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AUDITOR GENERAL

**OAKWOOD ACADEMY
CHARTER SCHOOL
(A division of Royal Palm
Charter School, Inc.)**

**Basic Financial Statements and
Supplemental Information**

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

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oakwood Academy Charter School
Melbourne, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakwood Academy Charter School (a Charter School), a division of the School Board of Brevard County, Florida and a division of Royal Palm Charter School, Inc. (the "Charterholder"), as of and for the year ended June 30, 2007, which collectively comprises Oakwood Academy Charter School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Oakwood Academy Charter School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

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

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

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2007, on our consideration of Oakwood Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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

August 20, 2007
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Oakwood Academy Charter School, we offer readers of Oakwood Academy Charter School's (the "School") financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements found on pages 9 - 21.

Financial Highlights

- The School's assets exceeded its liabilities at June 30, 2007 by \$111,192 (net assets).
- The government's total net assets increased by \$25,313.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$51,561, an increase of \$1,423 in comparison with the prior year.

Overview of the Financial Statements

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

The School as a Whole

The information in the government-wide financial statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc. to assess the overall health of the School.

Changes in the School's net assets were as follows:

	2007	2006	Change	%
Current assets	\$ 111,488	\$ 210,332	\$ (98,844)	-47%
Capital assets - net	59,631	35,741	23,890	67%
Total assets	171,119	246,073	(74,954)	-30%
Current liabilities	59,927	56,000	3,927	7%
Deferred revenue	-	104,194	(104,194)	-100%
Total liabilities	59,927	160,194	(100,267)	-63%
Net assets	\$ 111,192	\$ 85,879	\$ 25,313	29%
Net assets consist of:				
Invested in capital assets	\$ 59,631	\$ 35,741	\$ 23,890	67%
Restricted net assets	3,246	-	3,246	100%
Unrestricted net assets	48,315	50,138	(1,823)	-4%
Net assets	\$ 111,192	\$ 85,879	\$ 25,313	29%

The reduction in current assets and deferred revenue are directly related. As a result of the deferred grant revenue \$104,194 was received in the prior fiscal year; therefore, increasing the School's current assets. In the current fiscal year the School acquired the remaining goods and services; therefore, reducing the School's current assets.

Net assets invested in capital assets increased due to capital asset additions. The capital assets consist of improvements other than buildings, computer hardware and furniture fixtures and equipment.

Changes in the School's expenses were as follows:

	2007	2006	Change	%
Basic instruction	\$ 226,324	\$ 146,123	\$ 80,201	55%
Exceptional instruction	9,603	5,334	4,269	80%
Media services	1,199	799	400	50%
Staff development	169	-	169	100%
Curriculum development	-	29,952	(29,952)	-100%
School administration	76,475	62,457	14,018	22%
Fiscal services	1,627	6,000	(4,373)	-73%
Plant	52,893	40,143	12,750	32%
Maintenance of plant	7,707	121	7,586	6269%
Total expenses	\$ 375,997	\$ 290,929	\$ 85,068	29%

Basic instruction and exceptional instruction expenses increased due to the addition of staff due to student enrollment increasing by 47%.

The maintenance of plant increased due to necessary repairs to maintain the School.

Changes in the School's revenues were as follows:

	2007	2006	Change	%
School Board of Brevard County, Florida				
Base funding	\$ 172,825	\$ 110,072	\$ 62,753	57%
Safe schools	966	701	265	38%
ESE guaranteed allocation	20,592	10,872	9,720	89%
Supplemental academic instruction	13,226	8,648	4,578	53%
Discretionary millage	14,492	8,266	6,226	75%
Discretionary equalization allocation	-	37	(37)	-100%
Discretionary compression	1,837	-	1,837	100%
Discretionary lottery	1,596	1,316	280	21%
Instructional materials allocation	4,188	2,679	1,509	56%
Instructional technology	-	564	(564)	-100%
Florida teachers lead	751	202	549	272%
Teacher training	-	205	(205)	-100%
Class size reduction	34,641	16,824	17,817	106%
Administration fee withheld	(13,256)	(8,019)	(5,237)	65%
Subtotal	251,858	152,367	99,491	65%
Federal grant	108,544	220,456	(111,912)	-51%
Capital outlay	31,054	-	31,054	100%
Total School Board of Brevard County, Florida	391,456	372,823	18,633	5%
Other revenues	9,854	3,985	5,869	147%
Total revenues	<u>\$ 401,310</u>	<u>\$ 376,808</u>	<u>\$ 24,502</u>	<u>7%</u>

Capital outlay funds were first received in the current fiscal year. In addition, student enrollment increased and the base funding allocation per student increased.

