

**IMAGINE SCHOOL AT LAND O'LAKES**

A Charter School and Component Unit of the  
District School Board of Pasco County, Florida

**INDEPENDENT AUDITOR'S REPORT**

*for the fiscal year ended JUNE 30, 2013*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

# IMAGINE SCHOOL AT LAND O'LAKES

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## Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors of the Imagine School at Land O'Lakes,  
a Charter School and Component Unit of the District  
School Board of Pasco County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imagine School at Land O'Lakes ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the year ended June 30, 2013, 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 *Governmental 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 School'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 School'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 opinion.

### ***Opinions***

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 Imagine School at Land O'Lakes, as of June 30, 2013, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 3-7 and 26 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 historic 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 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 August 16, 2013 on our consideration of Imagine School at Land O'Lakes' 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 Imagine School at Land O'Lakes' internal control over financial reporting and compliance.

Respectfully submitted,

*King & Walker, CPAs*

August 16, 2013  
Tampa, Florida

## **IMAGINE SCHOOL AT LAND O'LAKES**

A Charter School and Component Unit of the District School Board of Pasco County, Florida

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Imagine School at Land O'Lakes ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2013.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 25.

#### **FINANCIAL HIGHLIGHTS**

- The School reported an Unrestricted Net Position balance of \$22,293, as shown on the Statement of Net Position.
- For the fiscal year ended June 30, 2013, the School's revenues exceeded expenses by \$6,831 as shown on the School's statement of activities.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

#### **Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of Net Position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of Net Position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the Net Position, is a measure of the financial health of the School.

The statement of activities presents information about the change in the School's Net Position and the results of operations, during the fiscal year. An increase or decrease in Net Position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates two funds: a General Fund and a Capital Projects Fund. The School has elected to show each fund as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

## **Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's Net Position as of June 30, 2012, and June 30, 2013:

	Net Position, End of Year		
	Governmental Activities		
	6-30-12	6-30-13	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 316,406	\$ 412,595	\$ 96,189
Capital Assets, net	270,299	231,514	(38,785)
Total Assets	586,705	644,109	57,404
<b>LIABILITIES</b>			
Current Liabilities	314,855	390,302	75,447
Long-term Liabilities	85,756	60,882	(24,874)
Total Liabilities	400,611	451,184	50,573
<b>NET POSITION</b>			
Invested in Capital Assets, net of Debt	184,543	170,632	(13,911)
Unrestricted	1,551	22,293	20,742
Total Net Position	\$ 186,094	\$ 192,925	\$ 6,831

Current assets consist primarily of cash and the School's investment in capital assets consisting of furniture, fixtures and equipment, and vehicles, net of depreciation. Liabilities are comprised mainly of salaries & benefits payable, a long term loan and accounts payable.

Total Net Position amounted to \$192,925 as of June 30, 2013, representing an increase of \$6,831 over the prior fiscal year.

The key elements of the changes in the School's Net Position for the fiscal years ended June 30, 2012, and June 30, 2013 are as follows:

Operating Results for the Year			
	Governmental Activities		Increase (Decrease)
	6-30-12	6-30-13	
<b>Revenues:</b>			
State and Local Sources	\$ 3,407,666	\$ 3,953,367	\$ 545,701
Contributions and Other	426,256	150,210	(276,046)
Total Revenues	3,833,922	4,103,577	269,655
<b>Expenses:</b>			
Instruction	1,853,348	1,943,007	89,659
Pupil Personnel Services	213	206	(7)
Instructional Media	9,515	1,082	(8,433)
Instruction and Curriculum Development	8,987	7,241	(1,746)
Instructional Staff Training	1,281	1,084	(197)
Instruction Related Technology		6,168	6,168
Board of Education	7,880	7,744	(136)
General Administration		488,206	488,206
School Administration	711,692	247,765	(463,927)
Fiscal Services	124,577	124,110	(467)
Food Services	4,801	15,320	10,519
Central Services	927	1,287	360
Transportation	75,606	92,496	16,890
Operation of Plant	786,320	1,016,534	230,214
Maintenance of Plant	74,429	43,573	(30,856)
Community Service	22,574	29,599	7,025
Debt Service - Interest	7,672	5,714	(1,958)
Unallocated Depreciation	57,416	65,610	8,194
Total Expenses	3,747,238	4,096,746	349,508
<b>Increase in Net Position</b>	<b>\$ 86,684</b>	<b>\$ 6,831</b>	<b>\$ (79,853)</b>

The largest revenue source for the School is the State of Florida (91 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. An increase in Full Time Equivalent students of approximately 87 students was the primary factor for the increased State revenue as well as other revenue sources.

