

RECEIVED

OCT 8 2007

AUDITOR GENERAL

**CHANCELLOR CHARTER
SCHOOL AT LANTANA
(A Division of Learning
Excellence Foundation of
South Palm Beach County, Inc.)**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2007**

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Governmental Fund	25
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	26
Note to Required Supplemental Information	27
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses - General Fund	29
Schedule of Functional Expenses - Capital Outlay Fund	30
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>GOVERNMENT AUDITING STANDARDS</i>	31
MANAGEMENT LETTER	33
MANAGEMENT'S RESPONSE	40

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss, Jr.
Phillip J. Hayes
Brian L. Nemeroff

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chancellor Charter School at Lantana
Lantana, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chancellor Charter School at Lantana (a Charter School), a component unit of the School Board of Palm Beach County, Florida and a division of Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), as of and for the year ended June 30, 2007, which collectively comprise Chancellor Charter School at Lantana's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Chancellor Charter School at Lantana's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Chancellor Charter School at Lantana at June 30, 2007, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of the Charterholder.

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

BREVARD OFFICE
8035 Spyglass Hill Rd.
Melbourne, FL 32940
phone 321-757-2020
fax 321-242-4844

ORLANDO OFFICE
480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
phone 407-644-5811
fax 407-644-6022

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2007, on our consideration of Chancellor Charter School at Lantana'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 and budgetary comparison information are not a required part of the financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

September 5, 2007
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Chancellor Charter School at Lantana (the "School" which is a component unit of the School District of Palm Beach County, Florida), a division of Learning Excellence Foundation of South Palm Beach County, Inc. (the "Charterholder"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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

Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$18,955.
- The liabilities of the School exceeded its assets at the close of the most recent fiscal year by \$655,164 (net deficit).
- The School's total net assets increased by \$306,714

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include only the School itself, which is a component unit of the School District of Palm Beach County, Florida. The School District of Palm Beach County, Florida includes the operations of the School in their operational results.

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

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

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

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

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

The School adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules have been provided to demonstrate compliance with this budget and can be found on pages 25 and 26 of this report.

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. In the case of The School, liabilities exceeded assets by \$655,164 and \$961,878, respectively, for the years ended June 30, 2007 and 2006.

The largest portion of the net deficit is the unrestricted portion. This portion is primarily related to the note payable to the operating company. Another portion of the School's net assets reflects its investment in capital assets (e.g., improvements, furniture, fixtures, and equipment, information technology equipment, and audio visual equipment). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net assets and the statement of activities are provided below.

Chancellor Charter School at Lantana Statement of Net Assets

	Governmental Activities		
	2007	2006	Variance
ASSETS			
Current and other assets	\$ 254,464	\$ 118,739	\$ 135,725
Capital assets, net of accumulated depreciation	339,627	209,928	129,699
Total assets	<u>594,091</u>	<u>328,667</u>	<u>265,424</u>
LIABILITIES			
Current and other liabilities	235,509	153,252	82,257
Long-term liabilities outstanding	1,013,746	1,137,293	(123,547)
Total liabilities	<u>1,249,255</u>	<u>1,290,545</u>	<u>(41,290)</u>
NET ASSETS (DEFICIT)			
Invested in capital assets, net of related debt	339,627	209,928	129,699
Unrestricted deficit	(994,791)	(1,171,806)	177,015
Total net deficit	<u>\$ (655,164)</u>	<u>\$ (961,878)</u>	<u>\$ 306,714</u>

**Chancellor Charter School at Lantana
Statement of Activities**

	Governmental Activities		
	2007	2006	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 215,473	\$ 174,713	\$ 40,760
Operating grants and contributions	72,970	62,210	10,760
Capital grants and contributions	354,585	194,507	160,078
General revenues:			
Grants and entitlements not restricted	3,078,905	2,735,258	343,647
Other revenues	109,020	58,173	50,847
Contribution	-	200,000	(200,000)
Forgiveness of debt	-	269,975	(269,975)
Total revenues	<u>3,830,953</u>	<u>3,694,836</u>	<u>136,117</u>
Expenses:			
Basic instruction	1,481,310	1,366,072	115,238
Exceptional instruction	112,193	88,919	23,274
Other instruction	580	3,374	(2,794)
Guidance services	36,294	39,027	(2,733)
Health services	3,876	284	3,592
Media services	52,811	27,491	25,320
Curriculum development	25,266	169	25,097
Staff development	13,199	1,203	11,996
Board of directors	11,500	25,724	(14,224)
School administration	632,523	800,572	(168,049)
Food services	863	863	-
Central services	2,465	3,190	(725)
Operation of plant	834,791	775,837	58,954
Maintenance of plant	73,000	52,034	20,966
Before / after	120,680	94,518	26,162
Interest on long-term debt	122,888	-	122,888
Total expenses	<u>3,524,239</u>	<u>3,279,277</u>	<u>244,962</u>
Change in net assets	306,714	415,559	(108,845)
Net deficit - beginning	<u>(961,878)</u>	<u>(1,377,437)</u>	<u>415,559</u>
Net deficit - ending	<u>\$ (655,164)</u>	<u>\$ (961,878)</u>	<u>\$ 306,714</u>

Governmental activities. Governmental activities increased the School's net assets by \$306,714 for the year ended June 30, 2007. The increase in net assets is primarily due to an increase in state funding for capital outlay and increase in the base funding per student.

