through state title II reimbursement	2,150
Other revenues	<u>25,305</u>
	<u><u>\$ 1,421,245</u></u>



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2015**  
**(Date of Dissolution)**

**NOTE G - 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 property insurance plan the School's liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during the fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the previous three years.

**NOTE H - DISPOSAL AND TRANSFER OF OPERATIONS**

On February 12, 2015, the School's Board voted not to renew the charter agreement with Lake County District Schools. By terms of the charter agreement, the District will assume possession of the operations of the School. Thus, under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the School will dispose of the operation and transfer assets to the Lake County District School in the amount of \$1,637 for fixed assets and the remaining amount of \$303,350 will transfer or convey to the leaseholder for title of the modular buildings and improvements other than the building for a total fixed asset reversion of \$304,987. In addition, a cash asset in the amount of \$26,075 will revert to the school district. The total amounts of the reversions to both parties are \$331,061 at June 30, 2015 (date of dissolution).

**NOTE I - SUBSEQUENT EVENT**

The School has evaluated subsequent events through September 25, 2015, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY 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, 2015**  
**(Date of Dissolution)**

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>Revenues</b>				
IDEA	\$ 4,600	\$ -	\$ 2,150	\$ 2,150
FTE revenue	1,303,117	1,306,061	1,306,105	44
FTE income audit payback	(17,500)	(18,350)	-	18,350
Lead teacher funds	-	3,471	3,471	-
Digital classroom allocation	2,918	2,882	2,882	-
E-rate	5,000	-	-	-
Miscellaneous	15,000	17,187	18,424	1,237
Insurance claim	-	3,999	3,999	-
Total revenues	<u>1,313,135</u>	<u>1,315,250</u>	<u>1,337,031</u>	<u>21,781</u>
<b>Expenditures</b>				
Salaries	707,601	758,000	740,627	17,373
Social security	54,882	58,200	56,901	1,299
Group insurance	87,269	80,000	78,225	1,775
Worker's compensation	10,000	7,800	7,731	69
Unemployment compensation	11,500	9,600	9,234	366
Management services	-	40,000	40,000	-
ESE services	38,000	32,035	32,035	-
Computer services	-	300	300	-
Staff development	30,000	34,000	33,300	700
Auditing services	10,700	22,000	22,000	-
Other professional services	-	3,000	3,000	-
Insurance	26,000	24,000	24,307	(307)
Travel	3,000	3,600	3,556	44
Repairs and maintenance	15,000	26,000	26,001	(1)
Vehicle maintenance	15,000	32,000	31,556	444
Fire alarm inspections	200	755	775	(20)
Copier lease	4,417	4,826	4,825	1
Facility lease	140,664	68,172	68,172	-
Postage	2,000	1,500	1,857	(357)
Telephone	8,404	7,800	6,985	815
Water and sewer	3,000	2,500	2,414	86
Garbage	6,300	8,400	8,282	118
Printing/advertising	600	150	-	150
Non-professional service	1,200	3,300	3,179	121
Security/fire alarm	1,334	2,867	2,867	-
Custodial service	536	364	300	64
Electricity	26,000	29,000	24,261	4,739
Vehicle gasoline	28,500	20,500	20,171	329
Supplies	22,000	23,000	22,375	625
Textbooks	21,000	20,116	20,116	-
Furniture, equipment under \$750	4,300	-	5,151	(5,151)
Capitalized fixtures and equipment	-	16,500	11,316	5,184
Computer software under \$750	4,500	3,400	3,485	(85)
Buses	7,000	6,197	6,197	-
Dues and fees	3,500	4,500	4,365	135
Other personal services	10,000	22,410	22,490	(80)
Total expenditures	<u>1,304,407</u>	<u>1,376,792</u>	<u>1,348,356</u>	<u>28,436</u>
Excess (deficiency) of revenues over (under) expenditures	8,728	(61,542)	(11,325)	(50,217)
Special item - reversion of cash assets to school district	-	-	(26,075)	26,075
<b>Other financing sources and (uses)</b>				
Transfer out	-	-	(12,926)	12,926
Net change in fund balance	8,728	(61,542)	(50,326)	(11,216)
Net changes in fund balances (GAAP basis)	8,728	(61,542)	(50,326)	(11,216)
Fund balance at July 1, 2014	50,326	50,326	50,326	-
Fund balance at June 30, 2015	<u>\$ 59,054</u>	<u>\$ (11,216)</u>	<u>\$ -</u>	<u>\$ (11,216)</u>

See accompanying note to required supplementary 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, 2015**  
**(Date of Dissolution)**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ -	\$ 84,209	\$ 84,214	\$ 5
Expenditures				
Facility lease	-	72,492	72,492	-
Total expenditures	-	72,492	72,492	-
Excess (deficiency) of revenues over (under) expenditures	-	11,717	11,722	(5)
Other financing sources and (uses)				
Transfer out	-	-	(11,722)	11,722
Total other financing sources and (uses)	-	11,717	-	11,717
Net change in fund balance				
Fund balance at July 1, 2014	-	-	-	-
Fund balance at June 30, 2015	\$ -	\$ 11,717	\$ -	\$ 11,717

See accompanying note to required supplementary information.

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

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2015  
(Date of Dissolution)**

**NOTE A - BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general fund, capital outlay fund and individual grants and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2015, 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 fund level.

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

To the Board of Directors  
Milestones Community School of Lake County, Inc.  
Leesburg, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and 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, 2015 (date of dissolution), and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 25, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 25, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## MANAGEMENT LETTER

To the Board of Directors  
Milestones Community School of Lake County, Inc.  
Leesburg, Florida

### Report on the Financial Statements

We have audited the financial statements 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 fiscal year ended June 30, 2015 (date of dissolution), and have issued our report thereon dated September 25, 2015.

### Auditor's Responsibility

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

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 25, 2015, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity 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.



## **Financial Condition**

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations in the current year.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

Our management letter is intended solely for the information and use of the School's management, Board of Directors, others within the School, the School Board of Lake County, Florida, the State of Florida Office of the Auditor General, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 25, 2015  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the years ended June 30, 2014 and June 30, 2015, there were no management findings or recommendations.