Instruction expenses increased primarily due to an increase in instructional staffing needs as a result of approximately 87 additional students and employee benefit expense increases. The other expense categories experienced increases and decreases between fiscal years due to general economic conditions and the financial needs of the school.



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

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$22,293.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2013, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2013, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 26 for additional information.

### **CAPITAL ASSETS & LONG-TERM DEBT**

#### **Capital Assets**

The School's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$231,514 (net of accumulated depreciation). This investment in capital assets includes vehicles and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in note 3 to the financial statements.

#### **Long-Term Debt**

At June 30, 2013, the School had \$60,882 in long-term debt outstanding, a net decrease of \$24,874 from last year. Additional information about the School's long-term debt is presented in Notes 5 and 6 to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Imagine School at Land O'Lakes' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Imagine School at Land O'Lakes 2940 Sunlake Blvd., Land O' Lakes, FL 34638.

**IMAGINE SCHOOL AT LAND O'LAKES**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2013*

	Governmental Activities
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 393,425
Due From Other Agency	15,620
Prepaid Expenses & Deposits	3,274
Accounts Receivable	276
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	137,410
Vehicles, Net	94,104
Total Capital Assets, Net	<u>231,514</u>
<b>TOTAL ASSETS</b>	<u><b>644,109</b></u>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	280,576
Due to Operating Company	31,518
Accounts Payable	70,958
Unearned Revenue	7,250
Long-Term Liabilities:	
Due within one year	26,850
Due after one year	34,032
<b>TOTAL LIABILITIES</b>	<u><b>451,184</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	170,632
Unrestricted	22,293
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 192,925</b></u></u>

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

**IMAGINE SCHOOL AT LAND O'LAKES**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2013*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position Governmental Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 1,943,007	\$ -	\$ -	\$ -	\$ (1,943,007)	\$ (1,943,007)
Pupil Personnel Services	206				(206)	(206)
Instructional Media	1,082				(1,082)	(1,082)
Instructional and Curriculum Development	7,241				(7,241)	(7,241)
Instructional Staff Training	1,084				(1,084)	(1,084)
Instruction Related Technology	6,168				(6,168)	(6,168)
Board of Education	7,744				(7,744)	(7,744)
General Administration	488,206				(488,206)	(488,206)
School Administration	247,765				(247,765)	(247,765)
Fiscal Services	124,110				(124,110)	(124,110)
Food Services	15,320				(15,320)	(15,320)
Central Services	1,287				(1,287)	(1,287)
Transportation	92,496				(92,496)	(92,496)
Operation of Plant	1,016,534			271,852	(744,682)	(744,682)
Maintenance of Plant	43,573				(43,573)	(43,573)
Community Service	29,599				(29,599)	(29,599)
Debt Service - Interest	5,714				(5,714)	(5,714)
Unallocated Depreciation	65,610				(65,610)	(65,610)
Total Governmental Activities	\$ 4,096,746	\$ -	\$ -	\$ 271,852	\$ (3,824,894)	\$ (3,824,894)
General Revenues:						
State and Local Sources					3,681,515	3,681,515
Contributions and Other					150,210	150,210
					<u>3,831,725</u>	<u>3,831,725</u>
Change in Net Position					6,831	6,831
Net Position - July 1, 2012					186,094	186,094
Net Position - June 30, 2013					<u>\$ 192,925</u>	<u>\$ 192,925</u>