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the School. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,955. The fund balance of the School's general fund increased by \$53,468 during the current fiscal year.

General Fund Budgetary Highlights

The School increased appropriations for the general fund from the original to final budget by approximately \$98,000. The increase is primarily due to an expected increase in student enrollment from the preliminary projections.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$339,627 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture fixture and equipment, information technology equipment, and audio visual equipment. Additional information on the School's capital assets can be found in Note C.

Debt Administration. The School's long-term liabilities at June 30, 2007 totaled \$1,013,746 a decrease of \$123,547 from 2006. Additional information on the School's long-term obligations can be found in Note D.

Request for Information

This financial report is designed to provide a general overview of Chancellor Charter School at Lantana's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Principal's office at 600 S. East Coast Avenue, Lantana, FL 33462-4577.

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 130,265
Accounts receivable	4,896
Due from other agencies	36,553
Due from operating company	52,249
Prepaid expenses	18,319
Deposits receivable	12,182
Total current assets	<u>254,464</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Building improvements	61,868
Leasehold Improvements	205,684
Furniture, fixtures and equipment	7,940
Audio visual equipment	325
Information technology equipment	63,810
Total capital assets	<u>339,627</u>
Total assets	<u>594,091</u>
LIABILITIES AND NET ASSETS (DEFICIT)	
LIABILITIES	
Accounts payable	65,819
Accrued payroll and other expenses	160,868
Due to other schools	2,105
Due to charterholder	6,717
Noncurrent liabilities	
Due in one year	45,872
Due in more than one year	967,874
Total liabilities	<u>1,249,255</u>
NET ASSETS (DEFICIT)	
Investment in capital assets	339,627
Unrestricted (deficit)	(994,791)
Total net deficit	<u>\$ (655,164)</u>

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

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 1,481,310	\$ 47,582	\$ 64,554	\$ -	\$ (1,369,174)
Exceptional instruction	112,193	25	-	-	(112,168)
Other instruction	580	-	-	-	(580)
Guidance services	36,294	-	-	-	(36,294)
Health services	3,876	-	-	-	(3,876)
Media services	52,811	-	-	-	(52,811)
Curriculum development	25,266	-	-	-	(25,266)
Staff development	13,199	-	8,416	-	(4,783)
Board of directors	11,500	-	-	-	(11,500)
School administration	632,523	-	-	-	(632,523)
Food services	863	-	-	-	(863)
Central services	2,465	-	-	-	(2,465)
Operation of plant	834,791	3,600	-	354,585	(476,606)
Maintenance of plant	73,000	-	-	-	(73,000)
Before / after	120,680	164,266	-	-	43,586
Interest on long-term debt	122,888	-	-	-	(122,888)
Total governmental activities	\$ 3,524,239	\$ 215,473	\$ 72,970	\$ 354,585	(2,881,211)
General revenues:					
					3,078,905
					109,020
					3,187,925
					306,714
					(961,878)
					\$ (655,164)

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 130,265	\$ -	\$ -	\$ 130,265
Accounts receivable	4,896	-	-	4,896
Due from other agencies	-	28,137	8,416	36,553
Due from other funds	36,553	-	-	36,553
Due from operating company	52,249	-	-	52,249
Prepaid expenses	18,319	-	-	18,319
Deposits receivable	12,182	-	-	12,182
Total assets	\$ 254,464	\$ 28,137	\$ 8,416	\$ 291,017
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 65,819	\$ -	\$ -	\$ 65,819
Accrued payroll and other expenses	160,868	-	-	160,868
Due to charterholder	6,717	-	-	6,717
Due to other funds	-	28,137	8,416	36,553
Due to other schools	2,105	-	-	2,105
Total liabilities	235,509	28,137	8,416	272,062
FUND BALANCES				
Unreserved	18,955	-	-	18,955
Total fund balances	18,955	-	-	18,955
Total liabilities and fund balances	\$ 254,464	\$ 28,137	\$ 8,416	\$ 291,017

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

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

June 30, 2007

Fund balances - total governmental funds \$ 18,955

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Building improvements, net of \$16,597 accumulated depreciation	\$ 61,868	
Leasehold improvements, net of \$26,773 accumulated depreciation	205,684	
Furniture, fixtures and equipment, net of \$17,491 accumulated depreciation	7,940	
Audio visual equipment, net of \$359 accumulated depreciation	325	
Information technology equipment, net of \$7,440 accumulated depreciation	<u>63,810</u>	
Total capital assets		339,627

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Total net assets of governmental activities		<u>(1,013,746)</u>
		<u>\$ (655,164)</u>

