

**OAKLAND AVENUE CHARTER SCHOOL**  
**FINANCIAL STATEMENTS AND AUDIT REPORT**  
**JUNE 30, 2007**

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**OAKLAND AVENUE CHARTER SCHOOL  
FINANCIAL STATEMENTS  
JUNE 30, 2007**

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LASHLEY, SELAND & ROTROFF, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

D. Gary Lashley, CPA  
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**INDEPENDENT AUDITORS' REPORT**

School Advisory Council and  
the Town Commission  
Oakland, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oakland Avenue Charter School (the "School"), which is included in the operations of the Town of Oakland, Florida (the "Town") as a special revenue fund, 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 Oakland Avenue Charter School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

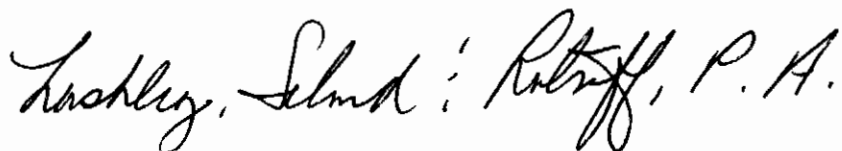
As discussed in Note 1, the financial statements of the Oakland Avenue Charter School (Special Revenue Fund of the Town), are intended to present the financial position, and the changes in financial position of only the transactions of the School as chartered by the Orange County District School Board. They do not purport to, and they do not, present fairly the financial position of the Town as a whole and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Oakland Avenue Charter School, as of 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 January 15, 2008 on our consideration of the Oakland Avenue Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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

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 and the major fund budgetary comparison information as listed in the table of contents, 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, consisting principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Lashley, Seland & Rotroff, P.A." The signature is written in black ink and is positioned centrally on the page.

Lashley, Seland & Rotroff, P.A.  
January 15, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### FINANCIAL HIGHLIGHTS

- The School's total net assets increased \$165,685 or 22.7% compared to the prior year. This was primarily due to a non-recurring increase in capital outlay funding collected from state and local sources, which had built up from prior years.
- For the fiscal year ended June 30, 2007, the School's revenues exceeded expenses by \$390,685. Again, this was primarily due to a non-recurring increase in capital outlay funding.
- Overall, revenues increased by \$647,881 or 19.5% primarily due again to the increased capital outlay funding collections.
- Expenses (instruction and related services, school administration and operation and maintenance of plant) increased \$209,145 or 6.2% during fiscal 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

	Fund Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire School	The activities of the School governed by governmental accounting.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

### Government-wide Financial Statements

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

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

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

- *Governmental activities* – most of the School’s basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

### **Fund Financial Statements**

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

The School has one kind of fund:

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

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Assets**

The School's combined net assets increased from fiscal year 2006 to 2007 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2007</b>	<b>2006</b>	<b>(Decrease)</b>
Current and other assets	\$ 1,021,319	\$ 610,597	\$ 410,722
Capital assets, net	150,269	176,269	(26,000)
<b>Total assets</b>	<b>\$ 1,171,588</b>	<b>786,866</b>	<b>384,722</b>
Current and other liabilities	\$ 274,689	\$ 55,652	\$ 219,037
Long-term liabilities	-	-	-
<b>Total liabilities</b>	<b>274,689</b>	<b>55,652</b>	<b>219,037</b>
Net assets:			
Invested in capital assets, net of related debt	226,117	214,724	11,393
Unrestricted	661,977	506,697	155,280
Restricted	8,805	9,793	(988)
<b>Total net assets</b>	<b>896,899</b>	<b>731,214</b>	<b>165,685</b>

Current and other assets increased due to an increase in cash and cash equivalents, which was primarily the result of increased capital outlay funding during June 30, 2007. The decrease in capital assets is primarily due to the application of depreciation to the total assets and a decrease in capital expenditures during 2007. The increase in liabilities is due to the consolidation of various funds regarding the School into one fund and the recording of a debt due to two funds of the Town of Oakland during June 30, 2007. The increase in net assets is simply due to revenue exceeding expenses primarily through increased capital outlay funding.