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

**IMAGINE SCHOOL AT LAND O'LAKES  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***

***June 30, 2013***

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 393,425	\$ -	\$ 393,425
Due From Other Agency	7,355	8,265	15,620
Due From Other Funds	8,265		8,265
Prepaid Expenses & Deposits	3,274		3,274
Accounts Receivable	276		276
<b>TOTAL ASSETS</b>	<u><u>\$ 412,595</u></u>	<u><u>\$ 8,265</u></u>	<u><u>\$ 420,860</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 280,576	\$ -	\$ 280,576
Due to Operating Company	31,518		31,518
Accounts Payable	70,958		70,958
Unearned Revenue	7,250		7,250
Due to Other Funds		8,265	8,265
<b>Total Liabilities</b>	<u><u>390,302</u></u>	<u><u>8,265</u></u>	<u><u>398,567</u></u>
Fund Balances:			
Nonspendable	3,274		3,274
Spendable - Unassigned	19,019		19,019
<b>Total Fund Balances</b>	<u><u>22,293</u></u>	<u><u>-</u></u>	<u><u>22,293</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 412,595</u></u>	<u><u>\$ 8,265</u></u>	<u><u>\$ 420,860</u></u>

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

**IMAGINE SCHOOL AT LAND O'LAKES  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

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

*June 30, 2013*

<b>Total Fund Balances - Governmental Funds</b>	\$ 22,293
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	231,514
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(60,882)</u>
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<b>Total Net Position - Governmental Activities</b>	<u><u>\$ 192,925</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**IMAGINE SCHOOL AT LAND O'LAKES**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

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

*For the Fiscal Year Ended June 30, 2013*

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
State and Local	\$ 3,681,515	\$ 271,852	\$ 3,953,367
Contributions and Other	150,210	-	150,210
Total Revenues	<u>3,831,725</u>	<u>271,852</u>	<u>4,103,577</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	1,943,007		1,943,007
Pupil Personnel Services	206		206
Instructional Media	1,082		1,082
Instructional and Curriculum Development	7,241		7,241
Instructional Staff Training	1,084		1,084
Instruction Related Technology	6,168		6,168
Board of Education	7,744		7,744
General Administration	488,206		488,206
School Administration	247,765		247,765
Fiscal Services	124,110		124,110
Food Services	15,320		15,320
Central Services	1,287		1,287
Transportation	92,496		92,496
Operation of Plant	258,545	757,989	1,016,534
Maintenance of Plant	43,573		43,573
Community Service	29,599		29,599
Fixed Capital Outlay:			
Other Capital Outlay		26,825	26,825
Debt Service:			
Principal	24,874		24,874
Interest	5,714		5,714
Total Expenditures	<u>3,298,021</u>	<u>784,814</u>	<u>4,082,835</u>
Excess (Deficiency) of Revenues			
Over/(Under) Expenditures	<u>533,704</u>	<u>(512,962)</u>	<u>20,742</u>
Other Financing Sources (Uses):			
Transfers In		512,962	512,962
Transfers Out	(512,962)		(512,962)
Total Other Financing Sources (Uses)	<u>(512,962)</u>	<u>512,962</u>	<u>-</u>
Net Change in Fund Balances	20,742	-	20,742
Fund Balances, July 1, 2012	1,551	-	1,551
Fund Balances, June 30, 2013	<u>\$ 22,293</u>	<u>\$ -</u>	<u>\$ 22,293</u>

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

**IMAGINE SCHOOL AT LAND O'LAKES  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

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

*For the Fiscal Year Ended June 30, 2013*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 20,742
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Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is  
allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlays (\$26,825) in excess of depreciation  
(\$65,610) in the current period.

(38,785)

Repayment of debt principal is an expenditure in the governmental funds,  
but the payment reduces long-term liabilities in the statement of  
net assets.

24,874

<b>Change in Net Position - Governmental Activities</b>	<hr/> <b>\$ 6,831</b> <hr/>
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The accompanying notes to the financial statements are an integral part of this statement.