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

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

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

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include the overall operations of the School.

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

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

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

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

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

The School adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided for the school to demonstrate compliance with these budgets and can be found on pages 24 - 26 of this report.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$111,192 at the close of the most recent fiscal year.

A portion of the School's net assets is reflected in its investment in capital assets (e.g., land, building, machinery, and equipment). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The investment in capital assets totaled \$59,631 at June 30, 2007.

For the end of the current fiscal year, the School is reporting a positive balance in its unrestricted net assets of \$48,315.

Financial Analysis of the Government's Funds

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

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

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$51,561.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$48,315.

The fund balance of the School's general fund increased by \$1,423 during the current fiscal year.

Budgetary Highlights

Actual general fund revenues exceeded budgeted revenues by \$1,512. Budgeted general fund expenditures exceeded actual expenses \$607.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental type activities as of June 30, 2007, amounts to \$59,631 (net of accumulated depreciation). This investment in capital assets includes computer hardware, computer software, improvements other than buildings and furniture, and fixtures and equipment.

Debt Administration. The School reports no long term debt at June 30, 2007.

Merging of schools

Oakwood Academy Charter School will merge with Royal Palm Charter School for the 2007-2008 school year. The school will be called Royal Palm Charter School and have grades K - 6th.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Oakwood Academy Charter School, 7145 South Babcock St., S.E., Florida, 32909.

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	<u>\$ 111,488</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Computer hardware	32,266
Computer software	2,801
Furniture, fixtures and equipment	11,108
Improvements other than building	<u>13,456</u>
Total capital assets	<u>59,631</u>
Total assets	<u>171,119</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accrued payroll and payroll taxes	9,927
Due to Royal Palm Charter School	<u>50,000</u>
Total liabilities	<u>59,927</u>
NET ASSETS	
Investment in capital assets	59,631
Restricted for:	
Categorical projects	3,246
Unrestricted	<u>48,315</u>
Total net assets	<u>\$ 111,192</u>

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

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Basic instruction	\$ 226,324	\$ 70,647	\$ 23,633	\$ (132,044)
Exceptional instruction	9,603	-	-	(9,603)
Media services	1,199	-	-	(1,199)
Staff development	169	-	-	(169)
School administration	76,475	39	14,177	(62,259)
Fiscal services	1,627	-	-	(1,627)
Plant	52,893	-	31,054	(21,839)
Maintenance of plant	7,707	48	-	(7,659)
Total governmental activities	\$ 375,997	\$ 70,734	\$ 68,864	(236,399)
General revenues:				
State through local school district				251,858
Other revenues				9,854
Total revenues				261,712
Change in net assets				25,313
Net assets at July 1, 2006				85,879
Net assets at June 30, 2007				\$ 111,192

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

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Federal Grant Fund	Capital Outlay Fund	Total
ASSETS				
Cash	\$ 111,488	\$ -	\$ -	\$ 111,488
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accrued payroll and payroll taxes	\$ 9,927	\$ -	\$ -	\$ 9,927
Due to Royal Palm Charter School	50,000	-	-	50,000
Total liabilities	59,927	-	-	59,927
FUND BALANCES				
Reserved for:				
Categorical projects	3,246	-	-	3,246
Unreserved	48,315	-	-	48,315
Total fund balances	51,561	-	-	51,561
Total liabilities and fund balances	\$ 111,488	\$ -	\$ -	\$ 111,488

