

LITERACY, LEADERSHIP,
TECHNOLOGY ACADEMY, 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
JUN 20 2007

ACCOUNTS RECEIVABLE

KING & WALKER, CPAs, PL

Certified Public Accountants

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LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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 Literacy, Leadership, Technology Academy, 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 Literacy, Leadership, Technology Academy, 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 31, 2007, on our consideration of the Literacy, Leadership, Technology Academy, Inc.'s internal control over financial reporting 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, PC

August 31, 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 Literacy, Leadership, Technology Academy, 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 \$15,753.
- Overall, revenues decreased by approximately \$88,214, due to the gradual expiration of the implementation grant.

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 Special Revenue 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		
	<u>Governmental Activities</u>		
	<u>6-30-06</u>	<u>6-30-07</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 17,675	\$ 29,282	\$ 11,607
Capital Assets, net	163,217	151,460	(11,757)
Total Assets	<u>180,892</u>	<u>180,742</u>	<u>(150)</u>
LIABILITIES			
Current Liabilities	49,438	27,775	(21,663)
Long-Term Liabilities	91,196	96,956	5,760
Total Liabilities	<u>140,634</u>	<u>124,731</u>	<u>(15,903)</u>
NET ASSETS			
Invested in Capital Assets, net of Debt	64,437	54,504	(9,933)
Unrestricted	(24,179)	1,507	25,686
Total Net Assets	<u>40,258</u>	<u>56,011</u>	<u>15,753</u>
Total Liabilities and Net Assets	<u>\$180,892</u>	<u>\$180,742</u>	<u>\$ (150)</u>

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:

Operating Results for the Year

	Governmental Activities		
	6-30-06	6-30-07	Increase (Decrease)
Revenues:			
Federal sources	\$ 333,950	\$ 71,500	\$ (262,450)
State and Local sources	488,547	645,656	157,109
Grants, Contributions and Other	19,316	36,443	17,127
Total Revenues	841,813	753,599	(88,214)
Expenses:			
Instruction	335,736	267,263	(68,473)
Pupil Personnel Services	256		(256)
Instructional Media	81		(81)
Instruction & Curriculum Development	200		(200)
Instructional Staff Training	4,498		(4,498)
Board of Education	10,630	35,396	24,766
School Administration	119,681	197,669	77,988
Facilities Acq. & Construction	101,137	113,649	12,512
Fiscal Services	47,786	2,000	(45,786)
Food Services	13,829	22,522	8,693
Central Services	59,290		(59,290)
Pupil Transportaion	-		-
Operation of Plant	77,387	66,435	(10,952)
Maintenance of Plant	21,221	9,769	(11,452)
Community Service	3,586	17,200	13,614
Interest on Debt	6,237	5,943	(294)
Total Expenses	801,555	737,846	(63,709)
Increase/(Decrease) in Net Assets	\$ 40,258	\$ 15,753	\$ (24,505)

The largest revenue source for the School is the State of Florida (84 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula funds. In addition the School received the final phase funding for the Implementation grant. Although FTE enrollment increased, the decrease in the Implementation grant revenue caused the overall decline in Net Assets.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$1,507.

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 \$151,460 (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 Literacy, Leadership, Technology Academy, 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, Literacy, Leadership, Technology Academy, Inc., 6771 Madison Ave., Tampa, FL 33619.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF NET ASSETS

June 30, 2007

ASSETS	<u>Government Activities</u>
Current Assets:	
Cash & Cash Equivalents	\$ 9,332
Accounts Receivable	2,250
Due From District	17,700
Total Current Assets	<u>29,282</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	19,995
Leasehold Improvements, Net	131,465
Total Capital Assets, Net	<u>151,460</u>
TOTAL ASSETS	<u><u>\$ 180,742</u></u>
 LIABILITIES	
Accounts Payable	\$ 27,775
Long-Term Liabilities:	
Due within one year	9,730
Due after one year	87,226
TOTAL LIABILITIES	<u>124,731</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	54,504
Unrestricted (deficit)	1,507
Total Net Assets	<u>56,011</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 180,742</u></u>

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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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	Program Revenues		Net (Expenses) Revenue and Changes and Net Assets Governmental Activities	Total
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 267,263	\$	30,450	\$ (236,813)	\$ (236,813)
Pupil Personnel Services					
Instructional Media					
Instruction & Curriculum Development					
Instructional Staff Training					
Board of Education	35,396		5,000	(30,396)	(30,396)
School Administration	197,669		6,000	(191,669)	(191,669)
Facilities Acquisition & Construction	113,649		11,000	(102,649)	(102,649)
Fiscal Services	2,000			(2,000)	(2,000)
Food Services	22,522	13,625		(8,897)	(8,897)
Central Services					
Pupil Transportation					
Operation of Plant	66,435		9,781	(56,654)	(56,654)
Maintenance of Plant	9,769		9,269	(500)	(500)
Community Service	17,200	13,701		(3,499)	(3,499)
Debt Service - Interest	5,943			(5,943)	(5,943)
Total Governmental Activities	\$ 737,846	\$ 27,326	\$ 71,500	\$ (639,020)	\$ (639,020)
General Revenues:					
State and Local sources				632,031	632,031
Grants and Contributions not restricted to specific program					
Other				22,742	22,742
				654,773	654,773
Change in Net Assets				15,753	15,753
Net Assets - July 1, 2006				40,258	40,258
Net Assets - June 30, 2007				56,011	56,011