**Change in Net Assets**

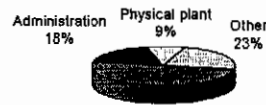
The School's total revenues increased by 19.5% to \$ 3,966,451, and the total cost of all programs and services increased by 6.2% to \$ 3,575,766 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2007</b>	<b>2006</b>	<b>(Decrease)</b>
<b>Revenues:</b>			
State and local sources	\$ 3,768,243	\$ 3,209,708	\$ 558,535
Other revenue	198,208	108,862	89,346
<b>Total revenues</b>	<b>3,966,451</b>	<b>3,318,570</b>	<b>647,881</b>
<b>Expenses:</b>			
Instruction and instruction-related services	1,802,722	1,722,550	80,172
School administration	645,776	253,381	392,395
Pupil transportation services	49,880	87,148	(37,268)
Operation and maintenance of plant	310,297	300,900	9,397
Food services	35,188	145,167	(109,979)
Rent	670,394	703,800	(33,406)
Other	61,509	153,675	(92,166)
<b>Total expenses</b>	<b>3,575,766</b>	<b>3,366,621</b>	<b>209,145</b>
<b>Change in net assets</b>	<b>\$ 390,685</b>	<b>\$ (48,051)</b>	<b>\$ 438,736</b>

**2007 Revenues**



**2007 Expenses**



Revenues from state and local sources constitute 95% of total revenues and increased primarily due to increased capital outlay funding.

Although expenses increased and additional teachers were hired to run programs the Budget was monitored and watched extremely closely.

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

As the School completed the year, its governmental funds reported a combined fund balance of \$693,995.

### **General Fund Budgetary Highlights**

Over the course of the year, the School revised its budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Changes made to account for decrease in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

Even with these adjustments, actual revenues were up \$174,832 against budget, which represents a budget variance of 4.2 %. Actual expenditures were \$3,585,544, which represents a variance against budget of less than 1%. Since we monitor the revenues and expenses monthly we are able to adjust the budget to stay within limits.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal 2007, the School had invested \$226,117 in a broad range of capital assets, including land, buildings and improvements and furniture, fixtures and equipment (See Note 2). This represents a net increase of \$11,393, or 5.3%, over last year.

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

When adopting the general fund budget for fiscal year 2007, the School considered steady student enrollment and an increase in salaries to be competitive with local schools.

Amounts estimated and available for appropriation are approximately \$3,371,000 at June 30, 2007. FEFP revenue is subject to the state legislature, which may make cuts.

Budgeted expenditures are expected to rise 3% from the final 2007 budget. Due to the fact that 95% of the funding comes from and is tied to FTE student equivalent budget adjustments, revisions to the budget will be presented to the School Advisory Council to stay within budget allocations as they relate to FTE and Capital dollars estimated to be received throughout the year. Additionally, staff shall monitor the Florida Legislature and Orange County Public School Board for any proposed further reductions.

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

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the Town's administrative offices at 220 No. Tubb Street, Oakland, Florida 34760.

**OAKLAND AVENUE CHARTER SCHOOL**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

**ASSETS**

Cash and cash equivalents	\$ 939,684
Due from other governments	81,635
Capital assets being depreciated, net	<u>150,269</u>
Total assets	<u>\$ 1,171,588</u>

**LIABILITIES**

Accounts payable	\$ 45,062
Accrued expenses	4,627
Due to other funds	<u>225,000</u>
Total liabilities	<u>274,689</u>

**NET ASSETS**

Invested in capital assets	226,117
Restricted	8,805
Unrestricted	<u>661,977</u>
Total net assets	<u>896,899</u>
Total liabilities and net assets	<u>\$ 1,171,588</u>

**OAKLAND AVENUE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Net Expense Revenue and Changes in Net Assets Total Governmental Activities</u>
<b>Governmental Activities:</b>				
Instructional services	\$ 1,586,739	\$ 29,185	\$ -	\$ 1,557,554
Rent	670,394	-	-	670,394
Instructional support services	245,168	-	-	245,168
Operation and maintenance of school	310,297	-	-	310,297
School administration	645,776	-	-	645,776
Student transportation	49,880	-	-	49,880
Food services	91,468	56,280	-	35,188
Other	61,509	-	-	61,509
Total	<u>\$ 3,661,231</u>	<u>\$ 85,465</u>	<u>\$ -</u>	<u>3,575,766</u>
<b>General revenues:</b>				
				3,441,651
				326,592
				<u>198,208</u>
				<u>3,966,451</u>
				390,685
				<u>506,214</u>
				<u>\$ 896,899</u>

**OAKLAND AVENUE CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

**ASSETS**

Cash and cash equivalents	\$ 939,684
Due from other governments	<u>29,000</u>
Total assets	<u>\$ 968,684</u>