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

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

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

June 30, 2007

Fund balances - total governmental funds \$ 51,561

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

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

Computer hardware, net of \$12,896 accumulated depreciation	\$ 32,266	
Computer software, net of \$4,049 accumulated depreciation	2,801	
Furniture, fixtures and equipment, net of \$2,686 accumulated depreciation	11,108	
Improvements other than building, net of \$1,281 accumulated depreciation	<u>13,456</u>	
Total capital assets		<u>59,631</u>
Total net assets of governmental activities		<u><u>\$ 111,192</u></u>

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

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

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

For the year ended June 30, 2007

	General Fund	Federal Grant Fund	Capital Outlay Fund	Total
Revenues				
Federal passed through local school district	\$ -	\$ 108,544	\$ -	\$ 108,544
State passed through local school district	251,858	-	31,054	282,912
Other revenues	9,854	-	-	9,854
Total revenues	<u>261,712</u>	<u>108,544</u>	<u>31,054</u>	<u>401,310</u>
Expenditures				
Current:				
Basic instruction	144,931	70,647	-	215,578
Exceptional instruction	9,603	-	-	9,603
Staff development	169	-	-	169
School administration	75,832	39	-	75,871
Fiscal services	1,627	-	-	1,627
Plant	21,839	-	31,054	52,893
Maintenance of plant	6,288	48	-	6,336
Fixed capital outlay	-	37,810	-	37,810
Total expenditures	<u>260,289</u>	<u>108,544</u>	<u>31,054</u>	<u>399,887</u>
Excess of revenues over expenditures	1,423	-	-	1,423
Fund balances at July 1, 2006	50,138	-	-	50,138
Fund balances at June 30, 2007	<u>\$ 51,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,561</u>

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

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

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

For the year ended June 30, 2007

Net change in fund balances - total government funds \$ 1,423

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

Governmental funds report capital outlays as expenditures.

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

Capital outlay	\$ 37,810	
Depreciation	<u>(13,920)</u>	<u>23,890</u>
Change in net assets of governmental activities		<u>\$ 25,313</u>

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

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Oakwood Academy Charter School (the "School") is a division of Royal Palm Charter School, Inc. (the "Charterholder"), a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of four members. The financial information presented is that of Oakwood Academy Charter School only.

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 Brevard County, Florida District School Board (the "District"). The current charter is effective until June 30, 2010 and may be renewed in increments of five years by mutual agreement between the School and the District (see Note H-1). At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Oakwood Academy Charter School is considered a component unit of the Brevard County, Florida District School Board.

2. Government-wide and fund financial statements

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

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets.

Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments or enabling legislation.

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

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

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

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

All government fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometime require the School to refund all or part of the unused amount.

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

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Federal Grant Fund - the start-up operating fund of the School. It is used to account for all financial resources required to be accounted for per the grant agreement.

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

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

4. Cash

Cash consists of cash on hand at the School, a checking account and a money market account held at a financial institution. The School has no cash equivalents.

5. Interfund receivables and payables

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

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$500 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer hardware	5
Computer software	3
Furniture, fixtures & equipment	5-7
Improvements other than buildings	7-15

7. Revenue sources

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

The School receives 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. These federal awards may have requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues received from these federal awards are recognized to the extent that eligible expenditures have been incurred.

Additionally, other revenues are derived from various fundraising activities and donations.

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of estimates

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

NOTE B - CASH

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. The School does not have a policy regarding custodial credit risk for deposits. At June 30, 2007, the School's deposits had a carrying amount of \$111,488 and a bank balance of \$116,458. Of the bank balance, \$16,458 was not insured by federal deposit insurance.

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets depreciated:				
Computer hardware	\$ 27,010	\$ 18,152	\$ -	\$ 45,162
Computer software	6,850	-	-	6,850
Furniture, fixtures & equipment	8,313	5,481	-	13,794
Improvements other than buildings	560	14,177	-	14,737
Total assets depreciated	<u>42,733</u>	<u>\$ 37,810</u>	<u>\$ -</u>	<u>80,543</u>
Less accumulated depreciation:				
Computer hardware	4,469	\$ 8,427	\$ -	12,896
Computer software	1,765	2,284	-	4,049
Furniture, fixtures & equipment	738	1,948	-	2,686
Improvements other than buildings	20	1,261	-	1,281
Total accumulated depreciation	<u>6,992</u>	<u>\$ 13,920</u>	<u>\$ -</u>	<u>20,912</u>
Total governmental activities capital assets, net	<u>\$ 35,741</u>			<u>\$ 59,631</u>