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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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>Special Revenue Fund</u>	<u>TOTAL</u>
ASSETS			
Cash & Cash Equivalents	\$ 9,332	\$ -	\$ 9,332
Accounts Receivable	2,250		2,250
Due From District	17,700		17,700
Total Assets	<u>\$ 29,282</u>	<u>\$ -</u>	<u>\$ 29,282</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 27,775	\$ -	\$ 27,775
Total Liabilities	<u>27,775</u>	<u>-</u>	<u>27,775</u>
Fund Balances:			
Undesignated	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Total Fund Balances	<u>1,507</u>	<u>-</u>	<u>1,507</u>
Total Liabilities and Fund Balance	<u>\$ 29,282</u>	<u>\$ -</u>	<u>\$ 29,282</u>

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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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

Total Fund Balances - Governmental Funds	\$	1,507
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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.		151,460
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

	Line of Credit	91,266	
	Notes	<u>5,690</u>	<u>(96,956)</u>

Total Net Assets - Governmental Activities	\$	<u>56,011</u>
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The accompanying notes to financial statements are an integral part of this statement.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through Local	\$	\$ 71,500	\$ 71,500
State and Local	645,656		645,656
Contributions and Other	36,443		36,443
Total Revenues	682,099	71,500	753,599
Expenditures			
Current - Education:			
Instruction	\$ 231,231	\$ 30,450	\$ 261,681
Pupil Personnel Services			-
Instructional Media			-
Instruction & Curriculum Development			-
Instructional Staff Training			-
Board of Education	30,396	5,000	35,396
School Administration	191,669	6,000	197,669
Facilities Acquisition & Construction	86,660	11,000	97,660
Fiscal Services	2,000		2,000
Food Services	22,146		22,146
Central Services			-
Pupil Transportation			-
Operation of Plant	56,654	9,781	66,435
Maintenance of Plant		9,269	9,269
Community Service	17,200		17,200
Fixed Capital Outlay:			
Other Capital Outlay	10,690		10,690
Debt Service			
Principal	7,514		7,514
Interest	5,943		5,943
Total Expenditures	662,103	71,500	733,603
Excess (Deficiency) of Revenues Over Expenditures	19,996	-	19,996
Other Financing Sources:			
Proceeds from Loan	5,690		5,690
Total Other Financing Sources:	5,690	-	5,690
Net Change in Fund Balance	25,686	-	25,686
Fund Balances, July 1, 2006	(24,179)	-	(24,179)
Fund Balances, June 30, 2007	\$ 1,507	\$ -	\$ 1,507

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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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

Net Change in Fund Balances - Governmental Funds	\$ 25,686
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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.

(11,757)

Long-term debt proceeds (Note Payable) are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Assets.

(5,690)

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.

7,514

Change in Net Assets - Governmental Activities	\$ 15,753
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\$ 15,753

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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Literacy, Leadership, Technology Academy, 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, 2008 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.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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

The School 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.
- Special Revenue Fund – to account for certain Federal grant program resources.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **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 \$500. 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	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

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 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 105.66 unweighted FTE and 105.66 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.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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. ACCOUNTS RECEIVABLE

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

3. 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>06/30/06</u>
Governmental Activities:				
Furniture, Fixtures and Equipment	\$ 32,302		\$ -	\$ 32,302
Building Improvements	<u>149,197</u>	<u>10,690</u>	<u>-</u>	<u>159,887</u>
Total Capital Assets Being Depreciated	181,499	10,690	-	192,189
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(5,849)	(6,458)		(12,307)
Building Improvements	<u>(12,433)</u>	<u>(15,989)</u>	<u>-</u>	<u>(28,422)</u>
Total Accumulated Depreciation	<u>(18,282)</u>	<u>(22,447)</u>	<u>-</u>	<u>(40,729)</u>
Governmental Activities Capital Assets, net	<u>\$163,217</u>	<u>\$ (11,757)</u>	<u>\$ -</u>	<u>\$151,460</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Instruction	\$ 5,582
Facilities, Acquisition & Construction	15,989
Food Service	376
Maintenance of Plant	<u>500</u>
Total governmental activities depreciation expense	<u>\$22,447</u>

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

4. NOTES PAYABLE

Notes payable consist of the following:

	Balance at 6-30-07
<u>Valrico State Bank - Line of Credit</u>	
\$100,000, Borrowed 04-15-06, to fund building improvements. Interest Rate of 6.16 Percent. Payments are to be made in 47 equal monthly insatlments starting 5-15-06 with the balance due on 4-15-2010.	\$ 91,266
<u>American General - Note Payable</u>	
\$5.690, Borrowed 06-01-07, to fund building improvements (floors). Interest Rate of 21.6 Percent. Payments are to be made in 33 equal monthly insatlments starting 7-1-07.	<u>5,690</u>
Total Notes Payable	<u>\$ 96,956</u>