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

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

For the year ended June 30, 2007

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ 64,554	\$ 64,554
State passed through local school district	3,078,905	354,585	-	3,433,490
Other revenues	324,493	-	8,416	332,909
Total revenues	<u>3,403,398</u>	<u>354,585</u>	<u>72,970</u>	<u>3,830,953</u>
Expenditures				
Current:				
Basic instruction	1,416,756	-	64,554	1,481,310
Exceptional instruction	112,193	-	-	112,193
Other instruction	580	-	-	580
Guidance services	36,294	-	-	36,294
Health services	3,876	-	-	3,876
Media services	51,426	-	-	51,426
Curriculum development	25,266	-	-	25,266
Staff development	4,783	-	8,416	13,199
Board of directors	11,500	-	-	11,500
School administration	632,086	-	-	632,086
Central services	2,465	-	-	2,465
Operation of plant	456,162	354,585	-	810,747
Maintenance of plant	73,000	-	-	73,000
Before / after	120,680	-	-	120,680
Fixed capital outlay	156,428	-	-	156,428
Debt Service:				
Principal	123,547	-	-	123,547
Interest	122,888	-	-	122,888
Total expenditures	<u>3,349,930</u>	<u>354,585</u>	<u>72,970</u>	<u>3,777,485</u>
Net change in fund balances	53,468	-	-	53,468
Fund balances (deficit) at July 1, 2006	<u>(34,513)</u>	<u>-</u>	<u>-</u>	<u>(34,513)</u>
Fund balances at June 30, 2007	<u>\$ 18,955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,955</u>

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

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

For the year ended June 30, 2007

Net change in fund balances - total government funds \$ 53,468

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

Governmental funds report fixed 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.

Total fixed capital outlay	\$ 156,428	
Less: depreciation	<u>26,729</u>	129,699

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes current financial
resources of governmental funds. Neither transaction,
however, has any effect on net assets.

Principal on long-term debt		<u>123,547</u>
Change in net assets of governmental activities		<u><u>\$ 306,714</u></u>

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Chancellor Charter School at Lantana (the "School") is a division of the Learning Excellence Foundation of South Palm Beach County, Inc. (the "charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of six members. The financial information presented is that of Chancellor Charter School at Lantana only. The School's entire workforce is provided by the operating company; therefore, all benefits are provided by the operating company.

The general operating authority of Chancellor Charter School at Lantana is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School District of Palm Beach County, Florida (the "District"). The current charter is effective until June 30, 2010, 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 which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Chancellor Charter School at Lantana is considered a component unit of the School Board of Palm Beach County, Florida.

2. Government-wide and fund financial statements

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

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

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

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

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

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Capital Outlay Fund - in accordance with guidelines established by Palm Beach County District School Board, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

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

4. Cash

Cash is made up of cash on hand at the School and a checking account held at a financial institution. The School has no cash equivalents.

5. Receivables

Receivables include program receivables and amounts due from other agencies and from the operating company. The School's management considers that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Interfund receivables and payables

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

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Capital assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building improvements	10 - 50
Leasehold improvements	7 - 15
Furniture, fixtures and equipment	7 - 10
Audio visual equipment	7 - 10
Computer software	3
Information technology equipment	3 - 5

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

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

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

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Use of estimates

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

NOTE B - CREDIT RISK

Custodial credit risk – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School mitigates risk by dealing only with large national banks in regards to custodial risk for deposits. At June 30, 2007, the School's had a bank balance of \$158,988. Of the bank balance, \$58,988 was not insured by the federal deposit insurance.

NOTE C - CAPITAL ASSETS

Changes in capital assets are as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets depreciated:				
Building improvements	\$ 31,745	\$ 46,720	\$ -	\$ 78,465
Leasehold improvements	189,125	43,332	-	232,457
Furniture, fixtures and equipment	23,904	1,527	-	25,431
Audio visual equipment	684	-	-	684
Computer software	7,058	-	-	7,058
Information technology equipment	6,401	64,849	-	71,250
Total assets depreciated	<u>258,917</u>	<u>\$ 156,428</u>	<u>\$ -</u>	<u>415,345</u>
Less accumulated depreciation:				
Building improvements	9,823	\$ 6,774	\$ -	16,597
Leasehold improvements	13,763	13,010	-	26,773
Furniture, fixtures and equipment	13,949	3,542	-	17,491
Audio visual equipment	261	98	-	359
Computer software	7,058	-	-	7,058
Information technology equipment	4,135	3,305	-	7,440
Total accumulated depreciation	<u>48,989</u>	<u>\$ 26,729</u>	<u>\$ -</u>	<u>75,718</u>
Total governmental activities capital assets, net	<u>\$ 209,928</u>			<u>\$ 339,627</u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2007 was charged to functions of the School as follows:

Media services	\$	1,385
Plant		24,044
Food services		863
School administration		437
		437
	\$	26,729

NOTE D - NOTE PAYABLE

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due within one year
Note payable	\$ 1,137,293	\$ -	\$ 123,547	\$ 1,013,746	\$ 45,872

In February 2006, the School entered into a promissory note with the operating company to payoff past indebtedness in relation to management services and working capital advances as described in Note F. The agreement called for an initial 10%, or \$269,975, forgiveness of debt and is included in the debt forgiveness on the accompanying financial statements. On June 30 of each year, eighty percent of all funds remaining in the operating account after payment of all other operating expenses, as defined in the operating agreement, shall be paid on this note. The first principal and interest (11%) payment was due July 1, 2006. In no event, shall the note extend beyond June 1, 2021. Payments related to the note will be considered operating expenses of the School, subject to the provisions of the operating agreement discussed in Note E.