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C - CAPITAL ASSETS (continued)

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

Basic instruction	\$ 10,746
Maintenance of plant	1,371
Media services	1,199
School administration	604
	\$ 13,920

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Brevard County, Florida:	
Base funding	\$ 172,825
Safe schools	966
ESE guaranteed allocation	20,592
Supplemental academic instruction	13,226
Discretionary millage	14,492
Discretionary compression	1,837
Discretionary lottery	1,596
Instructional materials allocation	4,188
Florida teachers lead	751
Class size reduction	34,641
Administration fee withheld (5%)	(13,256)
Subtotal	251,858
Federal grant	108,544
Capital outlay	31,054
Total School Board of Brevard County, Florida	391,456
Other revenues:	
Student activities	3,553
Other income	2,226
Donations	1,512
Interest income	2,563
	\$ 401,310

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE E - COMMITMENTS AND CONTINGENCIES

Management service contract

The School entered into a service agreement, commencing on July 1, 2006, with Educators Management Group, Inc. (the "management company"). Current year management fees charged to operations totaled \$32,742. The amount paid to the management service was \$31,230 and the remaining \$1,512 was donated to the School by the management service. The fee is based on 13% of general fund state passed through local school district revenue and does not contain a clause for specific benchmarks. The term of the agreement is for the duration of the Charter (see Note H-1).

NOTE F - RELATED PARTY TRANSACTION

The School's balance sheet reflects a payable due to Royal Palm Charter School of \$50,000 for an operating advance. The School and Royal Palm Charter School are related by a common charterholder. The advance is non-interest bearing and is due upon demand.

The School has facilities and land under one operating lease with a related party. The lease expires on June 30, 2007. Current year facilities expense charged to operations totaled \$52,750. Terms of the lease are \$4,129 per month for land and facilities for 12 months and \$534 per month for additional modular buildings for 6 months, and subject to the landlord's option, may increase by no more than the prior year change in the current series Consumer Price Index.

NOTE G - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; general liabilities; and natural disasters for which the School carries commercial insurance. Under the property insurance policy, the School's liability is \$2,500 per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the year ended June 30, 2007.

NOTE H - SUBSEQUENT EVENTS

1. Combining of charter agreements

In July 2007, the School District of Brevard County approved the combining of the School with Royal Palm Charter School. The combined School will operate under the name Royal Palm Charter School. Royal Palm Charter School will operate from a single Charter for grades to include K - 6th effective for the 2007-2008 school year. The charter agreement expires June 30, 2016 and can be renewed for an additional five years by mutual written consent of the School and the District. Royal Palm Charter School will operate under one management agreement (see Note E).

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H - SUBSEQUENT EVENTS (continued)

1. Combining of charter agreements (continued)

In addition, when the school's merge Oakwood Academy Charter School's assets, liabilities and fund balance will be combined with Royal Palm Charter School and the payable due from Oakwood Academy Charter School for \$50,000 will be eliminated.

2. Insurance

Subsequent to year end, the School's property insurance deductible increased from \$2,500 to \$5,000 (see Note G).

REQUIRED SUPPLEMENTAL INFORMATION

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Brevard County District School Board	\$ 297,000	\$ 251,858	\$ 251,858	\$ -
Other revenues				
Donations	1,208	-	1,512	1,512
Other income	198	2,226	2,226	-
Student activities	415	3,553	3,553	-
Interest income	1,683	2,563	2,563	-
Total revenues	<u>300,504</u>	<u>260,200</u>	<u>261,712</u>	<u>1,512</u>
Expenditures				
Current				
Salaries and benefits	140,500	187,419	186,400	1,019
Contracted instruction	1,500	257	257	-
Instructional supplies	1,500	283	588	(305)
Student activities	400	2,751	2,724	27
Miscellaneous educational	200	157	157	-
Instructional staff training	-	169	169	-
Insurance-business liability	1,000	-	-	-
Postage	-	27	27	-
Supplies	2,200	273	273	-
Administrative costs	350	-	-	-
Contracted services	42,475	39,141	39,940	(799)
Accounting	-	1,567	1,567	-
Bank charges	-	45	60	(15)
Maintenance-contracted	-	6,431	6,431	-
Rentals	62,397	21,162	21,696	(534)
Site improvement contracted	1,000	-	-	-
Total expenditures	<u>253,522</u>	<u>259,682</u>	<u>260,289</u>	<u>(607)</u>
Excess of revenues over expenditures	46,982	518	1,423	905
Fund balance at July 1, 2006	50,138	50,138	50,138	-
Fund balance at June 30, 2007	<u>\$ 97,120</u>	<u>\$ 50,656</u>	<u>\$ 51,561</u>	<u>\$ 905</u>

