

**CHAUTAUQUA
CHARTER SCHOOL, INC.**

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2014

King & Walker, CPAs, PL

Certified Public Accountants

THIS PAGE IS INTENTIONALLY BLANK.

CHAUTAUQUA CHARTER SCHOOL, INC.

TABLE OF CONTENTS

	PAGE NO.
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis – (Unaudited)	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund & Major Special Revenue Fund – (Unaudited)	25
Note to Required Supplementary Information	26
COMPLIANCE AND INTERNAL CONTROL	
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 <i>Governmental Auditing Standards</i>	27
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	29

Independent Auditor's Report

To the Board of Directors of the Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay 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 Chautauqua Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2014, 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 the School, as of June 30, 2014, 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, the Budgetary Comparison Schedule, and Note to Required Supplementary 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 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 September 25, 2014 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 the School's internal control over financial reporting and compliance.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 25, 2014
Tampa, Florida

CHAUTAUQUA CHARTER SCHOOL, INC.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Chautauqua Charter School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2014.

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 as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2014, the School's revenues exceeded expenses as shown on the School's statement of activities by \$111,003.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$367,133.

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 the following funds; a General Fund to account for its general operations and internal account activities, and a Special Revenue Fund to account for Federal grant programs. 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 and Major Special Revenue 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, 2013, and June 30, 2014:

	Net Position, End of Year		
	Governmental Activities		
	6-30-13	6-30-14	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 246,596	\$ 385,586	\$ 138,990
Capital Assets, Net	65,023	44,213	(20,810)
Total Assets	<u>311,619</u>	<u>429,799</u>	<u>118,180</u>
LIABILITIES			
Accounts Payable	11,276	18,453	7,177
Total Liabilities	<u>11,276</u>	<u>18,453</u>	<u>7,177</u>
NET ASSETS			
Net Investment in Capital Assets	65,023	44,213	(20,810)
Unrestricted	235,320	367,133	131,813
Total Net Position	<u>\$ 300,343</u>	<u>\$ 411,346</u>	<u>\$ 111,003</u>

Current assets are primarily comprised of cash and cash equivalents and amounts due from other agencies. Liabilities consist of accrued expenses and accounts payable. The School reported a total net position balance of \$411,346 and an unrestricted net position balance of \$367,133.

The key elements of the changes in the School's net position for the fiscal years ended June 30, 2013, and June 30, 2014 are as follows:

Operating Results for the Year

	Governmental Activities		
	6-30-13	6-30-14	Increase (Decrease)
Revenues:			
Federal Through State and Local	\$ 172,944	\$ 272,135	\$ 99,191
State Sources	660,158	635,744	(24,414)
Local and Other	64,919	72,186	7,267
Total Revenues	898,021	980,065	82,044
Expenses:			
Instruction	607,369	506,897	(100,472)
Pupil Personnel Services	72,562	61,707	(10,855)
Instruction & Curriculum Development	-	150	150
Instructional Staff Training	16,045	974	(15,071)
Instruction Related Technology	760	138	(622)
Board	57,468	52,978	(4,490)
School Administration	26,836	67,865	41,029
Facilities Acq. & Construction	21,000	27,880	6,880
Fiscal Services	31,970	31,445	(525)
Pupil Transportation	64,221	54,099	(10,122)
Operation of Plant	14,857	21,523	6,666
Maintenance of Plant	6,891	11,702	4,811
Community Service	2,325	10,894	8,569
Unallocated Depreciation	24,341	20,810	(3,531)
Total Expenses	946,645	869,062	(77,583)
Increase/(Decrease) in Net Position	\$ (48,624)	\$ 111,003	\$ 159,627

The School received funding primarily from the State of Florida (65%) and Federal grants (28%). 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. Federal funding was received through a grant from Department of Transportation and grants through the Department of Education.

During the fiscal year ended June 30, 2014, the largest concentration of expenses were for instruction related functions (66%), pupil personnel services, (7%), Board expenses (6%), and pupil transportation costs (6%).