The annual minimum payment requirements to maturity consist of the following for the years ended June 30:

	Principal	Interest	Total
2008	\$ 45,872	\$ 109,245	\$ 155,117
2009	51,181	103,937	155,118
2010	57,104	98,014	155,118
2011	63,711	91,406	155,117
2012	71,084	84,034	155,118
2013-2017	499,570	276,015	775,585
2018-2021	225,224	21,283	246,507
	\$ 1,013,746	\$ 783,934	\$ 1,797,680

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E - CONCENTRATIONS

Revenue sources

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

Sources	Amounts
School District of Palm Beach County:	
Base funding	\$ 2,412,937
Supplemental academic instruction	
Class size reduction	417,126
Safe schools	15,631
Declining enrollment	17,287
Discretionary millage	275,915
Discretionary lottery	20,473
Instructional materials	49,866
Student transportation	14,246
STAR - performance pay	27,451
Administrative fee	(177,823)
Subtotal	3,073,109
Florida teacher lead	5,796
Capital outlay	354,585
IDEA	64,554
Total School District of Palm Beach County	3,498,044
Other revenue:	
Before / after school care	164,266
Special education	25
Summer program	47,582
Rental of facilities	3,600
Other	117,436
Total revenue	\$ 3,830,953

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Operating agreement

An amended and restated operating agreement was made and entered into on February 15, 2006. The agreement calls for an administrative allocation equal to 16% of revenue; however, for the years ending June 30, 2007, 2008 and 2009, the total allocation will not exceed \$606 for each full-time equivalent student. Current year management fees charged to operations totaled \$313,302.

In the event there are not sufficient funds to pay operating expenses, the operating company will provide operating advances to cover such shortfalls. For the years ending June 30, 2007, 2008 and 2009, such advances will not exceed \$200,000 per fiscal year. The operating company shall be reimbursed for such advances on the first date of each month in which funds reside in the School's operating account for which not otherwise reserved by the operating budget. At the end of each fiscal year, any advances that cannot be reimbursed by current year revenue shall be considered a contribution from the operating company. For the year ended June 30, 2007 no advances were contributed to the School.

2. Facilities

The School has committed to pay a facility allocation fee to the operating company for the building where the school is located pursuant to the terms of the lease or any mortgage agreement which payments relate to the School's use, tenancy or ownership. Terms of the agreement require an annual fee of \$10.75 per rentable square foot increased annually by the consumer price index, not to exceed an annual increase of 4 percent. Current year facility allocation charged to operations totaled \$453,238. A portion of the facility use fee in the amount of \$354,585 was reimbursed through the capital outlay funds.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F - COMMITMENTS AND CONTINGENCIES (continued)

2. Facilities (continued)

The terms of the agreements are until the termination or expiration of the charter agreement, which is June 30, 2010.

The following is a schedule of future minimum lease payments for the following years ending June 30:

2008	\$	467,251
2009		467,251
2010		467,251
		<u>467,251</u>
	\$	<u>1,401,753</u>

NOTE G - RELATED PARTIES

1. Operating agreement

The School has entered into multiple agreements with an operating company. The operating company is responsible for organizing, developing, managing, staffing and operating the School. During the current year, the operating company charged fees to the School for operating services and the use of the facility and certain equipment as described in Note E. The due from operating company activity consists of the following:

	Management Fees and Services	Working Capital	Total
Balance at July 1, 2006	\$ -	\$ (45,611)	\$ (45,611)
Invoiced	899,357	(1,531)	897,826
Payments	<u>(904,464)</u>	<u>-</u>	<u>(904,464)</u>
Balance at June 30, 2007	<u>\$ (5,107)</u>	<u>\$ (47,142)</u>	<u>\$ (52,249)</u>

2. Note payable

As described in Note D, the School has entered into a note payable agreement with the operating company in order to pay operating expenses and working capital advances accumulated prior to July 1, 2005.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G - RELATED PARTIES (continued)

3. Due to other schools

The School shares employees with other schools operated by the same management company. A portion of their salaries are allocated to the School on a cost reimbursement basis. The due to other schools activity consists of the following:

	Balance July 1, 2006	Invoiced	Payments	Balance June 30, 2006
Imagine Charter School at Weston	\$ -	\$ 4,024	\$ 4,024	\$ -
Imagine Day School at Coral Springs	-	5,625	5,625	-
Imagine Charter School at North Lauderdale	-	25,266	23,161	2,105
	<u>\$ -</u>	<u>\$ 34,915</u>	<u>\$ 32,810</u>	<u>\$ 2,105</u>

4. Due to charterholder

The School is required to pay the expenses incurred by the Board. The School paid \$20,000 to the Board for the year ended June 30, 2007, with \$6,717 included as due to charterholder at year end.