See accompanying notes to required supplemental information.

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal basic grant	\$ 111,111	\$ 79,544	\$ 79,544	\$ -
Federal basic grant S2	29,000	29,000	29,000	-
Total revenues	<u>140,111</u>	<u>108,544</u>	<u>108,544</u>	<u>-</u>
Expenditures				
Current				
Salaries and benefits	47,400	-	-	-
Printing	2,000	458	458	-
Instructional supplies	30,000	20,282	20,282	-
Textbooks	25,000	21,776	21,776	-
Library books	6,750	6,900	6,900	-
AV materials	5,500	1,711	1,711	-
Furniture & equipment	15,500	21,358	21,358	-
Computers-hardware	24,650	28,478	28,478	-
Software	4,350	4,650	4,650	-
Student activities	2,000	258	258	-
ESE materials	300	-	-	-
Advertising	3,000	39	39	-
Legal services	1,000	-	-	-
Contracted services	1	2,586	2,586	-
Travel-administrative	500	-	-	-
Copy equipment	2,000	-	-	-
Maint & janitorial supply	-	48	48	-
Total expenditures	<u>169,951</u>	<u>108,544</u>	<u>108,544</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(29,840)	-	-	-
Fund balance at July 1, 2006	-	-	-	-
Fund balance at June 30, 2007	<u>\$ (29,840)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

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

For the year ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Capital outlay revenues	\$ 10,500	\$ 31,054	\$ 31,054	\$ -
Expenditures				
Rentals capital outlay	-	31,054	31,054	-
Excess of revenues over expenditures	10,500	-	-	-
Fund balance at July 1, 2006	-	-	-	-
Fund balance at June 30, 2007	<u>\$ 10,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplemental information.

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2007

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis of accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and special revenue funds and may be amended by the Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2007, have been amended according to Board procedures.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund, federal grant fund and capital outlay fund for which a legally adopted budget exists.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the object level.

2. Reclassification

Certain accounts in the budget comparison have been reclassified for comparative purposes.

SUPPLEMENTAL INFORMATION

Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)

SCHEDULE OF FUNCTIONAL EXPENSES - GENERAL FUND

For the year ended June 30, 2007

	Basic Instruction	Exceptional Instruction	Staff Development	School Administration
Bank service fees	\$ -	\$ -	\$ -	\$ -
Employee benefits	10,590	598	-	3,209
Miscellaneous	2,691	190	-	-
Non-professional services	-	-	-	-
Postage	-	-	-	27
Professional services	4,493	1,679	-	34,025
Rental	-	-	-	-
Salaries	126,569	7,136	-	38,298
Staff training	-	-	169	-
Supplies	588	-	-	273
	<u>\$ 144,931</u>	<u>\$ 9,603</u>	<u>\$ 169</u>	<u>\$ 75,832</u>

<u>Fiscal Services</u>	<u>Plant</u>	<u>Maintenance of Plant</u>	<u>Total</u>
\$ 60	\$ -	\$ -	\$ 60
-	-	-	14,397
-	-	-	2,881
-	143	6,288	6,431
-	-	-	27
1,567	-	-	41,764
-	21,696	-	21,696
-	-	-	172,003
-	-	-	169
-	-	-	861
<u>\$ 1,627</u>	<u>\$ 21,839</u>	<u>\$ 6,288</u>	<u>\$ 260,289</u>

