



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
LAKE COUNTY, FLORIDA**

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

**JUNE 30, 2007**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Altoona School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2007, the School's revenues exceeded expenses by \$24,259, which is a decline from the prior year when revenues exceeded expenses by \$99,233.
- The School maintained a positive general fund balance of \$136,064 as of June 30, 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School’s financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

## **Government-wide Financial Statements**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has one type of fund:

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

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Assets

The School's combined net assets at June 30, 2006 and 2007 are summarized as follows – see table below.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2006</b>	<b>2007</b>	<b>(Decrease)</b>
Current and other assets	\$ 122,710	\$ 139,238	13%
Capital assets, net	<u>52,301</u>	<u>60,268</u>	<u>15%</u>
Total assets	<u>175,011</u>	<u>199,506</u>	<u>14%</u>
Current and other liabilities	<u>2,938</u>	<u>3,174</u>	<u>8%</u>
Total liabilities	<u>2,938</u>	<u>3,174</u>	<u>8%</u>
Net assets:			
Invested in capital assets	52,301	60,268	15%
Unrestricted	<u>119,772</u>	<u>136,064</u>	<u>14%</u>
Total net assets	<u>\$ 172,073</u>	<u>\$ 196,332</u>	<u>14%</u>

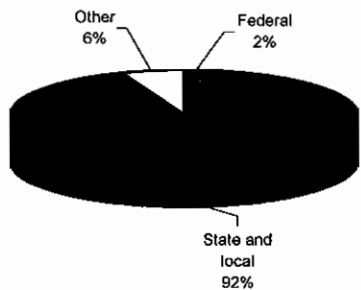
Current assets increased primarily due to an increase in cash, which was produced by the current year surplus and timing of cash receipts and disbursements. Net capital assets increased due to capital asset purchases, primarily for leasehold improvements to the current facility, which exceeded current year depreciation expense. The fluctuation in total net assets from the prior fiscal year was due to the current year excess of revenues over expenses.

## Change in Net Assets

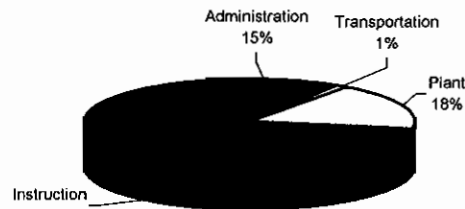
The School's total revenues decreased by 6% to \$639,760, and the total cost of all programs and services increased by 6% to \$615,501 – see table below.

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2006</u>	<u>2007</u>	
<b>Revenues:</b>			
Federal sources passed through local school district	\$ 252,559	\$ 13,390	-95%
State and local sources	403,353	588,605	46%
Contributions and other revenue	22,857	37,765	65%
<b>Total revenues</b>	<b>678,769</b>	<b>639,760</b>	<b>-6%</b>
<b>Expenses:</b>			
Instruction and instruction-related services	335,535	407,107	21%
School administration	113,664	92,048	-19%
Pupil transportation	22,035	7,157	-68%
Operation and maintenance of plant	108,302	109,189	1%
<b>Total expenses</b>	<b>579,536</b>	<b>615,501</b>	<b>6%</b>
<b>Change in net assets</b>	<b>\$ 99,233</b>	<b>\$ 24,259</b>	<b>-76%</b>

**2007 Revenues**



**2007 Expenses**



Revenues from state and local sources constitute 92% of total revenues. The decrease in revenue from federal sources is due to the discontinuation of the federal start-up grant in fiscal 2007. The School is only eligible for such funds in its first two years of operation, and fiscal 2007 was the third year of operation. The increase in state and local revenues was due to an increase in funding from the Florida Education Finance Program ("FEFP"), the School's primary source of funding. FEFP funding increased due to the increase in student enrollment from 78 students in fiscal 2006 to 101 students in fiscal 2007, as well as an increase in the base student allocation. The increase in contributions and other revenue is primarily due to increases in student lunches and extended care fees, which increased as a result of the increase in students.

Instruction and instruction-related expenses increased primarily as a result of the increase in salaries and related benefits and additional instructional personnel to accommodate the increase in student enrollment. The decrease in school administration expenses is primarily due to a decrease in consulting services during fiscal 2007. Pupil transportation expenses decreased due to the School Board not providing transportation services in the current year. Transportation is now provided to students via an agreement with another Lake County charter school at a substantial cost savings.

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

As the School completed the year, its governmental funds reported a combined fund balance of \$136,064. The fluctuation in revenues and expenditures in the fund statements is due to the same reasons described above.