**LIABILITIES**

Accounts payable	\$ 45,062
Accrued expenses	4,627
Due to other funds	<u>225,000</u>
Total liabilities	<u>274,689</u>

**FUND BALANCES**

Unrestricted	<u>693,995</u>
Total fund balances	693,995

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 in the funds	150,269
Accounts receivable used in governmental activities are not financial resources and, therefore are not reported in the funds	<u>52,635</u>
Net assets of governmental activities	<u>\$ 896,899</u>

**OAKLAND AVENUE CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>REVENUES</b>	
State and local sources	\$ 4,079,608
Other sources	<u>283,672</u>
Total revenues	<u>4,363,280</u>
<b>EXPENDITURES</b>	
Current:	
Basic instructional services	1,428,970
Exceptional student services	91,422
Guidance services	45,721
Health services	20,626
Instructional support	167,615
Other instructional services	76,984
School administration	620,001
Fiscal services	13,375
Food services	87,436
Information services	26,194
Pupil transportation	49,880
Plant operations	247,023
Plant maintenance	61,553
Administrative technical services	16,646
Rent	670,394
Capital outlay	<u>11,394</u>
Total expenditures	<u>3,635,234</u>
Excess of revenues over expenditures	<u>728,046</u>
Net change in fund balance	728,046
Fund balances – beginning	<u>(34,051)</u>
Fund balances – ending	<u>\$ 693,995</u>

*The accompanying notes are an integral part of these financial statements.*

**OAKLAND AVENUE CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007**

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

Net change in fund balance – total governmental funds (page12)	\$ 728,046
Governmental funds do not record accounts receivable that are not to be collected in over 60 days (modified accrual basis). However, in the statement of activities the receivables are recorded on the accrual basis. This is the amount recorded in governmental activities on the accrual basis.	52,635
Governmental funds record accounts receivable to be received in 60 days, but the prior year recorded \$364,000 for account receivables that were no received until this fiscal year for governmental fund purposes.	(364,000)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	<u>(25,996)</u>
Change in net assets of governmental activities	<u>\$ 390,685</u>

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Oakland Avenue Charter School (the "School") is organized pursuant to Chapter 617, Florida Statutes and Section 1002.33, Florida Statutes. The School is included in the financial operations of the Town of Oakland, Florida (the "Town"), which is the charter holder of the School. The governing body of the School is the Town of Oakland Commission's School Advisory Council consisting of seven members (the "Commission"). The financial information presented is that of the School only. The School is presented in the Town's basic financial statements as a separate special revenue fund. A copy of the basic financial statements may be obtained from the Town.

From July 1, 2005 through June 30, 2006, the Town utilized a school management company to manage various operations of the School. Beginning July 1, 2007, the Town commenced managing all operations of the School.

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 Orange County, Florida (the "School Board"). The current charter is effective until June 30, 2016, and may be renewed every fifteen years with an anticipated term, including renewals, of at least twenty-five years. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In the case of termination or non-renewal, the School may be dissolved and any unencumbered property and improvements purchased with those funds shall revert back to full ownership of the School Board. In addition, School property purchased with Town funds and/or grants from private organizations shall remain property of the Town. The Town is also responsible for all debts of the School. During the term of the charter, the District may also terminate the charter if good cause is shown.

Criteria for determining if other entities are potential component units of the School which should be reported in 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 provide identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of Presentation**

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

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- 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.
- Business-type activities – in certain instances, the School may charge fees to help it cover the cost of certain services it provides. The School currently has no business-type activities.
- Component units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School’s most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures and other financial sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. A general fund used to account for all financial resources not required to be accounted for in another fund is the only fund used in these financial statements and it is considered a major fund.

**Basis of Accounting**

The Schools’ government- wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Schools’ fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues, if applicable, of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

**Budgetary Basis Accounting**

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

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash Deposits**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and are collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**Receivables**

All receivables are considered to be collectible. No allowance for uncollectible is recorded.

**Capital Assets and Depreciation**

Capital assets, which include improvements other than building and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Improvements other than building	5-50
Machinery and equipment	3-10

During the fiscal year ended June 30, 2007, the School was awarded approximately \$637,957 from the Orange County School Board to be used for any lawful capital outlay expenditure. In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Orange County School Board upon the non-renewal or termination of the charter agreement.