# IMAGINE SCHOOL AT LAND O' LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ Reporting Entity

The Imagine School at Land O' Lakes ("School"), a component unit of Pasco County School Board, Florida, is sponsored by its charter-holder, Imagine-Pasco County, LLC a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of five members. The financial information presented is that of Imagine School at Land O'Lakes only. The School's entire workforce is provided by the management company; therefore, all employees' benefits are provided by the management company.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Pasco County, Florida, ("District"). The current charter was renewed and is effective until June 30, 2028, and is subject to annual review and may be renewed by mutual agreement between the School and the District. 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 this 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a division of the Charter holder, and a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

#### ➤ Basis of Presentation

Government-wide Financial Statements: Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole. Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct



# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The School considers all of its funds as major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

### ➤ Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources,

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### ➤ Budgets and Budgetary Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

### ➤ Cash and Cash Equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

### ➤ Capital Assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of Net Position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3-5 years
Vehicles	10 years

Current-year information relative to changes in capital assets is described in a subsequent note.

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

- Evaluation and planning documents for Weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections. The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. A schedule of revenue sources for the current year is presented in a subsequent note.

### ➤ Recently Issued Accounting Principles

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components; assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of the Statement are effective for financial statements for periods beginning after December 15, 2011.

### ➤ Fund Balance Classification

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

### ➤ Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

### ➤ Income Taxes

The School is a charter school under Imagine-Pasco County, LLC, which qualifies as a tax-exempt organization, and is, therefore, exempt from income tax. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

### ➤ Use of Estimates

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of Net Position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 2. DUE FROM OTHER AGENCY

Amounts Due from Other Agency included in the accompanying statement of Net Position and balance sheet – governmental funds consists of amounts due from the Pasco County District School Board for FEFP and Capital Outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

### 3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 244,556	\$ 26,825	\$ -	\$ 271,381
Vehicles	169,854			169,854
Total Capital Assets Being Depreciated	<u>414,410</u>	<u>26,825</u>	<u>-</u>	<u>441,235</u>
 Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(84,889)	(49,082)		(133,971)
Vehicles	(59,222)	(16,528)		(75,750)
Total Accumulated Depreciation	<u>(144,111)</u>	<u>(65,610)</u>	<u>-</u>	<u>(209,721)</u>
Governmental Activities Capital Assets, net	<u>\$ 270,299</u>	<u>\$ (38,785)</u>	<u>\$ -</u>	<u>\$ 231,514</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

### 4. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2013, the School's Capital Projects Fund owed the General Fund \$8,265 for rent expenditures paid out of the General Fund. These amounts are netted together and not reported in the statement of Net Position.

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 5. NOTES PAYABLE

Notes payable consist of the following:

	Balance at 6-30-13
<u>Note Payable - TCF Equipment Finance</u>	
\$165,286, Borrowed 9-16-08, to purchase two school buses. Interest Rate of 7.6689%. Payments are to be made in 84 equal monthly installments of \$2,549.	
	60,882
Total Notes Payable	\$ 60,882

Amounts payable for notes payable are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	30,588	26,850	3,738
2015	30,588	28,983	1,605
2016	5,098	5,049	49
Total	\$ 66,274	\$ 60,882	\$ 5,392

### 6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Notes Payable	\$ 85,756	\$ -	\$ (24,874)	\$ 60,882	\$ 26,850
Total Governmental Activities	\$ 85,756	\$ -	\$ (24,874)	\$ 60,882	\$ 26,850

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 7. SCHEDULE OF STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's State and local revenue:

<u>Source</u>	<u>Amount</u>
<u>STATE:</u>	
Florida Education Finance Program	\$ 2,277,889
Categorical Educational Programs:	
Class Size Reduction	751,349
Supplementary Academic Instruction	171,072
ESE Guaranteed Allocation	50,299
Instructional Materials	47,071
Safe Schools	13,244
Charter School Capital Outlay	161,334
Charter School Capital Outlay - Admin	110,518
Transportation	82,280
School Recognition	51,021
Teacher Lead Program	6,004
Total State Revenue	<u>\$ 3,722,081</u>
<u>LOCAL:</u>	
Discretionary Local Effort	\$ 141,579
Discretionary Millage	<u>89,707</u>
Total Local Revenue	<u>231,286</u>
Total State and Local Revenue	<u>\$ 3,953,367</u>

As provided in the charter school contract, the District has charged the School an administrative fee of available funds from the Florida Education Finance Program and categorical funding for which charter students may be eligible. The administrative fee for the fiscal year amounted to \$77,068.

