



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**LIFE SKILLS CENTER DADE COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
DADE COUNTY, FLORIDA**

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

JUNE 30, 2007

CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1 – 5
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	6 – 7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet – Governmental Fund	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	13
Notes to the Basic Financial Statements	14 – 20
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	21
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 – 23
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:	
Management Letter	24 – 26

**LIFE SKILLS CENTER DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Life Skills Center Dade County, Inc's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$98,461 (net assets). This is a slight decrease from the prior year, when assets of the School exceeded its liabilities by \$107,277.

Revenues from state and local sources increased 170% (\$966,578), while revenues from other sources decreased 92% (\$2,160,037) for a net decrease in revenues of 41%. Expenses decreased 39% (\$1,077,366). The change is primarily due to an increase in enrollment and a decrease in expenses related to facilities acquisition and construction which were paid for in the prior fiscal year by working capital contributions from White Hat Management. See Note 7.

Using this Financial Report

This report consists of three parts, the management discussion and analysis, the basic financial statements, and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements, the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.
- The remaining statements, the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-wide Financial Statements

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

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - are one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.

**LIFE SKILLS CENTER DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Net Assets

Table 1 provides a comparative summary of the School's net assets for fiscal years 2007 and 2006.

(Table 1)			
Net Assets			
	2007	2006	Increase (Decrease)
Assets			
Current Assets	\$ 307,013	\$ 88,376	\$ 218,637
Capital Assets, net	60,847	98,460	(37,613)
Total Assets	\$ 367,860	\$ 186,836	\$ 181,024
Liabilities			
Current Liabilities	\$ 269,399	\$ 79,559	\$ 189,840
Net Assets			
Invested in Capital Assets	\$ 60,847	\$ 98,460	\$ (37,613)
Restricted	903	903	-
Unrestricted	36,711	7,914	28,797
Total Net Assets	\$ 98,461	\$ 107,277	\$ (8,816)

**LIFE SKILLS CENTER DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Change in Net Assets

Table 2 shows the comparative changes in net assets between fiscal year 2007 and 2006, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Revenues			
State and Local Sources	\$ 1,511,567	\$ 544,989	\$ 966,578
Federal Start-Up Grant	-	300,000	(300,000)
Other Revenue	189,116	2,049,153	(1,860,037)
Total Revenues	<u>1,700,683</u>	<u>2,894,142</u>	<u>(1,193,459)</u>
Expenses			
Instruction	623,702	656,481	(32,779)
Pupil Personnel Services	38,824	32,121	6,703
Instructional Staff Training Services	64,469	29,397	35,072
Board	16,550	7,577	8,973
School Administration	466,482	440,765	25,717
Facilities Acquisition and Construction	381,232	1,517,706	(1,136,474)
Operation of Plant	95,600	44,549	51,051
Maintenance of Plant	22,640	58,269	(35,629)
Total Expenses	<u>1,709,499</u>	<u>2,786,865</u>	<u>(1,077,366)</u>
Change in Net Assets	<u>\$ (8,816)</u>	<u>\$ 107,277</u>	<u>\$ (116,093)</u>

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

**LIFE SKILLS CENTER DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the School's governmental funds reported a combined ending unreserved fund balance of \$36,711.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates.

The School's final general fund budget estimated a \$29,220 carryover to the following year. Actual results produced a carryover in the general fund of \$37,614.

Capital Assets

At the end of fiscal year 2006 the School had \$116,298 invested in furniture, fixtures and equipment and computer software. Table 3 shows comparative balances of capital assets for fiscal years 2007 and 2006.

(Table 3)
Capital Assets
(Net of Depreciation)

	2007	2006	Increase (Decrease)
Furniture, Fixtures and Equipment	\$ 5,507	\$ 7,234	\$ (1,727)
Computer Software	55,340	91,226	(35,886)
Totals	\$ 60,847	\$ 98,460	\$ (37,613)

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

**LIFE SKILLS CENTER DADE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Current Financial Issues

As explained more fully in Note 7 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which includes facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. The Company agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Dade County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by WHLS do not represent a loan or future obligation of the School to WHLS.

For fiscal year 2007, the school's second year of operation, WHLS provided approximately \$189,116 of additional support to the School. These costs were incurred solely by WHLS on behalf of the School and its operations. The School projects that with the absence of upfront capital investments in the facility, the School will not require this level of additional support from WHLS during fiscal year 2008.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Amy Rohner, Government Business Services Manager for the Life Skills Center Dade County, Inc., 3535 NW 7th St, Miami, FL 33125.



