

**LEARNING GATE  
COMMUNITY SCHOOL, INC.**

A Charter School and Component Unit of the  
District School Board of Hillsborough County

**INDEPENDENT AUDITOR'S REPORT**

*for the fiscal year ended JUNE 30, 2007*

**RECEIVED**

OCT 24 2007

ALAN TORRES (MEMORIAL)

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# LEARNING GATE COMMUNITY SCHOOL, INC.

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal 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 opinion.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Learning Gate Community School, Inc. as of June 30, 2007, and the respective changes in financial position thereof for the fiscal 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 a report dated August 8, 2007, on our consideration of the Learning Gate Community School, Inc.'s internal control and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 thereon.

Respectfully submitted,

*King & Walker, CPAs, PLLC*

August 8, 2007

Tampa, Florida

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

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Learning Gate Community School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2007.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 20.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2007, the School's revenues exceeded expenses as shown on the School's statement of activities by \$222,987. This is an increase from the prior year of approximately \$181,824.
- Overall, revenues increased by approximately \$799,000, due to an increase in enrollment and increased fund raising activity.

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

The basic financial statements consist of three components:

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

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

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

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

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

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

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

## **Notes to Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2007:

	Net Assets, End of Year		
	Governmental Activities		Increase (Decrease)
	6-30-06	6-30-07	
<b>ASSETS</b>			
Current and Other Assets	\$320,197	\$366,323	\$ 46,126
Capital Assets, net	86,944	288,107	201,163
Total Assets	407,141	654,430	247,289
<b>LIABILITIES</b>			
Current Liabilities	108,825	133,127	24,302
Total Liabilities	108,825	133,127	24,302
<b>NET ASSETS</b>			
Invested in Capital Assets, net of Debt	86,944	288,107	201,163
Restricted for Capital Projects	13,754	-	(13,754)
Unrestricted	197,618	233,196	35,578
Total Net Assets	298,316	521,303	222,987
Total Liabilities and Net Assets	\$407,141	\$654,430	\$ 247,289

The increase in Total Assets and Total Net Assets is primarily due to the capitalization of construction and leasehold expenditure associated with the School's planned addition of new classrooms.

The key elements of the changes in the School's net assets for the fiscal year ended and June 30, 2007 is as follows:

	<b>Operating Results for the Year</b>		
	Governmental Activities		
	6-30-06	6-30-07	Increase (Decrease)
<b>Revenues:</b>			
State and Local sources	\$ 2,339,416	\$ 3,071,285	\$731,869
Grants, Contributions and Other	169,652	236,841	67,189
<b>Total Revenues</b>	<b>2,509,068</b>	<b>3,308,126</b>	<b>799,058</b>
<b>Expenses:</b>			
Instruction	1,371,166	1,671,875	300,709
Instructional Media	2,251	-	(2,251)
Board of Education	-	14,175	14,175
School Administration	291,443	420,764	129,321
Facilities Acq. & Construction	421,000	448,860	27,860
Fiscal Services	164,043	202,233	38,190
Food Services	18,088	67,111	49,023
Operation of Plant	199,914	260,121	60,207
<b>Total Expenses</b>	<b>2,467,905</b>	<b>3,085,139</b>	<b>617,234</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 41,163</b>	<b>\$ 222,987</b>	<b>\$181,824</b>

The largest revenue source for the School is the State of Florida (92 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. An enrollment increase of 54 weighted FTE along with an increase in per student funding were the primary factors for the increased State revenue. Additionally, the School's fund raising efforts accounted for the increase in Other revenue.

Expenses increased in Instruction primarily due to an increase in instructional staffing. The increase in School Administration was due to the hiring of a full time fund raiser and the increased dollar amount of administrative fees paid to the District. Other increases in expenses were generally due to the increase in cost attributed to the increase in the number of students for the 2006-07 fiscal year.

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

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$233,196.

## **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2007, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were approximately equal to what was originally anticipated.