### 8. FUNDING AND CREDIT CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### 9. COMMITMENTS AND CONTINGENT LIABILITIES

#### a) Management Service Contract:

The School entered into a service agreement with Imagine Schools Non-Profit, Inc. (ISNP), commencing September 1, 2008, and effective for twenty years (240 months), and may be cancelled or terminated pursuant to the terms and conditions set forth in the charter. This agreement has been amended and is effective as of July 1, 2011.

This agreement calls for a Development Allocation for the pre-opening charter school development support. On September 1, of the first year of operation of the Charter School, the Development Allocation amount of \$2,500 shall be paid to ISNP on the first of each month thereafter for the period of 240 months. Current year Development Allocation fees charged to operations totaled \$30,000.

This agreement also calls for an Indirect Cost Allocation, for performance of its responsibilities, equal to twelve percent (12%) of State revenue. The Indirect Cost Allocation shall be paid monthly in an amount equal to one-twelfth of the annual budgeted allocation. Current year Indirect Cost Allocation fees charged to operations totaled \$458,206.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide Operating Advances to cover such shortfalls. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget.

If, at the end of a fiscal year, the School's defined fund balance, as determined prior to final completion of the School's annual audit, is not sufficiently positive, consistent with Section 218.503(1), F.S. (2011), and the fund balance requirements of the District School Board of Pasco County (the "Authorizer"), if any, to reimburse ISNP for all Operating Advances made during such fiscal year, ISNP shall forgive the amount of outstanding Operating Advances that will enable the Defined Fund Balance to reflect a net surplus as of the end of such fiscal year equal to at least one dollar (\$1.00) or, if greater, the fund balance required by the Authorizer, if any. In no event shall ISNP be required to make any Operating Advances, which, if forgiven, may result in a cumulative Operating Advance forgiveness in excess of one million five hundred dollars (\$1,500,000).

ISNP shall be entitled to payment of a fee for services, including for providing Operating Advances (the "Fund Balance Assistance Fee"), in any year in which (i) no amounts were required to be forgiven pursuant to the previous paragraph, and (ii) the Defined Fund Balance, after consideration of the repayments of all outstanding Operating Advances, exceeds the fund balance required by the Authorizer, if any. The Fund Balance Assistance Fee for such year shall equal the lesser of (x) the amount which, when recorded for such year would cause the Defined Fund Balance



# IMAGINE SCHOOL AT LAND O'LAKES

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

to equal at least one dollar (\$1.00) or, if greater, the Fund Balance required by the Authorizer, if any, and (y) 2% of State revenues. The Fund Balance Assistance fee shall be due and payable as of the 15<sup>th</sup> day of December following the fiscal year of such determination, to allow for time to complete the School's annual audit. "Defined Fund Balance" for purposes of this agreement, shall mean that portion of the School's fund balance not classified as restricted, committed, or nonspendable, as reported on the fund financial statements.

### b) Facilities and equipment:

On January 1, 2012, the School entered a lease agreement continuing so long as the Charter Agreement with the District School Board of Pasco County, Florida remains in effect. The lease calls for an annual base rent of \$757,989 payable in advance in monthly installments. The base rent shall escalate annually on July 1 at a rate equal to the lesser of the overall Consumer Price Index for the immediate preceding calendar year. Total rent expense charged to operations for the year ended June 30, 2013 totaled \$757,989.

The School has also committed to pay an equipment use fee to the management company for certain equipment for the School. The initial term of the lease was 24 months. In June of 2010, the lease was extended for 30 months with rent payments totaling \$7,041.66 per month through December 2012. The current year equipment use fee charged to operations totaled \$45,292.

The total future minimum payments for the years ended June 30, are as follows:

Fiscal Year Ending June 30:	Development Allocation	Facilities
2014	\$ 30,000	\$ 757,989
2015	30,000	-
2016	30,000	-
2017	30,000	-
2018	30,000	-
2019-23	150,000	-
2024-28	150,000	-
2029	30,000	-
Total Minimum Lease Payments	<u>\$ 480,000</u>	<u>\$ 757,989</u>

### 10. INTERFUND TRANSFERS

The School's General Fund transferred \$512,962 to the Capital Projects Fund to finance the School's facilities lease payments. These amounts are netted together and not reported in the statement of activities.