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENSES - FEDERAL GRANT FUND

For the year ended June 30, 2007

	Basic Instruction	School Administration	Maintenance of Plant	Fixed Capital Outlay	Total
Library books	\$ 6,900	\$ -	\$ -	\$ -	\$ 6,900
Miscellaneous	258	-	-	-	258
Printing	458	-	-	-	458
Professional services	2,586	39	-	-	2,625
Repairs and maintenance	-	-	48	-	48
Supplies	18,063	-	-	-	18,063
Textbooks	21,776	-	-	-	21,776
AV materials	1,711	-	-	-	1,711
Furniture and fixtures	3,919	-	-	19,658	23,577
Computer hardware	10,326	-	-	18,152	28,478
Computer software	4,650	-	-	-	4,650
	<u>\$ 70,647</u>	<u>\$ 39</u>	<u>\$ 48</u>	<u>\$ 37,810</u>	<u>\$ 108,544</u>

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

SCHEDULE OF FUNCTIONAL EXPENSES - CAPITAL OUTLAY FUND

For the year ended June 30, 2007

	<u>Plant</u>
Rental	<u>\$ 31,054</u>

**Oakwood Academy Charter School
(A division of Royal Palm Charter School, Inc.)**

SCHEDULE OF REVENUE AND EXPENDITURES - CATEGORICAL FUNDS

For the year ended June 30, 2007

Categorical	FY 2006-2007		
	Revenue	Expenditures	Carryforward
Instructional materials	\$ 4,188	\$ 942	\$ 3,246
Supplemental academic instruction	13,228	13,228	-
Florida lead teacher	751	751	-
Safe schools	966	966	-
Class size reduction	34,641	34,641	-
Total	<u>\$ 53,774</u>	<u>\$ 50,528</u>	<u>\$ 3,246</u>

Partners:

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

**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
Oakwood Academy Charter School
Melbourne, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakwood Academy Charter School, a component unit of the School Board of Brevard County, Florida, and a division of Royal Palm Charter School, Inc., as of and for the year ended June 30, 2007, and have issued our report thereon dated August 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

BREVARD OFFICE

8035 Spyglass Hill Rd.
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ORLANDO OFFICE

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phone 407-644-5811
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Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakwood Academy 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 Oakwood Academy Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oakwood Academy Charter 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 Oakwood Academy Charter School's financial statements is more than inconsequential will not be prevented or detected by the Oakwood Academy Charter School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the Oakwood Academy 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 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 Oakwood Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying management letter dated August 20, 2007 as item 06-1.

We also noted certain matters that we reported to the management of Oakwood Academy Charter School in the management letter dated August 20, 2007.

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

This report is intended solely for the information and use of Oakwood Academy Charter School's management and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

August 20, 2007
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Partners:

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

MANAGEMENT LETTER

To the Board of Directors
Oakwood Academy Charter School
Melbourne, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oakwood Academy Charter School (the "School"), a component unit of the School Board of Brevard County, Florida, and a division of Royal Palm Charter School, Inc., as of and for August 20, 2007.

We issued our report on internal control over financial reporting and on compliance and other matters dated August 20, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

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phone 407-644-5811
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1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report.
2. Recommendations to address deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes (if applicable) can be found in the attached schedule.
3. There were four matters requiring correction, listed in the attachment, which are not clearly inconsequential to the financial statements considering both quantitative and qualitative factors, including, but not limited to the following:
 - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit.
 - b. Improper expenditures discovered within the scope of the financial audit.
 - c. Deficiencies in internal control that are not clearly of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, account procedures, and internal controls.

4. The official title of the School is *Oakwood Academy Charter School*, a component unit of the Brevard County Florida District School Board and a division of Royal Palm Charter School, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

This management letter is intended for the information of Oakwood Academy Charter School's management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

August 20, 2007
Melbourne, Florida

Berman Hopkins Wright & Latham
CPAs and Associates, LLP

Prior Year Violations of Laws, Rules, Regulations and Contractual Provisions Repeated

06-1 Screening Requirements

Florida Statue 1012.32, requires individuals who have direct contact with students or who have access to or control of school funds must meet a level two fingerprinting screening. During our testing we noted one member of the Board did not meet the level two requirements, however, this member was fingerprinted in a different district and resigned before year end.