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$25,000 per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

REQUIRED SUPPLEMENTAL INFORMATION

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Base FTE funding	\$ 2,909,751	\$ 3,031,883	\$ 3,078,905	\$ 47,022
Other state revenue	-	5,796	-	(5,796)
Supplemental fee revenue	256,814	227,551	324,493	96,942
Gross school revenue	3,166,565	3,265,230	3,403,398	138,168
Less: Non-profit expense				
Administrative	20,000	20,000	20,000	-
Principal and interest on note payable	155,390	155,117	246,435	(91,318)
Total non-profit expenses	175,390	175,117	266,435	(91,318)
Net school operating revenue	2,991,175	3,090,113	3,136,963	46,850
Expenses				
Salaries and benefits	1,687,657	1,846,173	1,803,763	42,410
Other school service expense	3,078	3,078	1,419	1,659
Direct educational expense	178,035	235,249	207,877	27,372
General and administrative	204,962	203,737	165,387	38,350
Faculty development	10,000	10,000	4,783	5,217
Marketing and enrollment	3,500	3,500	2,202	1,298
Facility operating expense	292,539	334,648	341,456	(6,808)
School operating expenses	2,379,771	2,636,385	2,526,887	109,498
Facility use fee	228,300	81,836	98,653	(16,817)
Property taxes	14,954	14,954	14,954	-
Indirect costs	318,150	316,938	313,302	3,636
Total expenses	2,941,175	3,050,113	2,953,796	96,317
Change in net assets (budgetary basis)	50,000	40,000	183,167	143,167
Adjustments to conform with GAAP:				
Capital outlay expenditures	-	-	(156,428)	(156,428)
Depreciation expense	-	-	26,729	26,729
Net change in fund balances (GAAP basis)	50,000	40,000	53,468	13,468
Fund balance (deficit) at July 1, 2006	(34,513)	(34,513)	(34,513)	-
Fund balance (deficit) at June 30, 2007	<u>\$ 15,487</u>	<u>\$ 5,487</u>	<u>\$ 18,955</u>	<u>\$ 13,468</u>

See accompanying notes to required supplemental information.

Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenue				
Charter capital funding	<u>\$ 203,700</u>	<u>\$ 367,444</u>	<u>\$ 354,585</u>	<u>\$ (12,859)</u>
Expenses				
Facility use fee	<u>203,700</u>	<u>367,444</u>	<u>354,585</u>	<u>12,859</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to required supplemental information.

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc)**

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2007

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors. Since the budgetary basis differs from accounting principles generally accepted in the United States (GAAP), budget and actual amounts in the accompanying required supplemental information are presented on the budgetary basis. A reconciliation to the net change in fund balances presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENSES - GENERAL FUND

For the year ended June 30, 2007

	Basic Instruction	Exceptional Instruction	Other Instruction	Guidance Services	Health Services	Media Services	Curriculum Development
Dues and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Electricity	-	-	-	-	-	-	-
Employee benefits	181,004	5,614	-	4,994	-	4,686	5,053
Garbage	-	-	-	-	-	-	-
Group insurance	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Internet access	-	-	-	-	-	-	-
Management fee	-	-	-	-	-	-	-
Marketing	-	-	-	-	-	-	-
Miscellaneous	7,736	-	-	-	-	-	-
Out of county travel	10,446	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-
Professional services	-	62,148	300	-	-	-	-
Rentals	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-
Salaries	1,089,763	40,977	-	29,189	3,500	15,872	20,213
Social security	78,374	3,034	-	2,111	-	1,214	-
Supplies	8,827	420	280	-	376	25,511	-
Tax and license	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-
Textbooks	34,540	-	-	-	-	-	-
Water and sewer	-	-	-	-	-	-	-
Buildings Remodeling and renovations	-	-	-	-	-	-	-
Furniture, fixtures and equipment	3,451	-	-	-	-	-	-
Audio visual equipment	-	-	-	-	-	-	-
Computer software	2,615	-	-	-	-	4,143	-
	<u>\$ 1,416,756</u>	<u>\$ 112,193</u>	<u>\$ 580</u>	<u>\$ 38,294</u>	<u>\$ 3,876</u>	<u>\$ 51,426</u>	<u>\$ 25,266</u>