# **IMAGINE SCHOOL AT LAND O'LAKES**

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

### **11. RELATED PARTY TRANSACTIONS**

The School has entered into multiple agreements with the management company. The management company is responsible for organizing, developing, managing, staffing, and operating the School. During the current year, the management company charged fees to the School for these services as described in Note 9. The due to operating company also reflects activity for operating expenses and invoices for certain expenses paid on behalf of the School. The School shall reimburse the management company when funds which are not otherwise reserved under the budget become available as stated in the financial arrangement with the management company. The due to Management Company at the end of the fiscal year is \$31,518.

### **12. RISK MANAGEMENT PROGRAMS**

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. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

### **13. LEGAL MATTERS**

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

### **14. SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**IMAGINE SCHOOL AT LAND O'LAKES**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**

*For the Fiscal Year Ended June 30, 2013*

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Intergovernmental:				
State and Local	\$ 3,329,202	\$ 3,681,515	\$ 3,681,515	\$ -
Contributions and Other	300,702	150,210	150,210	-
Total Revenues	3,629,904	3,831,725	3,831,725	-
<b>Expenditures:</b>				
Current - Education:				
Instruction	1,827,954	1,943,007	1,943,007	-
Pupil Personnel Services	16,521	206	206	-
Instructional Media		1,082	1,082	-
Instructional and Curriculum Development	11,792	7,241	7,241	-
Instructional Staff Training		1,084	1,084	-
Instruction Related Technology		6,168	6,168	-
Board of Education	18,000	7,744	7,744	-
General Administration	495,469	488,206	488,206	-
School Administration	287,535	247,765	247,765	-
Fiscal Services	58,960	124,110	124,110	-
Food Services	6,909	15,320	15,320	-
Central Services	1,980	1,287	1,287	-
Transportation	97,028	92,496	92,496	-
Operation of Plant	195,590	258,545	258,545	-
Maintenance of Plant	42,545	43,573	43,573	-
Community Service	20,727	29,599	29,599	-
Debt Service:				
Principal	67,658	24,874	24,874	-
Interest		5,714	5,714	-
Total Expenditures	3,148,668	3,298,021	3,298,021	-
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-481,236	533,704	533,704	-
Other Financing Sources (Uses):				
Transfers Out		(512,962)	(512,962)	-
Total Other Financing Sources (Uses)		(512,962)	(512,962)	-
Net Change in Fund Balance	481,236	20,742	20,742	-
Fund Balance, July 1, 2012	1,551	1,551	1,551	-
Fund Balance, June 30, 2013	\$ 482,787	\$ 22,293	\$ 22,293	\$ -

See Independent Auditor's Report

# KING WALKER

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## **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 of the Imagine School at Land O'Lakes,  
a Charter School and Component Unit of the District  
School Board of Pasco County, 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 the aggregate remaining fund information of Imagine School at Land O'Lakes ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 16, 2013.

### **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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 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.

Respectfully submitted,

*King & Walker, CPAs*

August 16, 2013  
Tampa, Florida

# KING WALKER

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## **Management Letter as Required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Imagine School at Land O'Lakes,  
a Charter School and Component Unit of the  
District School Board of Pasco County, Florida

We have audited the basic financial statements of the Imagine School at Land O'Lakes, a component unit of the District School Board of Pasco County, Florida, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated August 16, 2013.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 16, 2013. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings and recommendations.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute.

Pursuant to Sections 10.854(1)(3)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 same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Imagine School at Land O'Lakes.

This letter is intended for the information and use of the School and its management, the District School Board of Pasco County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

*King & Walker, CPAs*

August 16, 2013  
Tampa, Florida

# **IMAGINE SCHOOL AT LAND O'LAKES**

A Charter School and Component Unit of the District School Board of Pasco County, Florida

## **MANAGEMENT'S RESPONSE TO AUDIT FINDINGS**

**Year Ended June 30, 2013**

The following is the School's response to the item in the Management Letter dated August 16, 2013, as required by Rule 10.857, Rules of the Auditor General:

No response required.