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$367,133.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2014, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. For the year ended June 30, 2014, actual expenditures were equal to the final budgeted amounts. Refer to the Budgetary Comparison Schedule for additional reference.

CAPITAL ASSETS

The School's investment in capital assets as of June 30, 2014, amounts to \$44,213, net of accumulated depreciation. This investment in capital assets includes a portable buildings, improvements other than buildings, leasehold improvements, furniture, fixtures, and equipment, software, and vehicles. Additional information about the School's capital assets is presented in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations for the School in fiscal year 2015 include:

- Enrollment continues to be consistent.
- The School continues to enjoy strong community support.
- The School expects fund balance to continue to grow.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's, finances and to demonstrate the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Financial Services, Inc., Post Office Box 250, Bonifay, Florida 34425.

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 256,441
Due From Other Agencies	124,449
Prepaid Expenses	4,696
Capital Assets:	
Buildings, Net	22,187
Improvements, Net	29
Leasehold Improvements, Net	13,114
Furniture, Fixtures & Equipment, Net	6,648
Software, Net	0
Vehicles, Net	2,235
Total Capital Assets, Net	44,213
TOTAL ASSETS	429,799
LIABILITIES	
Accounts Payable	18,453
TOTAL LIABILITIES	18,453
NET POSITION	
Net Investment in Capital Assets	44,213
Unrestricted	367,133
TOTAL NET POSITION	\$ 411,346

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

CHAUTAQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

		Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 506,897	\$ -	\$ 191,282	\$ -	\$ (315,615)	\$ (315,615)
Pupil Personnel Services	61,707		32,369		(29,338)	(29,338)
Instruction & Curriculum Development	150				(150)	(150)
Instructional Staff Training	974				(974)	(974)
Instruction Related Technology	138				(138)	(138)
Board	52,978				(52,978)	(52,978)
School Administration	67,865		18,546		(49,319)	(49,319)
Facilities Acquisition & Construction	27,880			27,272	(608)	(608)
Fiscal Services	31,445		10,458		(20,987)	(20,987)
Pupil Transportation	54,099		19,480		(34,619)	(34,619)
Operation of Plant	21,523				(21,523)	(21,523)
Maintenance of Plant	11,702				(11,702)	(11,702)
Community Service	10,894				(10,894)	(10,894)
Unallocated Depreciation	20,810				(20,810)	(20,810)
Total Governmental Activities	\$ 869,062	\$ -	\$ 272,135	\$ 27,272	(569,655)	(569,655)
General Revenues:						
State Sources					608,472	608,472
Local and Other					72,186	72,186
Total General Revenues					680,658	680,658
Change in Net Position					111,003	111,003
Net Position - July 1, 2013					300,343	300,343
Net Position - June 30, 2014					\$ 411,346	\$ 411,346

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 256,441	\$ -	\$ 256,441
Due From Other Agencies	124,449		124,449
Prepaid Expenses	4,696		4,696
Total Assets	\$ 385,586	\$ -	\$ 385,586
LIABILITIES			
Accounts Payable	\$ 18,453	\$ -	\$ 18,453
Total Liabilities	18,453	-	18,453
FUND BALANCES			
Nonspendable	4,696		4,696
Unassigned	362,437		362,437
Total Fund Balances	367,133	-	367,133
Total Liabilities and Fund Balances	\$ 385,586	\$ -	\$ 385,586