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences**

There was no accrual for compensated absences at June 30, 2007, because the amounts were minimal and because the School does not operate with a year-round staff and teachers and seasonal employees are paid any accrued benefits at June 30 of each year.

**Equity Classifications**

Equity for government-wide financial statements is classified as net assets and displayed in three components:

- a. **Invested in capital assets** – Consists of capital assets, which are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. When both restricted and unrestricted resources are available for use, it is the School's policy to use unrestricted resources first, and then restricted resources, as they are needed for their intended purposes. The School had \$8,805 in restricted assets at June 30, 2007.
- c. **Unrestricted net assets** – All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Revenue Sources**

Revenues for current operations are received primarily from the District School Board of Orange County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, The School reports the number of full-time equivalent students and related data to the School Board. Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee (approximately \$172,000 for the fiscal year ended June 30, 2007) from the School, which is reflected as a school administration expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 that eligible expenditures have been incurred. The School received no federal awards for the fiscal year ended June 30, 2007.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted/reserved fund balance in the accompanying statements of net assets and balance sheet – governmental fund. During fiscal year ended June 30, 2007, the School recorded restricted assets of \$8,805 on a government-wide basis and \$0 for governmental funds. See Note 4 for additional information.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

**OAKLAND AVENUE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007**

**NOTE 2. CAPITAL ASSETS**

The following is a summary of changes:

Description	Governmental Funds Capital Assets June 30, 2006	Additions	Deletions	Governmental Funds Capital Assets June 30, 2007
Capital assets depreciated:				
Furniture, fixtures and equip.	\$ 110,625	\$ 4,877	\$ -	\$ 115,502
Audio visual equipment	3,987	-	-	3,987
Improvements other than bldg.	9,847	2,400	-	12,247
Information technology equipment/software	<u>90,265</u>	<u>4,116</u>	<u>-</u>	<u>94,381</u>
Total assets depreciated	<u>214,724</u>	<u>\$ 11,393</u>	<u>\$ -</u>	<u>226,117</u>
Less: accumulated depreciation				
Furniture, fixtures and equip.	17,696	16,430	-	34,126
Audio visual equipment	1,710	570	-	2,280
Improvements other than bldg.	2,661	1,721	-	4,382
Information technology equipment/software	<u>16,391</u>	<u>18,669</u>	<u>-</u>	<u>35,060</u>
Total accumulated deprec.	<u>38,458</u>	<u>\$ 37,390</u>	<u>\$ -</u>	<u>75,848</u>
 Total governmental activities capital assets, net	 <u>\$ 176,266</u>			 <u>\$ 150,269</u>

**OAKLAND AVENUE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007**

**NOTE 3. REVENUE SOURCES**

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

<u>Sources</u>	<u>Amount</u>
School District of Orange County, Florida:	
FTE generated funds	\$ 2,471,853
ESE guaranteed allocation	101,743
Discretionary lottery	26,517
Discretionary millage	174,540
Discretionary equalization .25 mils	-
Compression adjustment .51 , mils	27,792
Safe schools	14,937
Instructional materials	59,898
SAI	133,747
Class size reduction	430,624
Instructional technology	-
Teacher training	-
Transportation	-
Total	<u>\$ 3,441,651</u>

The administration fee paid to the School Board during the year ended June 30, 2007, totaled approximately \$172,000, which is reflected as a school administration expenditure in the accompanying statement of activities and in fiscal services on the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds.

**NOTE 4. RISK MANAGEMENT**

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

A management company was responsible for organizing, developing, managing, and staffing the School through June 30, 2006. The Town of Oakland took over the fiscal operations of the School on approximately October 1, 2005. Beginning July 1, 2007, the Town became responsible for all operations of the School, including developing, managing and staffing. Certain additional claims may remain outstanding between the management company and the Town as of June 30, 2007. However, management of the Town and the School have been unable to quantify those claims through communication and documentation from the management company and, therefore, management believes the accompanying financial statements are fairly stated and any claims of the management company will not have a material effect on the operation of the School.

**OAKLAND AVENUE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2007**

**NOTE 4. RISK MANAGEMENT (continued)**

The Town of Oakland advanced approximately \$225,000 to the School for pre-opening expenses. The payment of the advance is subject to various restrictions through agreements reached when the School opened. Since the restrictions no longer exist, it is management's intentions to repay the advances and, therefore, \$225,000 has been recorded by the School as a liability to the Town.