### **General Fund Budgetary Highlights**

Over the course of the year, the School revised its original budget to account for changes in student enrollment. For the year ended June 30, 2007, actual revenues were approximately \$34,000 above the budgeted amounts primarily due to an increase in student enrollment and unbudgeted contributions and other revenue. Expenditures were approximately \$23,000 above the budgeted amounts. Instruction and related expenditures were over budget as the School under budgeted for instructional salaries and benefits. School administration was under budget primarily due to the fact that the county administration fee was not adjusted for the increase in state and local sources.

## **CAPITAL ASSET ADMINISTRATION**

At the end of fiscal 2007, the School had invested \$97,417 in capital assets, consisting primarily of leasehold improvements, computers, furniture and other equipment.

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

- Leasehold improvements - \$25,448
- Furniture, fixtures, and equipment - \$1,111

The fiscal 2008 budget includes \$8,000 in spending for capital improvements. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2008:

- Projected increase in student population
- Projected salary increases

Amounts available for appropriation in the general fund are approximately \$635,000, an increase of 1% from the approximate 2007 amount of \$626,000. This increase is primarily attributable to an expected increase in student enrollment.

Budgeted expenditures are expected to increase 2% to approximately \$623,000 as compared to the fiscal 2007 actual figure of approximately \$610,000. The largest incremental increase in spending is for instructional salaries to accommodate the expected increase in student enrollment. The School has added no major new programs to the fiscal 2008 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2008.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 42630 State Road 19, Altoona, Florida 32702.



**Report of Independent Auditors on Basic Financial Statements  
and Supplementary Information**

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Altoona School, Inc. at June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 – 7 and the budgetary comparison schedule on page 23 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2007

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 137,178
Other current assets	2,060
Capital assets:	
Leasehold improvements	51,948
Furniture, fixtures and equipment	45,469
Less accumulated depreciation	(37,149)
Total capital assets, net	60,268
Total assets	\$ 199,506
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 3,174
Total liabilities	3,174
<b>NET ASSETS</b>	
Invested in capital assets	60,268
Unrestricted	136,064
Total net assets	196,332
Total liabilities and net assets	\$ 199,506

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

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 364,817	\$ -	\$ 13,390	\$ -	\$ (351,427)	\$ (351,427)
Pupil personnel services	37,150	-	-	-	(37,150)	(37,150)
Instructional media	5,140	-	-	-	(5,140)	(5,140)
School administration	92,048	-	-	-	(92,048)	(92,048)
Pupil transportation	7,157	-	-	-	(7,157)	(7,157)
Operation of plant	59,977	-	-	-	(59,977)	(59,977)
Maintenance of plant	49,212	-	-	-	(49,212)	(49,212)
Total primary government	\$ 615,501	\$ -	\$ 13,390	\$ -	(602,111)	(602,111)
General revenues:						
State and local sources					588,605	588,605
Contributions and other revenue					37,765	37,765
Total general revenues					626,370	626,370
Change in net assets					24,259	24,259
Net assets at beginning of year					172,073	172,073
Net assets at end of year					\$ 196,332	\$ 196,332

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

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2007**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 137,178
Other current assets	<u>2,060</u>
Total assets	<u><u>\$ 139,238</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenses	<u>\$ 3,174</u>
Total liabilities	<u>3,174</u>
Fund balance:	
Unreserved:	
Undesignated	<u>136,064</u>
Total fund balance	<u>136,064</u>
Total liabilities and fund balance	<u><u>\$ 139,238</u></u>

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

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

<b>Total fund balance - governmental fund</b>	<b>\$ 136,064</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$97,417, and the accumulated depreciation is \$37,149.

60,268
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<b>Total net assets - governmental activities</b>
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<b>\$ 196,332</b>
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The accompanying notes to financial statements are an integral part of this statement.

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Federal sources passed through local school district	\$ -	\$ 13,390	\$ 13,390
State and local sources	588,605	-	588,605
Contributions and other revenue	37,765	-	37,765
<b>Total revenues</b>	<b>626,370</b>	<b>13,390</b>	<b>639,760</b>
<b>EXPENDITURES</b>			
Current:			
Instruction	334,224	13,390	347,614
Pupil personnel services	37,150	-	37,150
Instructional media	5,140	-	5,140
School administration	90,659	-	90,659
Pupil transportation	7,157	-	7,157
Operation of plant	59,977	-	59,977
Maintenance of plant	49,212	-	49,212
Capital outlay	26,559	-	26,559
<b>Total expenditures</b>	<b>610,078</b>	<b>13,390</b>	<b>623,468</b>
Net changes in fund balances	16,292	-	16,292
Fund balances at beginning of year	119,772	-	119,772
Fund balances at end of year	<b>\$ 136,064</b>	<b>\$ -</b>	<b>\$ 136,064</b>

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

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 16,292</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$26,559) exceed depreciation (\$18,592) in the current period.