## **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$288,107 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements and construction in progress. Additional information regarding the School's capital assets can be found in note 5 to the financial statements.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Learning Gate Community School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Learning Gate Community School, Inc., 16215 Hanna Road, Lutz, Florida 33549.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**  
*June 30, 2007*

<b>ASSETS</b>	<u>Government Activities</u>
<b>Current Assets:</b>	
Cash & Cash Equivalents	\$ 330,295
Accounts Receivable	30,553
Other Assets	5,475
Total Current Assets	<u>366,323</u>
<b>Capital Assets:</b>	
Furniture, Fixtures, and Equipment, Net	23,004
Leasehold Improvements, Net	137,721
Construction in Progress	127,382
Total Capital Assets, Net	<u>288,107</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 654,430</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 28,938
Salary & Wages Payable	104,189
<b>TOTAL LIABILITIES</b>	<u>133,127</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	288,107
Unrestricted	233,196
Total Net Assets	<u>521,303</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 654,430</u></u>

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

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

*For the Fiscal Year Ended June 30, 2007*

Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities	Total
Governmental Activities:					
Instruction	\$ 1,671,875	\$ -	\$ -	\$ (1,671,875)	\$ (1,671,875)
Pupil Personnel Services				-	-
Instructional Media				-	-
Instruction & Curriculum Development				-	-
Instructional Staff Training				-	-
Board of Education	14,175			(14,175)	(14,175)
School Administration	420,764			(420,764)	(420,764)
Facilities Acquisition & Construction	448,860		320,142	(128,718)	(128,718)
Fiscal Services	202,233			(202,233)	(202,233)
Food Services	67,111	14,307		(52,804)	(52,804)
Central Services				-	-
Pupil Transportation				-	-
Operation of Plant	260,121			(260,121)	(260,121)
Maintenance of Plant				-	-
<b>Total Governmental Activities</b>	<b>\$ 3,085,139</b>	<b>\$ 14,307</b>	<b>\$ 320,142</b>	<b>(2,750,690)</b>	<b>(2,750,690)</b>
General Revenues:					
State and Local sources				2,736,836	2,736,836
Grants and Contributions not restricted to specific program				-	-
Other				236,841	236,841
				<u>2,973,677</u>	<u>2,973,677</u>
Change in Net Assets				222,987	222,987
Net Assets - July 1, 2006				298,316	298,316
Net Assets - June 30, 2007				<u>\$ 521,303</u>	<u>\$ 521,303</u>

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

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***  
***June 30, 2007***

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 330,295	\$ -	\$ 330,295
Accounts Receivable		30,553	30,553
Due From Other Funds	30,553		30,553
Other Current Assets	5,475		5,475
Total Assets	<u>\$ 366,323</u>	<u>\$ 30,553</u>	<u>\$ 396,876</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts Payable	\$ 28,938	\$ -	\$ 28,938
Due To Other Funds		30,553	30,553
Salary and Wages Payable	104,189		104,189
Total Liabilities	<u>133,127</u>	<u>30,553</u>	<u>163,680</u>
Fund Balances:			
Reserved		-	-
Undesignated	233,196		233,196
Total Fund Balances	<u>233,196</u>	<u>-</u>	<u>233,196</u>
Total Liabilities and Fund Balance	<u>\$ 366,323</u>	<u>\$ 30,553</u>	<u>\$ 396,876</u>

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

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

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

*June 30, 2007*

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 233,196</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>288,107</u>
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<b>Total Net Assets - Governmental Activities</b>	<b><u><u>\$ 521,303</u></u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

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

*For the Fiscal Year Ended June 30, 2007*

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
Federal Through Local	\$ -	\$ -	\$ -
State and Local	2,751,143	320,142	3,071,285
Contributions and Other	236,841		236,841
Total Revenues	2,987,984	320,142	3,308,126
<b>Expenditures</b>			
Current - Education:			
Instruction	\$ 1,652,122	\$ -	\$ 1,652,122
Pupil Personnel Services			-
Instructional Media			-
Instruction & Curriculum Development			-
Instructional Staff Training			-
Board of Education	14,175		14,175
School Administration	417,015		417,015
Facilities Acquisition & Construction	110,505	333,896	444,401
Fiscal Services	202,233		202,233
Food Services	66,771		66,771
Central Services			-
Pupil Transportation			-
Operation of Plant	260,121		260,121
Maintenance of Plant			-
Fixed Capital Outlay:			
Other Capital Outlay	229,464		229,464
Total Expenditures	2,952,406	333,896	3,286,302
Net Change in Fund Balances	35,578	(13,754)	21,824
Fund Balances, July 1, 2006	197,618	13,754	211,372
Fund Balances, June 30, 2007	\$ 233,196	\$ -	\$ 233,196

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

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2007*

<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 21,824</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

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

This is the amount of depreciation expense in excess of capital outlays in the current period.