The School may from time to time participate in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

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

Credit risk on bank deposits is the risk that in the event of bank failure, the School's deposits may not be returned to it. As of June 30, 2007, \$839,684 of the School's bank balance of \$939,684 was exposed to credit risk. The balance was uninsured and 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.

The School has invoiced the District for approximately \$29,000 for school lunch money, which is recorded in the receivables due the School on the accompanying financial statements. To date, the School has not collected the lunch money and negotiations continue, however, management of the School believes they will be successful in collecting the money.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2007, management of the School knows of no legal actions or proceedings pending against the School.

The School pays rent for their campus to the Town based on the total debt service requirements of the debt issued by the Town to purchase the land and construct the School. The School's FTE revenue and certain other revenue from the District are first paid to the trustee of the debt who deducts the debt service payments from the revenue prior to forwarding it to the School. Since the debt is the obligation of the Town the payments are treated as rental expense for the School. For the fiscal year ended June 30, 2007, rent expense was \$670,394, of which approximately \$523,000 was reimbursed through capital outlay funds.

**OAKLAND AVENUE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007**

**NOTE 4. RISK MANAGEMENT (continued)**

The approximate minimum future rentals to be paid to the Town are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	650,710
2009	652,718
2010	654,030
2011	649,821
2012	647,555
2013-2017	3,256,544
2018-2022	3,253,751
2023-2027	3,256,627
2028-2032	3,156,627
2033-2034	<u>754,373</u>
	<u>\$ 16,932,756</u>

At the end of the term of the charter, including renewals, if any, possession of the School facilities will revert to the Town who will be liable for future payments.

**REQUIRED SUPPLEMENTARY INFORMATION**

**OAKLAND AVENUE CHARTER SCHOOL  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive (Negative)
<b>Revenues:</b>				
State and local sources	\$ 3,308,522	\$ 3,332,908	\$ 3,412,651	\$ 79,743
Other revenue	77,307	214,325	283,672	69,347
Capital outlay	<u>200,000</u>	<u>612,215</u>	<u>637,957</u>	<u>25,742</u>
Total revenue	<u>3,585,829</u>	<u>4,159,448</u>	<u>4,334,280</u>	<u>174,832</u>
<b>Expenditures:</b>				
Current:				
Instruction, instruction-related services and other	1,833,001	1,983,292	1,824,487	(158,805)
School administration	617,314	444,976	633,377	188,401
Pupil transportation services	70,724	41,577	49,880	8,303
Operation and maintenance of plant	252,349	320,247	308,576	(11,671)
Food service	101,333	84,539	87,436	2,897
Rent	711,108	765,816	670,394	(95,422)
Capital outlay	<u>-</u>	<u>-</u>	<u>11,394</u>	<u>11,394</u>
Total expenditures	<u>3,585,829</u>	<u>3,640,447</u>	<u>3,585,544</u>	<u>(54,903)</u>
Net changes in fund balance	-	519,001	748,736	229,735
Fund balance at beginning of year	<u>(35,401)</u>	<u>(35,401)</u>	<u>(35,401)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (35,401)</u>	<u>\$ 483,600</u>	<u>\$ 713,335</u>	<u>\$ 229,735</u>

**OAKLAND AVENUE CHARTER SCHOOL  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

The School's budget is prepared on the cash basis of accounting. The amount reported as "net change in fund balance" on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. The amount differs from the "net change in fund balance" reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds on page 12. That statement is prepared on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the change in fund balance per budgetary basis to the change in fund balance per the modified accrual basis.

<b>Net change in fund balance, budgetary basis</b>	\$ 748,736
Receivables at June 30, 2007	29,000
Payables at June 30, 2007	<u>(49,690)</u>
<b>Net change in fund balance, modified accrual basis</b>	<u><u>\$ 728,046</u></u>



LASHLEY, SELAND & ROTROFF, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

D. Gary Lashley, CPA  
Kurt Seland, CPA  
Stephen R. Rotroff, CPA  
Albert A. King, CPA

**INDEPENDENT AUDITORS' 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**

School Advisory Council and  
the Town Commission  
Oakland, Florida

We have audited the basic financial statements of the Oakland Avenue Charter School, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 15, 2008. 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 Oakland Avenue Charter 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 Oakland Avenue Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oakland Avenue Charter School's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Oakland Avenue Charter 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 Oakland Avenue Charter School's financial statements that is more than inconsequential will not be prevented or detected by the Oakland Avenue Charter School's internal control. We consider the deficiency described in the accompanying schedule of findings and recommendations to improve internal control to be a significant deficiency in internal control over financial reporting (please see 07-01).