	<u>7,967</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$ 24,259</u></u></b>

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

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Altoona School, Inc. (the "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 composed of four 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 Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2009 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a government 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 of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of presentation**

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

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* -- in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

**Governmental Funds:**

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general fund constitutes a major fund. All other governmental funds are nonmajor and are presented in the aggregate.

**Basis of accounting**

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

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

**ALTOONA SCHOOL, INC.**  
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**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary basis accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

**Deposits and investments**

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. The School's cash consists primarily of demand deposits with financial institutions.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u><b>Years</b></u>
Leasehold improvements	3-5
Furniture, fixtures and equipment	3-5

Information relative to changes in capital assets is described in Note 2.

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Revenue sources**

Revenues for current operations are received primarily from the District School Board of Lake County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

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

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**2 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 26,500	\$ 25,448		\$ 51,948
Furniture, fixtures and equipment	44,358	1,111	-	45,469
Total capital assets at historical cost	<u>70,858</u>	<u>26,559</u>	<u>-</u>	<u>97,417</u>
Less accumulated depreciation for:				
Leasehold improvements	(9,782)	(7,425)		(17,207)
Furniture, fixtures and equipment	(8,775)	(11,167)	-	(19,942)
Total accumulated depreciation	<u>(18,557)</u>	<u>(18,592)</u>	<u>-</u>	<u>(37,149)</u>
Governmental activities capital assets, net	<u>\$ 52,301</u>	<u>\$ 7,967</u>	<u>\$ -</u>	<u>\$ 60,268</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 17,203
School administration	<u>1,389</u>
Total governmental activities depreciation expense	<u>\$ 18,592</u>

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

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

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 404,672
Class size reduction	76,151
Discretionary millage funds	39,404
Supplemental academic instruction	24,171
Transportation	13,872
ESE guaranteed allocation	12,647
Instructional materials	10,506
Discretionary lottery funds	3,733
Teacher lead program	<u>1,300</u>
Total	<u>\$ 588,605</u>

The administration fee paid to the School Board during the year ended June 30, 2007 totaled approximately \$29,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**4 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**5 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2007 may be impaired.

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

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

**Legal matters**

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

**Lease commitments**

The School leases its facilities under a non-cancelable operating lease agreement which contains certain renewal options. The term of the lease is five years and terminates on June 30, 2009. In addition to the payment of certain operating expenses, the lease requires the following approximate future minimum rental payments:

<u>Year ending June 30,</u>	<u>Minimum payment</u>
2008	\$ 31,212
2009	31,212

Rent expense for fiscal 2007 was approximately \$32,000.

**ALTOONA SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 479,390	\$ 585,005	\$ 588,605	\$ 3,600
Contributions and other revenue	7,200	7,200	37,765	30,565
Total revenues	<u>486,590</u>	<u>592,205</u>	<u>626,370</u>	<u>34,165</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	252,544	306,709	334,224	(27,515)
Pupil personnel services	26,844	26,644	37,150	(10,506)
Instructional media	5,000	6,000	5,140	860
School administration	79,239	96,588	87,896	8,692
Pupil transportation	-	4,422	7,157	(2,735)
Operation of plant	66,656	71,656	59,977	11,679
Maintenance of plant	33,450	39,554	51,975	(12,421)
Capital outlay	14,000	36,000	26,559	9,441
Total expenditures	<u>477,733</u>	<u>587,573</u>	<u>610,078</u>	<u>(22,505)</u>
Net changes in fund balance	8,857	4,632	16,292	11,660
Fund balance at beginning of year	<u>119,772</u>	<u>119,772</u>	<u>119,772</u>	<u>-</u>
Fund balance at end of year	<u>\$ 128,629</u>	<u>\$ 124,404</u>	<u>\$ 136,064</u>	<u>\$ 11,660</u>

See report of independent auditors.



**Report of Independent Auditors on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

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

This report is intended solely for the information and use of management of the School, the District School Board of Lake County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2007

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



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

In planning and performing our audit of the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2007, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (the "conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions

This communication is intended solely for the information and use of the Board of Directors, management and others within Altoona School, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 26, 2007

**ALTOONA SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECOMMENDATIONS TO IMPROVE COMPLIANCE, INTERNAL CONTROL  
AND THE FINANCIAL REPORTING PROCESS**

**JUNE 30, 2007**

There are no findings or recommendations in the current year.

**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.