Staff Development	Board of Directors	School Administration	Central Services	Operation of Plant	Maintenance of Plant	Before/After	Fixed Capital Outlay	Debt Service	Total
\$ -	\$ -	\$ 8,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,417
-	-	-	-	81,234	-	-	-	-	81,234
-	-	21,375	-	21	-	1,373	-	-	224,120
-	-	-	-	7,343	-	-	-	-	7,343
-	-	-	-	-	160	-	-	-	160
-	-	-	-	60,843	-	-	-	-	60,843
-	-	-	-	-	-	-	-	122,888	122,888
-	-	-	-	9,352	-	-	-	-	9,352
-	-	313,302	-	-	-	-	-	-	313,302
-	-	2,202	-	-	-	-	-	-	2,202
-	-	24,598	-	1,112	-	32,979	-	-	66,425
-	-	568	-	-	-	-	-	-	11,014
-	-	1,030	-	-	-	-	-	-	1,030
-	-	-	-	-	-	-	-	123,547	123,547
-	-	1,443	-	-	-	-	-	-	1,443
4,783	11,500	22,116	-	12,004	-	-	-	-	112,851
-	-	9,223	-	98,653	-	-	-	-	107,876
-	-	15,828	-	108,427	68,019	-	-	-	192,274
-	-	191,926	-	480	4,478	79,239	-	-	1,475,637
-	-	12,673	-	37	343	6,060	-	-	103,846
-	-	6,808	-	472	-	1,029	-	-	43,723
-	-	-	-	14,954	-	-	-	-	14,954
-	-	-	-	22,438	-	-	-	-	22,438
-	-	-	-	-	-	-	-	-	34,540
-	-	-	-	38,792	-	-	-	-	38,792
-	-	-	-	-	-	-	46,720	-	46,720
-	-	-	-	-	-	-	43,332	-	43,332
-	-	577	2,465	-	-	-	1,527	-	8,020
-	-	-	-	-	-	-	64,849	-	64,849
-	-	-	-	-	-	-	-	-	6,758
<u>\$ 4,783</u>	<u>\$ 11,500</u>	<u>\$ 632,086</u>	<u>\$ 2,465</u>	<u>\$ 456,162</u>	<u>\$ 73,000</u>	<u>\$ 120,680</u>	<u>\$ 156,428</u>	<u>\$ 246,435</u>	<u>\$ 3,349,930</u>

**Chancellor Charter School at Lantana
(A Division of Learning Excellence Foundation of South Palm Beach County, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENSES - CAPITAL OUTLAY FUND

For the year ended June 30, 2007

	<u>Operation of Plant</u>
Rentals	<u>\$ 354,585</u>

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss, Jr.
Phillip J. Hayes
Brian L. Nemeroff

**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
Chancellor Charter School at Lantana
Palm Beach, Florida

We have audited the accompanying financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Chancellor Charter School at Lantana, a component unit of the School Board of Palm Beach County, Florida and a division of Learning Excellence Foundation of South Palm Beach County, Inc. as of and for the year ended June 30, 2007, which collectively comprise Chancellor Charter School at Lantana's basic financial statements, and have issued our report thereon dated September 5, 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.

BREVARD OFFICE

8035 Spyglass Hill Rd.

Melbourne, FL 32940

phone 321-757-2020

fax 321-242-4844

ORLANDO OFFICE

480 N. Orlando Ave.

Suite 218

Winter Park, FL 32789

phone 407-644-5811

fax 407-644-6022

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chancellor Charter School at Lantana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Chancellor Charter School at Lantana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chancellor Charter School at Lantana's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify and 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 Chancellor Charter School at Lantana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Chancellor Charter School at Lantana in the management letter dated September 5, 2007.

Chancellor Charter School at Lantana's response to our findings identified in our audit is described in the accompanying letter of management responses. We did not audit Chancellor Charter School at Lantana's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of Chancellor Charter School at Lantana's management, the School Board of Palm Beach County, the State of Florida Office of the Auditor General, and other regulatory agencies of federal and state governments and is not intended to be and should not be used by anyone other than these specified parties.

September 5, 2007
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss, Jr.
Phillip J. Hayes
Brian L. Nemeroff

MANAGEMENT LETTER

To the Board of Directors
Chancellor Charter School at Lantana
Palm Beach, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Chancellor Charter School at Lantana, a component unit of the School Board of Palm Beach County, Florida as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 5, 2007.

We issued our report on internal control over financial reporting and on compliance and other matters dated September 5, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise, addressed in the auditors report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School has met one of the conditions described in Section 218.503(1)(e), Florida Statutes. The School reports an accumulated net deficit of \$655,164 on its statement of net assets at June 30, 2007.
3. See the attached recommendations, if any, to address deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. Based on our professional judgment see the attached recommendations documenting matters that were inconsequential to the financial statements considering both quantitative and qualitative factors, including the following:
 - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit.
 - b. Improper expenditures discovered within the scope of the financial audit.

BREVARD OFFICE
8035 Spyglass Hill Rd.
Melbourne, FL 32940
phone 321-757-2020
fax 321-242-4844

ORLANDO OFFICE
480 N. Orlando Ave.
Suite 218
Winter Park, FL 32789
phone 407-644-5811
fax 407-644-6022

- c. Deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.
5. The official title of the School is *Chancellor Charter School at Lantana*, which is a division of Learning Excellence Foundation of South Palm Beach County, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

This report is intended solely for the information and use of Chancellor Charter School at Lantana's management, the School Board of Palm Beach County, the State of Florida Office of the Auditor General, and other regulatory agencies of federal and state governments and is not intended to be and should not be used by anyone other than these specified parties.

September 5, 2007
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**Prior Year Recommendations to Improve Financial Management,
Accounting Procedures, and Internal Controls Corrected**

05-8 Amended operating budget

The management agreement requires the annual budget be amended not less frequently than annually to reflect the most recent FTE count. The management of the School failed to amend the budget as required in their agreement and as a result the School's budget to actual comparison resulted in a deficiency of revenue under expenditures.