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

To the Board of Directors of Life Skills Center Dade County, Inc.,
a Charter School and Component Unit of the District
School Board of Dade County, Florida

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007 on our consideration of the School's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 1 - 5 and the budgetary comparison schedule on page 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
August 30, 2007

LIFE SKILLS CENTER DADE COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 307,013
Capital Assets:	
Furniture, Fixtures and Equipment	8,641
Less Accumulated Depreciation	(3,134)
Computer Software	107,657
Less Accumulated Amortization	(52,317)
	\$ 367,860
Total Assets	\$ 367,860
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Management Company	\$ 269,399
	269,399
Total Liabilities	269,399
 <u>NET ASSETS</u>	
Invested in Capital Assets	60,847
Restricted for:	
Categorical Carryover Programs	903
Unrestricted Net Assets	36,711
	98,461
Total Net Assets	98,461
Total Liabilities and Net Assets	\$ 367,860

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

**LIFE SKILLS CENTER DADE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

FUNCTIONS	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction	\$ 623,702	\$ -	\$ (623,702)
Pupil Personnel Services	38,824	-	(38,824)
Instructional Staff Training Services	64,469	-	(64,469)
Board	16,550	-	(16,550)
School Administration	466,482	-	(466,482)
Facilities Acquisition and Construction	381,232	-	(381,232)
Operation of Plant	95,600	-	(95,600)
Maintenance of Plant	22,640	-	(22,640)
Total Governmental Activities	\$ 1,709,499	\$ -	(1,709,499)
 General Revenues:			
FEFP			1,511,567
Other Revenue			189,116
Total General Revenues			1,700,683
 Change in Net Assets			 (8,816)
 Net Assets-Beginning			 107,277
 Net Assets-Ending			 \$ 98,461

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

**LIFE SKILLS CENTER DADE COUNTY, INC.
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2007**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 307,013
Total Assets	\$ 307,013
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to Management Company	\$ 269,399
Total Liabilities	269,399
FUND BALANCE	
Unreserved	36,711
Reserved Lottery Funds	903
Total Fund Balance	37,614
Total Liabilities and Fund Balance	\$ 307,013

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

LIFE SKILLS CENTER DADE COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balance - governmental fund **\$ 37,614**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.

60,847

Total net assets - governmental activities

\$ 98,461

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

LIFE SKILLS CENTER DADE COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund
REVENUES	
State and Local Sources	\$ 1,511,567
Other Revenue	189,116
Total Revenues	1,700,683
EXPENDITURES	
Instruction	595,073
Pupil Personnel Services	38,824
Instructional Staff Training Services	57,212
Board	16,550
School Administration	464,755
Facilities Acquisiton and Construction	381,232
Operation of Plant	95,600
Maintenance of Plant	22,640
Total Expenditures	1,671,886
Excess of Revenues Over Expenditures	28,797
Fund Balance, July 1, 2006	8,817
Fund Balance, June 30, 2007	\$ 37,614

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

LIFE SKILLS CENTER DADE COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net changes in fund balance - governmental fund **\$ 28,797**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current period. There were no capital outlays.

(37,613)

Change in net assets of governmental activities **\$ (8,816)**

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

**LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center Dade County, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes.

The School contracts with WHLS of Florida, LLC (WHLS) for most of its functions. See Note 7.

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 Dade County, Florida (the District). The current charter is effective until June 30, 2010 and may be renewed for up to an additional fifteen years 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 the 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 any good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District. The School is considered a component unit of the District and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governments.

The School operates under a self-appointing, ten-member Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the District, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

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

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

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

Governmental Fund:

- General Fund - to account for all financial resources not required to be accounted for in another fund.

For the purposes of these statements, the School's fund described above is considered to be a major fund.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

C. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. 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 funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the 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 FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives a 5% administrative fee from the School, which is reflected as a reduction of state and local funding in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund. This administrative fee is calculated on the FEFP revenues up to 500 students. Amounts awarded under FEFP for the 2007 school year totaled \$1,511,567.

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUE SOURCES (Continued)

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

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the School has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of \$55,451. Depreciation is computed by the straight-line method over five years for Furniture, Fixtures and Equipment and over three years for Computer Software.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS. (See Note 7.)

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation, restricted net assets and unrestricted net assets.

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's deposit policy for custodial credit risk is to spread its deposits among various institutions to the extent possible in order to limit its exposure to any one institution. As of June 30, 2007, \$207,263 of the School's bank balance of \$307,263 was exposed to custodial credit risk. This balance was collateralized by securities held by the pledging bank's trust department, but not in the School's name. The School has not historically experienced losses on such accounts.

4. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2007, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures & Equipment	\$ 8,641	\$ -	\$ -	\$ 8,641
Computer Software	<u>107,657</u>	<u>-</u>	<u>-</u>	<u>107,657</u>
Total Capital Assets Being Depreciated	<u>116,298</u>	<u>-</u>	<u>-</u>	<u>116,298</u>
Less Accumulated Depreciation:				
Furniture Fixtures & Equipment	(1,407)	(1,727)	-	(3,134)
Computer Software	<u>(16,431)</u>	<u>(35,886)</u>	<u>-</u>	<u>(52,317)</u>
Total Accumulated Depreciation	<u>(17,838)</u>	<u>(37,613)</u>	<u>-</u>	<u>(55,451)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 98,460</u>	<u>\$ (37,613)</u>	<u>\$ -</u>	<u>\$ 60,847</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
Instruction	\$ 28,629
Instructional Staff Training Services	7,257
School Administration	<u>1,727</u>
Total governmental activities depreciation expense	<u>\$ 37,613</u>

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

5. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2007, state and local revenues were received from the District as follows:

	<u>2007</u>
Florida Education Finance Program	\$ 1,185,135
Discretionary Lottery Funds	9,418
Discretionary Millage	95,565
Declining Enrollment	11,753
Instructional Materials	22,831
Class Size Reduction	<u>186,865</u>
Total Revenues	<u>\$ 1,511,567</u>

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past year. (See Note 7.)

Director and Officer - Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

7. AGREEMENT WITH WHLS

The School entered into a five-year Management Agreement (Agreement) with WHLS, which is an educational consulting and management company. The Agreement's term coincides with the School's charter agreement and will renew for additional, successive five (5) year terms unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the Agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues", defined in the Agreement as, "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any

LIFE SKILLS CENTER DADE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007
(Continued)

7. AGREEMENT WITH WHLS (Continued)

terms and conditions attached to the grants, if any.” The continuing fee is paid to WHLS based on the previous month’s qualified gross revenues less any fees the School is required to remit to the District. The continuing fee paid to WHLS for the year ended June 30, 2007 was \$1,390,442. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

During the year ended June 30, 2007, WHLS expended \$189,116 more than the continuing fee required by the Agreement. Per the Agreement, no other amounts are required other than the continuing fee as calculated above. All amounts expended by WHLS in excess of the continuing fee are not required to be repaid, and, consequently, are recorded as other revenue to the School in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance – Government Fund.

8. CONTINGENCES

Grants

Amounts received from grantor agencies may be subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**LIFE SKILLS CENTER DADE COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State & Local Sources	\$ 818,079	\$ 1,447,501	\$ 1,511,567	\$ 64,066
Other Revenue	690,000	230,000	189,116	(40,884)
Total Revenues	<u>1,508,079</u>	<u>1,677,501</u>	<u>1,700,683</u>	<u>23,182</u>
EXPENDITURES				
Instruction	434,066	594,066	595,073	(1,007)
Pupil Personnel Services	109,606	38,606	38,824	(218)
Instructional Staff Training Services	24,000	49,000	57,212	(8,212)
Board	21,000	21,000	16,550	4,450
School Administration	359,926	444,926	464,755	(19,829)
Facilities Acquisiton and Construction	400,000	400,000	381,232	18,768
Operation of Plant	145,500	94,500	95,600	(1,100)
Maintenance of Plant	10,000	15,000	22,640	(7,640)
Total Expenditures	<u>1,504,098</u>	<u>1,657,098</u>	<u>1,671,886</u>	<u>(14,788)</u>
Excess of Revenues Over Expenditures	3,981	20,403	28,797	8,394
Fund Balance, July 1, 2006	<u>8,817</u>	<u>8,817</u>	<u>8,817</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 12,798</u>	<u>\$ 29,220</u>	<u>\$ 37,614</u>	<u>\$ 8,394</u>

See report of independent auditors.



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

To the Board of Directors of Life Skills Center Dade County, Inc.,
a Charter School and Component Unit of the District
School Board of Dade County, Florida

We have audited the financial statements of the governmental activities and the major fund of Life Skills Center Dade County, Inc. (the "School"), a charter school and component unit of the District School Board of Dade County, Florida, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and its operation 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 basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

BKHM, P.A.

Winter Park, Florida
August 30, 2007

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



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Board of Directors of Life Skills Center Dade County, Inc.,
a Charter School and Component Unit of the District
School Board of Dade County, Florida

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Life Skills Center Dade County, Inc. (the "School") a charter school and component unit of the District School Board of Dade County, Florida, as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

BKHM, P.A.

Winter Park, Florida
August 30, 2007

**LIFE SKILLS CENTER DADE COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF DADE COUNTY, FLORIDA**

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

JUNE 30, 2007

There are no findings or recommendations in the current year.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no findings or recommendations in the prior year.