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 Oakland Avenue Charter School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oakland Avenue Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

We noted certain matters that we reported to management of the Oakland Avenue Charter School in a separate letter dated January 15, 2008.

This report is intended solely for the information and use of management, the Town Commission, School Advisory Council, the Orange County District School Board, the Auditor General of the State of Florida, and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Florida law, this report is a matter of public record and its distribution is not limited.

*Trushley, Selma ; Rotoff, P. A.*

January 15, 2008

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



LASHLEY, SELAND & ROTROFF, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

D. Gary Lashley, CPA  
Kurt Seland, CPA  
Stephen R. Rotroff, CPA  
Albert A. King, CPA

**MANAGEMENT LETTER**

To the School Advisory Council and  
the Town Commission

We have audited the financial statements of the Oakland Avenue Charter School as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated January 15, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards; and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over financial reporting. Disclosures in that report, dated January 15, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.804(1)(d)1. And 10.854(1)(d)1.) require that we address in the management letter, if not already addressed in the Auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the preceding annual report have been implemented.

The Rules of the Auditor General (Section 10.804(1)(d)2. And 10.854(1)(d)2.) require a statement as to whether or not the charter school experienced conditions that may result in a state of financial emergency. The Oakland Avenue Charter School did not experience such conditions during its fiscal year ended June 30, 2007.

The Rules of the Auditor General (Section 10.804(1)(d)3. And 10.854(1)(d)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with this requirement, the Report on Findings and Recommendations to Improve Internal Control found on page 29 should be reviewed.

Further according to the Rules of the Auditor General in various sections, we found no violations of laws, rules, regulations and contractual provisions; no improper or illegal expenditures; and, no failure to properly record financial transactions. With regard to improper or inadequate accounting procedures we again refer you to the Report on Findings and Recommendations to Improve Internal Control found on page 29.

The official name of the charter school is the Oakland Avenue Charter School.

Audit findings are discussed on page 29 attached herewith and a written statement of explanation to those audit findings is found on page 30.

This report is intended solely for information and use by the Town Commission, School Advisory Council, management of the School and others within the Oakland Avenue Charter School and is not intended to be and should not be used by anyone other than these specified parties.

*Tushley, School; Retuff, P. A.*

January 15, 2008

**OAKLAND AVENUE CHARTER SCHOOL  
FINDINGS AND RECOMMENDATIONS TO IMPROVE INTERNAL CONTROL,  
COMPLIANCE AND THE FINANCIAL REPORTING PROCESS  
JUNE 30, 2007**

**Prior Year Findings and Recommendations**

None

**Current Year Findings and Recommendations**

07-01 We believe that a significant deficiency in internal control over financial reporting exists in the School's financial close process for preparing year-end financial statements, including (a) ineffective controls to ensure timely review of all account reconciliations and significant financial statement accounts and, (b) inadequate experience, ability and software to prepare financial statements and footnotes to be presented to the auditor's upon commencement of the audit.

Recommendation: To improve the financial statement close process we recommend that the School (a) establish a more efficient and effective responsibilities matrix for its close process to provide timely and accurate completion of financial reporting and allows for timely review and approval of all balance sheet reconciliations and account balances and, (b) consider the hiring of a more experienced accountant to oversee the preparation of financial statements and footnotes and consider switching to a financial system that will be simpler to maintain and better aligned with the School's financial statement requirements.

*Town of*  
**OAKLAND**  
Florida

220 N. Tubb Street • Post Office Box 98 • Oakland, FL 34760-0098 • 407.656.1117 (voice) • 407.656.2940 (fax)

TO: Lashley, Seland & Retroff, P.A.  
FROM: Maureen Rischitelli, Town Manager  
DATE: December 31, 2007  
RE: Audit Comments for the Oakland Avenue Charter School

Ladies & Gentlemen:

On behalf of the Oakland Avenue Charter School I would like to thank you for your completion of its audit.

**07-01 Significant Deficiency in Internal Control over Financial Reporting**

The Town has upgraded its accounting software and bank reconciliations are done monthly. Once we receive the final recommended journal entries and approve, we then reconcile to the general ledger.

If you have any other concerns please contact me at 407-656-1117 ext. 14 or [townmanager@oaktownusa.com](mailto:townmanager@oaktownusa.com)

Sincerely,



Maureen Rischitelli, Town Manager