As of June 30, 2007 - the above issue has been resolved.

06-2 Adopt a policy for fundraising activities

The School has been experiencing increased fundraising activity. We noted instances of fundraising activities occurring in which neither the principal nor bookkeeper had prior knowledge. We recommend that the School develop and formalize a fundraising policy including both pre-approval prior to the function and cash collection procedures.

As of June 30, 2007 - the above issue has been resolved.

06-3 Billing for summer program policy

The School's policy for the summer program is to bill per month and per student whether that student was in full attendance or not. During our review of the billing procedures, we noted that this policy was not adhered to. The School has low-income students who attend the summer program of which a non-profit organization pays their fees for attendance. The non-profit organization will however, only pay for the days a student is actually in attendance. We were informed of an instance where a student was removed from a bill to avoid future write-off procedures. We believe that it would be worthwhile for the School to change the billing program to incorporate a separate billing policy for situations similar to that detailed above.

As of June 30, 2007 - the above issue has been resolved.

06-8 Document administrative fees charged to related parties

The School was charged a portion of an employee's salary from another school, which is related to Chancellor Charter School at Lantana by a common operating company. The employee provides bookkeeping services to each of the schools. Although the employee's contract allows for the charges, there is no written agreement between the Schools. Signed agreements documenting formal policies of charging administrative fees are necessary to establish the basis for calculating the fees.

As of June 30, 2007 - the above issue has been resolved.

**Prior Year Recommendations to Improve Financial Management,
Accounting Procedures, and Internal Controls Repeated**

06-1 Payroll controls and reconciliation

Criteria: Employees should be getting paid per their contract.

Condition: Our review of payroll discovered an instance of an employee who was not correctly paid according to their contract. Although this instance was rectified in the subsequent fiscal year, we recommend that the School implement a policy to alleviate the distribution of incorrect funds to employees. A more detailed review should be performed that includes the following procedures:

- Trace employee names to employment authorization forms.
- Trace pay rates to authorization form
- Trace hours worked to time records.
- Check the clerical accuracy of the payroll.
- Check the account distribution for reasonableness based on knowledge of the operations and payroll costs of the various departments and cost centers.

Status as of June 30, 2007:

Condition: During the course of the audit, it was noted that the employee responsible for payroll received an additional \$7,000 over their contracted amount. In addition, another employee was paid an extra \$600 over their contracted amount.

Cause: There was a lack of segregation of duties over payroll.

Effect: The employee reimbursed the School, however, controls over payroll failed.

Auditor's recommendations: We recommend that payroll be reviewed by management each pay period to ensure that all employees are being paid their contracted amount. Another useful review procedure is to reconcile the total of the current period's payroll to that of the prior pay period by verifying the items making up the change, such as new or terminated employees, a pay raise, etc.

**Prior Year Recommendations to Improve Financial Management,
Accounting Procedures, and Internal Controls Repeated (continued)**

06-4 Budgetary comparison

Criteria: Government accounting standards require budgetary comparisons be provided for the general fund and each major special revenue funds that are legally adopted. The governing board adopts a budget for the School's entire operation at the combined fund level.

Condition: Although the board is in compliance with Florida statutory requirements, we recommend budgets be adopted in accordance with government accounting standards.

Status as of June 30, 2007:

Condition: The Board did not approve a budget for the general fund and each major special revenue fund.

Cause: Management of the School failed to segregate special revenue funds from the operating budget.

Effect: The School is not in compliance with government accounting standards.

Auditor's recommendations: We recommend that the School adopt budgets in accordance with government accounting standards.

06-5 Budgeting capital expenditures

Criteria: The School's capitalization policy calls for capitalization of property and equipment additions exceeding \$500 and a useful life of more than two years.

Condition: When reviewing the annual budget for the School, we noted that the budget was prepared on an operationally wide accrual basis. This resulted in expenditures for capital outlay not being budgeted.

Status as of June 30, 2007:

Condition: The School had only budgeted for capital outlay revenues and did not budget expected capital expenditures.

Cause: The School does not prepare their budget in accordance with government accounting standards.

Effect: An over-expenditure of capital items is presented in the budgetary comparison.

Auditor's recommendations: We recommend that annual capital expenditures be included in the budget prepared and approved by the Board of Directors

**Prior Year Recommendations to Improve Financial Management,
Accounting Procedures, and Internal Controls Repeated (continued)**

06-6 Financial condition

Criteria: The School must follow the condition specified Section 218.503(1)(e), Florida Administrative Code where all schools will not run at a deficit.

Condition: The School reported a net deficit of \$961,878, an unreserved net deficit of \$1,171,806 and a fund balance deficit of \$34,513.

Cause: The School accumulated deficits during prior years as a result of start-up and operating costs that were paid by their operating company.

Status as of June 30, 2007:

Condition: Although the School reported a net deficit of \$655,164 and an unrestricted net deficit of \$994,791, it was not a result of deteriorating financial conditions. The School continues to improve its financial conditions with an increase in net assets of \$306,714 for the year ended June 30, 2007.