Amounts payable for notes payable are as follows:

Fiscal Year	Total	Principal	Interest
Ending June 30			
2008	\$ 15,123	\$ 9,730	\$ 5,393
2009	15,520	10,639	4,881
2010	80,241	76,587	3,654
Total	<u>\$ 110,884</u>	<u>\$ 96,956</u>	<u>\$ 13,928</u>

5. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 98,780	\$ 5,690	\$ (7,514)	\$ 96,956	\$ 9,730
Total Governmental Activities	<u>\$ 98,780</u>	<u>\$ 5,690</u>	<u>\$ (7,514)</u>	<u>\$ 96,956</u>	<u>\$ 9,730</u>

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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	\$ 445,029
Categorical Educational Programs:	
Class Size Reduction	77,429
Supplementary Academic Instruction	23,668
Instructional Materials	10,181
Safe Schools	2,842
Lottery Allocation	4,752
ESE Guaranteed Allocation	17,686
School Recognition	9,200
Florida Teachers' Lead Program	1,000
Total State Revenue	\$ 591,787
<i>LOCAL:</i>	
Discretionary Millage	\$ 40,244
Student Lunches	13,625
Total Local Revenue	53,869
Total State and Local Revenue	\$ 645,656

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$30,096.

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

7. 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.

8. 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.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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.

9. 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.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			Special Revenue Fund		
	Budget	Actual	Variance with Budget - Positive (Negative)	Budget	Actual	Variance with Budget - Positive (Negative)
Revenues:						
Intergovernmental:						
Federal through Local	\$	\$	\$ -	\$ 51,200	\$ 71,500	\$ 20,300
State and Local	617,650	645,656	28,006		-	-
Contributions and Other	10,000	36,443	26,443		-	-
Total Revenues	627,650	682,099	54,449	51,200	71,500	20,300
Expenditures:						
Current - Education:						
Instruction	237,672	231,231	6,441	30,000	30,450	(450)
Pupil Personnel Services		-	-		-	-
Instructional Media		-	-		-	-
Instruction & Curriculum Development		-	-		-	-
Instructional Staff Training		-	-		-	-
Board of Education	31,550	30,396	1,154	5,000	5,000	-
School Administration	148,514	191,669	(43,155)	6,000	6,000	-
Facilities Acquisition & Construction	112,300	86,660	25,640	2,000	11,000	(9,000)
Fiscal Services		2,000	(2,000)		-	-
Food Services	12,800	22,146	(9,346)		-	-
Central Services		-	-		-	-
Pupil Transportation		-	-		-	-
Operation of Plant	43,922	56,654	(12,732)	5,200	9,781	(4,581)
Maintenance of Plant	5,500	-	5,500	3,000	9,269	(6,269)
Community Service		17,200	(17,200)		-	-
Fixed Capital Outlay:						
Other Capital Outlay		10,690	(10,690)		-	-
Debt Service:						
Principal	9,000	7,514	1,486			
Interest and Fiscal Charges	6,000	5,943	57		-	-
Total Expenditures	607,258	662,103	(54,845)	51,200	71,500	(20,300)
Excess (Deficiency) of Revenues Over Expenditures	20,392	19,996	(396)	-	-	-
Other Financing Sources:						
Proceeds from Loan	-	5,690	(5,690)	-	-	-
Total Other Financing Sources:	-	5,690	(5,690)	-	-	-
Net Change in Fund Balance	20,392	25,686	(6,086)	-	-	-
Fund Balances, July 1, 2006	-	(24,179)	(24,179)	-	-	-
Fund Balances, June 30, 2007	\$ 20,392	\$ 1,507	\$ (30,265)	\$ -	\$ -	\$ -

See Independent Auditor's Report.

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
*For the Fiscal Year Ended June 30, 2007***

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Education:			
Indirect:			
Hillsborough County District School Board: Charter Schools	84.282	NA	\$ 71,500
Total United States Department of Education			<u>71,500</u>
Total Expenditures of Federal Awards			<u><u>\$ 71,500</u></u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2006-2007 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the School's accounting records from which the basic financial statements have been reported.

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

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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
Literacy, Leadership, Technology Academy, Inc.:

We have audited the basic financial statements of the Literacy, Leadership, Technology Academy, 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, PL

August 31, 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
Literacy, Leadership, Technology Academy, Inc.:

We have audited the basic financial statements of the Literacy, Leadership, Technology Academy, 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 31, 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 31, 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 Literacy, Leadership, Technology Academy, Inc. which was incorporated in the State of Florida in August 2004 and received its status as a non-profit Section 501(c)(3) organization from the Internal Revenue Service in May 2006.

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, PC

August 31, 2007

Tampa, Florida

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY, 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 31, 2007, as required by Rule 10.857, Rules of the Auditor General:

No response required.