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds	\$ 367,133
Amounts reported for governmental activities in the statement of net position 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.	<u>44,213</u>
Total Net Position - Governmental Activities	<u><u>\$ 411,346</u></u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ -	\$ 272,135	\$ 272,135
State Sources	635,744		635,744
Local and Other	<u>72,186</u>		<u>72,186</u>
Total Revenues	<u>707,930</u>	<u>272,135</u>	<u>980,065</u>
Expenditures			
Current - Education:			
Instruction	315,615	191,282	506,897
Pupil Personnel Services	29,338	32,369	61,707
Instruction & Curriculum Development	150		150
Instructional Staff Training	974		974
Instruction Related Technology	138		138
Board	52,978		52,978
School Administration	49,319	18,546	67,865
Facilities Acquisition & Construction	27,880		27,880
Fiscal Services	20,987	10,458	31,445
Pupil Transportation	34,619	19,480	54,099
Operation of Plant	21,523		21,523
Maintenance of Plant	11,702		11,702
Community Service	<u>10,894</u>		<u>10,894</u>
Total Expenditures	<u>576,117</u>	<u>272,135</u>	<u>848,252</u>
Net Change in Fund Balances	131,813	-	131,813
Fund Balances, July 1, 2013	<u>235,320</u>	<u>-</u>	<u>235,320</u>
Fund Balances, June 30, 2014	<u>\$ 367,133</u>	<u>\$ -</u>	<u>\$ 367,133</u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF BAY 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, 2014

Net Change in Fund Balances - Governmental Funds	\$ 131,813
---	------------

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 depreciation expense (\$20,810) in excess of capital outlay expense (\$0) in the current period.

<u>(20,810)</u>

Change in Net Position - Governmental Activities

<u><u>\$ 111,003</u></u>

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Chautauqua Charter School, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

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 Bay County, Florida, ("District"). The current charter is effective until June 30, 2029, 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. The School is considered a component unit of the District; and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units 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**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

direct expenses and program revenues for each function or program of the School's governmental activities. Direct 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, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- 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.
- Special Revenue Fund – To account for certain Federal grant program resources.

➤ 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 60 days of the end of the current fiscal

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

year. 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 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.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School does not have a custodial credit risk policy.

➤ **Capital Assets and Depreciation**

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. Donated capital assets are recorded at fair value at the date of donation. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 years
Improvements Other Than Buildings	5 years
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	5 years
Software	5 years

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

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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.
- 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.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

- 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.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. As such, the School’s revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2014, the School reported 43.48 unweighted and 93.8823 weighted FTE.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- 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. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such are reflected as restricted/reserved fund balance in the accompanying statement of net position and balance sheet – governmental funds to the extent that they remain unexpended.

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 March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The School does not have any items that qualify for reporting in this category.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **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.

➤ **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.

2. DUE FROM OTHER AGENCIES

Amounts due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds represents the final capital outlay allocation and grant expenditures awaiting reimbursement by the Bay County School District and other State grant agencies. This receivable is considered to be fully collectible and therefore, no allowance for uncollectible accounts has been established.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Being Depreciated:				
Buildings	\$ 29,370	\$ -	\$ -	\$ 29,370
Improvements Other Than Buildings	2,269	-	-	2,269
Leasehold Improvements	65,100	-	-	65,100
Furniture, Fixtures, and Equipment	128,907	-	-	128,907
Software	17,748	-	-	17,748
Vehicles	14,562	-	-	14,562
Total Capital Assets Being Depreciated	<u>257,956</u>	<u>-</u>	<u>-</u>	<u>257,956</u>
Less Accumulated Depreciation for:				
Buildings	(5,682)	(1,501)	-	(7,183)
Improvements Other Than Buildings	(2,059)	(181)	-	(2,240)
Leasehold Improvements	(41,001)	(10,985)	-	(51,986)
Furniture, Fixtures, and Equipment	(115,028)	(7,231)	-	(122,259)
Software	(17,748)	-	-	(17,748)
Vehicles	(11,415)	(912)	-	(12,327)
Total Accumulated Depreciation	<u>(192,933)</u>	<u>(20,810)</u>	<u>-</u>	<u>(213,743)</u>
Governmental Activities Capital Assets, Net	<u>\$ 65,023</u>	<u>\$ (20,810)</u>	<u>\$ -</u>	<u>\$ 44,213</u>

Unallocated depreciation expense amounted to \$20,810.

4. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 495,316
Class Size Reduction	81,073
Charter School Capital Outlay	27,272
Teacher Salary Allocation	14,981
Supplementary Academic Instruction	12,131
Instructional Materials	3,387
Lottery Allocation	828
Florida Lead Teacher Program	756
Total State Revenue	<u>\$ 635,744</u>

As provided in the charter school contract, the District has charged the School an administrative fee in the amount of \$9,889.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. SCHOOL FOOD SERVICE AGREEMENT

The School’s students’ lunches are provided at Bay County High School, at no cost. In exchange for lunch, the students assist with the cleanup of the cafeteria. No revenues or expenditures are reflected in these financial statements for transactions related to the provision of meals.

6. RETIREMENT PLAN

Defined Benefit Plan

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

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

Funding Policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2014 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	6.95%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.20% for the post-employment health insurance supplement and 0.03% for administrative costs of the Public Employee optional Retirement Program.

(B) Contributions rates are dependent upon the retirement class in which reemployed.

The School’s liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

the School. The School's contributions to the Plan for the year ended June 30, 2014 amounted to \$20,917 which was equal to the required contributions for the fiscal year.

Defined Contribution Plan

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PERORP is funded by employer contributions that are based on salary and membership class (i.e.: regular, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2014.

Pension Reporting

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

7. FACILITY LEASE

The School leases facility space under an operating lease ending in December 2014. The School currently leases the space with an option to renew the existing agreement. Lease expense for the year ended June 30, 2014, was \$27,880.

8. RISK MANAGEMENT PROGRAM

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.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2014, may be impaired.

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

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

10. FUNDING AND CREDIT RISK 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.

11. 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

CHAUTAQUA CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2014

	GENERAL FUND				MAJOR SPECIAL REVENUE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -	\$ 156,419	\$ 272,135	\$ 272,135	\$ -
State Sources	706,934	635,744	635,744	-	-	-	-	-
Local and Other	26,432	72,186	72,186	-	-	-	-	-
Total Revenues	733,366	707,930	707,930	-	156,419	272,135	272,135	-
Expenditures:								
Current - Education:								
Instruction	387,422	315,615	315,615	-	109,493	191,282	191,282	-
Pupil Personnel Services	73,058	29,338	29,338	-	18,770	32,369	32,369	-
Instruction & Curriculum Development		150	150	-		-	-	-
Instructional Staff Training	16,833	974	974	-		-	-	-
Instruction Related Technology	837	138	138	-		-	-	-
Board	52,678	52,978	52,978	-		-	-	-
School Administration	21,882	49,319	49,319	-	10,949	18,546	18,546	-
Facilities Acquisition & Construction	21,000	27,880	27,880	-		-	-	-
Fiscal Services	18,257	20,987	20,987	-	6,257	10,458	10,458	-
Pupil Transportation	51,424	34,619	34,619	-	10,949	19,480	19,480	-
Operation of Plant	15,326	21,523	21,523	-		-	-	-
Maintenance of Plant	7,541	11,702	11,702	-		-	-	-
Community Service	2,012	10,894	10,894	-		-	-	-
Total Expenditures	668,270	576,117	576,117	-	156,419	272,135	272,135	-
Net Change in Fund Balances	65,096	131,813	131,813	-	-	-	-	-
Fund Balances, July 1, 2013	222,324	235,320	235,320	-	-	-	-	-
Fund Balances, June 30, 2014	\$ 287,420	\$ 367,133	\$ 367,133	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditor's Report.

CHAUTAUQUA CHARTER SCHOOL, INC.

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

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2014

1. BUDGETARY BASIS OF 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.

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

709 W. Azeele St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

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 Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay 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 Chautauqua Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2014, 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, 2014.

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,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 25, 2014
Tampa, Florida

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

To the Board of Directors of the Chautauqua Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Bay County, Florida

Report on the Financial Statements

We have audited the financial statements of the Chautauqua Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Bay County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 25, 2014.

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.

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 25, 2014, 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. The School did not have findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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 the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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 apply appropriate procedures to determine 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 such recommendations.

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.

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 Chautauqua Charter School, Inc.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 25, 2014
Tampa, Florida