201,163

<b>Change in Net Assets - Governmental Activities</b>	<b>\$ 222,987</b>
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The accompanying notes to the financial statements are an integral part of this statement.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Hillsborough County, Florida, ("District"). The current charter has been renewed and is effective until June 30, 2010 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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

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

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Deposits and Investments**

Cash deposits consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$100,000.

➤ **Capital Assets**

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

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

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

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

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the 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 FEFP and the actual weighted full-time equivalent students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 11011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2007, the School reported 454.50 unweighted FTE and 462.41 weighted FTE.

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

- Attendance and membership documentation (Rule 6a-1.044 FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503 FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503 FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411 FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC)

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

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

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

**2. DEPOSITS**

The School maintains its cash balances at two financial institutions. Cash balances are insured by the Federal Deposit Insurance Company up to \$100,000 per institution. At June 30, 2007, the School's uninsured cash balances totaled \$130,295.

Amounts covered by FDIC insurance are classified into risk category 1 - Insured or registered, or securities held by the School or its agent in the School's name. Amounts not covered by FDIC insurance are classified into risk category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the School's name

**3. ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from the Hillsborough County District School Board for the Charter School Capital Outlay program. Receivables are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**4. INTERFUND RECEIVABLES/PAYABLES**

At June 30, 2007, the School's Capital Projects fund owed the General fund \$30,553, for lease expenditures paid awaiting the receipt of the final Charter School Capital Outlay funding payment from the District. A "due from" and "due to" in this amount was reported in the statement of revenues, expenditures, and changes in fund balance – governmental funds. These amounts are netted together and not reported in the statement of net assets.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	<u>Balance</u> <u>07/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/07</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 127,382	\$ -	\$ 127,382
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>127,382</u>	<u>-</u>	<u>127,382</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	123,252	12,904	-	136,156
Leasehold Improvements	<u>56,680</u>	<u>89,178</u>	<u>-</u>	<u>145,858</u>
Total Capital Assets Being Depreciated	<u>179,932</u>	<u>102,082</u>	<u>-</u>	<u>282,014</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(89,310)	(23,842)	-	(113,152)
Leasehold Improvements	<u>(3,678)</u>	<u>(4,459)</u>	<u>-</u>	<u>(8,137)</u>
Total Accumulated Depreciation	<u>(92,988)</u>	<u>(28,301)</u>	<u>-</u>	<u>(121,289)</u>
Total Capital Assets Being Depreciated, Net	<u>86,944</u>	<u>73,781</u>	<u>-</u>	<u>160,725</u>
Governmental Activities Capital Assets, Net	<u>\$ 86,944</u>	<u>\$ 201,163</u>	<u>\$ -</u>	<u>\$ 288,107</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Instruction	\$ 19,753
School Administration	3,749
Operation of Plant	4,459
Food Service	<u>340</u>
Total governmental activities depreciation expense	<u>\$ 28,301</u>

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**6. SCHEDULE OF STATE & LOCAL REVENUE SOURCES**

The following is a schedule of the School's State and local revenue for the 2006-07 fiscal year:

Source	Amount
<i>STATE:</i>	
Florida Education Finance Program	\$ 1,872,906
Categorical Educational Programs:	
Class Size Reduction	346,989
Supplementary Academic Instruction	101,980
Instructional Materials	44,023
Lottery Allocation	17,183
Capital Outlay	320,142
ESE Guaranteed Allocation	131,953
School Recognition	40,450
Florida Teachers' Lead Program	6,500
Learn and Serve	2,237
Total State Revenue	\$ 2,884,363
 <i>LOCAL:</i>	
Discretionary Millage	\$ 172,615
Student Lunches	14,307
Total Local Revenue	186,922
Total State and Local Revenue	\$ 3,071,285

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$134,382.

Accounting policies relating to certain State revenue sources are described in Note 1.

**7. LEASE COMMITMENTS**

The School leases its educational facility and equipment under noncancelable operating leases. These leases contain varying renewal options and require the School to pay insurance and other costs. The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

Fiscal Year Ending June 30	Amount
2008	467,872
2009	481,604
2010	493,213
2011	500,176
2012	515,181
2013-2017	2,817,223
Total Minimum Payments Required	5,275,269

Rental expenditures for the School's educational facility were approximately \$444,000.