Auditor's recommendation's: The School entered into an amended and restated operating agreement during 2006. The terms of the agreement will allow the School to continue to decrease the accumulated deficit. We recommend management continue to the closely monitor the deficits.

06-7 Journal entry approval

Criteria: The School should have appropriate support for general journal entries prior to being posted.

Condition: Our review of the general journal entries revealed that many entries lack proper approval by management.

Status as of June 30, 2007:

Condition: During the course of the audit, we requested to view support for various general journal entries made throughout the year. The School could not produce evidence of approval.

Cause: Management of the School continues to allow journal entries be posted without the proper documentation and approval.

Effect: There is the risk that management will override controls and a misstatement could occur.

Auditor's recommendations: We recommend the adoption of a policy whereby a member of management will approve all general journal entries. The preparer and the individual approving them should initial these entries in order to attribute responsibility to the appropriate individuals.

**Current Year Recommendations to Improve Financial Management,
Accounting Procedures, and Internal Controls**

07-1 Capitalization policy

Criteria: The School's capitalization policy calls for capitalization of any property and equipment additions in excess of \$500.

Condition: There were two instances where the capitalization policy was not followed. There was a \$46,720 reclassification from repairs and maintenance to buildings and fixed equipment and a \$3,618 reclassification from non-capitalized software to capitalized software. There was also one instance where computer equipment was capitalized when it should be expensed because it was under the threshold.

Cause: A review of the general ledger is not occurring by a knowledgeable person.

Effect: The School was overstating their expenses and understating their assets for government-wide financial statements.

Auditor's recommendations: We recommend that management review all expenditures relating to repairs and maintenance and all non-capital property and equipment accounts to ensure that all items are being properly recorded.



Chancellor Charter School at Lantana

Laura Levin Mardyks ED.d., Principal

600 S. East Coast Avenue

Lanatana, FL 33462-4577

561-585-1189 • Fax 561-585-1166

laura.mardyks@imagineschools.com

September 13, 2007

To Whom It May Concern:

The following is our response to the draft audit dated September 5, 2007:

06-1 Payroll controls and reconciliation

This has been corrected through several proactive systems.

The bookkeeper ensures that all employees are being paid based on contractual agreements. Time sheets are balanced and checked for accuracy before being processed. Management previews the printed statistical summary and payroll register before the information is forwarded to ADP for processing. Upon receipt, the final payroll is reviewed prior to distribution. A careful comparison is made between prior and present payrolls to ensure that there are no significant differentials.

A new report, created by Sharon Howe, is now being utilized. Totals are compared to contracts on a quarterly basis.

The new payroll system, to be in effect in November 2007, will prevent payroll personnel from modifying their own salaries.

06-4 Budgetary comparison

The Imagine Schools engages a standard budget reporting system for all of its schools. Reports to the district are in the format required by Palm Beach. Budgets are routinely compared to actuals on a monthly basis.

The school will prepare budgetary comparisons for the general fund and each major special revenue funds that are legally adopted.

06-5 Budgeting capital expenditures

The school budgets for capital outlay revenues. However, these revenues are used solely to pay for the school's facility use fee which is higher than that which is received in capital outlay revenue. The school will identify the facility use fee with a line item titled "Capital Expenditures Facility Use Fee". In the event there are additional capital outlay expenditures they will be appropriately identified.

06-6 Financial condition

The school has paid its promissory note and reduced its indebtedness in accordance with the operating agreement. Expenses are judiciously controlled, and we take advantage of opportunities for materials, assessments, trainings and furniture provided by the district. The school will continue to monitor its budgets and actuals very closely to ensure that the debt will be eliminated.

06-7 Journal entry approval

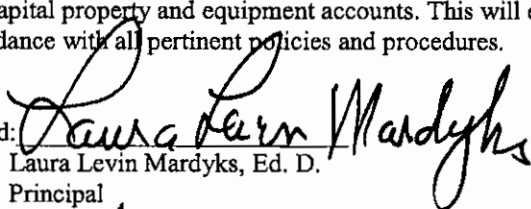
All journal entries will be posted with documentation of prior approval by the management. Entries will be updated in MAS 500. Presently entries post the payroll expense and record FTE and Capital revenue (which are recurring entries). Insurance amortizations and depreciations are also posted. The only other entries might be those which record any necessary corrections. All will have proper back-up, descriptions and be initialed by the preparer and management.

The school will have two signatures on all non-recurring journal entries.

07-1 Capitalization policy

The school management will review all expenditures relating to repairs and maintenance along with all non-capital property and equipment accounts. This will ensure that all items are being properly recorded in accordance with all pertinent policies and procedures.

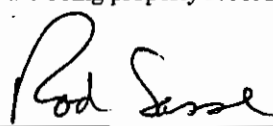
Signed:


Laura Levin Mardyks, Ed. D.
Principal

Date:

Sept 18, 2007

Signed:


Rod Sasse
S FL Regional Dir. Of Development

Date:

Sept 18, 2007