**8. RISK MANAGEMENT PROGRAMS**

Workers' compensation and general liability coverage 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.

**9. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state 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 receivables at June 30, 2007, may be impaired.

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

**10. FUNDING AND CREDIT RISK CONCENTRATIONS**

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

**11. RELATED PARTY TRANSACTIONS**

In July 2002, the School entered into a lease agreement with the principal of the School for its educational facility. The lease commenced in October 2002 and expires on June 30, 2017. Annual rental rates started at \$300,000 and were scheduled to increase with the growth of the student population which amounted to \$444,000 for the 2006-07 fiscal year. Beginning on July 1, 2007, the annual rent will increase at a rate of 3% per year until expiration of the lease. This lease commitment is included in Note 7.

**LEARNING GATE COMMUNITY SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
*For the Fiscal Year Ended June 30, 2007*

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental:				
Federal through Local	\$	\$	\$	\$ -
State and Local	2,564,816	2,751,143	2,751,143	-
Contributions and Other	231,500	236,841	236,841	-
<b>Total Revenues</b>	<u>2,796,316</u>	<u>2,987,984</u>	<u>2,987,984</u>	<u>-</u>
<b>Expenditures:</b>				
Current - Education:				
Instruction	1,689,153	1,652,122	1,652,122	-
Pupil Personnel Services	-	-	-	-
Instructional Media	-	-	-	-
Instruction & Curriculum Development	-	-	-	-
Instructional Staff Training	-	-	-	-
Board of Education	9,000	14,175	14,175	-
School Administration	435,295	417,015	417,015	-
Facilities Acquisition & Construction	151,324	110,505	110,505	-
Fiscal Services	30,000	202,233	202,233	-
Food Services	104,515	66,771	66,771	-
Central Services	-	-	-	-
Pupil Transportation	-	-	-	-
Operation of Plant	299,616	260,121	260,121	-
Maintenance of Plant	-	-	-	-
Fixed Capital Outlay:				
Other Capital Outlay	-	229,464	229,464	-
<b>Total Expenditures</b>	<u>2,718,903</u>	<u>2,952,406</u>	<u>2,952,406</u>	<u>-</u>
Net Change in Fund Balances	77,413	35,578	35,578	-
Fund Balances, July 1, 2006	197,618	197,618	197,618	-
<b>Fund Balances, June 30, 2007</b>	<u>\$ 275,031</u>	<u>\$ 233,196</u>	<u>\$ 233,196</u>	<u>\$ -</u>

See Independent Auditor's Report.

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

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

To the Board of Directors  
Learning Gate Community School, Inc.:

We have audited the basic financial statements of the Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading *Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information*. 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 of the School's financial statements for the fiscal year ended June 30, 2007, we considered the School'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 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 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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity'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, and other guidelines, 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 that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

*King & Walker, CPAs, PLLC*

August 8, 2007

**KING & WALKER, CPAs, PL**  
*Certified Public Accountants*

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

To the Board of Directors  
Learning Gate Community School, Inc.:

We have audited the basic financial statements of the Learning Gate Community School, Inc. ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 8, 2007.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 8, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.854(1)(d)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School has taken the appropriate corrective action to correct the finding in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(d)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), FL Statutes regarding financial emergency. The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

The Rules of the Auditor General (Section 10.854(1)(d)3.), require that we make recommendations, present financial management, accounting procedures, and internal controls. No recommendations were noted in our audit.

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

- violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
- improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements
- Deficiencies in internal control that are not reportable conditions, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions

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

The Rules of the Auditor General (Section 10.854(1)(d)6.), require we disclose the name or official title of the school or center. The school's official name is Learning Gate Community School, Inc. which was incorporated in the State of Florida in December 2002 and received its status as a non-profit Section 501(c)(3) organization from the Internal Revenue Service.

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

Respectfully submitted,

*King & Walker, CPAs, PLLC*

August 8, 2007  
Tampa, Florida

**LEARNING GATE COMMUNITY SCHOOL, INC.**

**Management's Response to Audit Findings**

**Year Ended June 30, 2007**

The following is the School's response to the item in the Management Letter dated August 8, 2007, as required by Rule 10.857, Rules of the Auditor General:

No response required.