In order for the School to comply with Florida Statue 1012.32, all Board Members must obtain the required current level two screening.

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

06-2 Segregation of duties

Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties.

Although the School has a small number of people performing a variety of duties, some are incompatible. Personnel responsible for the general ledger function also have check signing authority and have custody of cash receipts.

We recommend the School separate the custody control over cash and the general ledger/accounting/journal entry function.

Segregation of duties has been implemented for the year ended June 30, 2007.

06-3 Mark invoices with and indication of review, approval, and payment

Before paying a vendor, the invoice should be properly reviewed by management and the invoice initialed showing that review.

During testing, there was no indication of approvals for payment on invoices.

We recommend that management establish a procedure for the marking of invoices that indicates the approval to be paid.

Approvals are included on items for fiscal year 2007.

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

06-4 Student attendance

Criteria: In accordance with the *Brevard County (Florida) Bylaws & Policies, 5200 – Attendance*, "All students must be in attendance a minimum of four (4) hours of instructional time to be considered present each day".

Condition: Out of a population of approximately 44 students, five were tested and one student was not reported correctly. The following was noted:

- Per the sign in/out sheet one student signed out of school at 12:15 pm. The student was reported to the District as present. In order to meet the above four hour requirement each student is required to attend until 12:45 pm.

Questioned costs: Not applicable

Cause: Proper reconciliations from the sign in/out sheets to the District report were not correctly performed.

Effect: Attendance reported incorrectly.

Auditors' recommendation: We recommend that the four hour requirement is the Schools threshold when sign in/out reconciliations are completed.

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

07-1 Correctly code expenditures

Criteria: In accordance with the *Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2001)*, the correct coding of all expenditures is essential for accurate and useful financial statements.

Condition: Out of a sample of 25, one transaction in the amount of \$216 for reimbursement of teacher mileage was coded to basic instruction supplies. The proper recording should have been to basic instruction miscellaneous expense.

Questioned costs: Not applicable.

Cause: Improper care when recording transaction.

Effect: Incorrect coding of transactions.

Auditors' recommendation: We recommend that accurate care be taken to properly and consistently classify expenditures to the correct functions and accounts and reviewing the general ledger on a monthly basis.

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

07-2 Overpayment to management company

Criteria: In accordance with the *charter School Management Agreement (Oakwood Academy Charter School)*, “administer covenants to use the monies on deposit in the Charter Schools Operating Account solely to pay for its operating expenses permitted hereunder”.

Condition: Out of a sample of 25, one instance of a \$50 overpayment on an invoice to the management company was noted. The sample size was increased by 10 strictly including related party reimbursements. No additional findings were noted and the overpayment was deemed an isolated incident.

Questioned Costs: \$50.

Cause: Improper care on transaction payment.

Effect: Expenditures that are not a valid expense of the School.

Auditors' recommendation: We recommend that the approved check signer agrees the invoice amount with the prepared check.

07-3 Maintain void checks

Criteria: In accordance with the *School Board of Brevard County Charter School Contract (Oakwood Academy)*, “the School shall provide the Sponsor with annual audited financial statements.” Proper documentation is required to perform an audit.

Condition: Out of a sample of 25, two voided and or misprinted checks were noted. The checks were shredded and were not available for audit review. The auditors verified that the checks did not clear subsequent bank statements without exception.

Questioned costs: Not applicable.

Cause: Policy was to shred voided or misprinted checks.

Effect: Potential for someone who can gain access to the check to misappropriate cash by completing the data on the check for fraudulent purposes.

Auditors' recommendation: We recommend that the School implement a policy to deface voided and misprinted checks and maintain for audit purposes.



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Phone (321) 723.0650
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August 29, 2007

Berman Hopkins Wright & LaHam, CPS's, LLP
8035 Spyglass Hill Road
Melbourne FL, 32940

Management Responses to Audit Findings

07-01 Correctly code expenditures:

Management has implemented a review of all postings on a monthly basis and a checks and balance to prevent improperly coding expenditures. In addition to this if we are unable to identify a correct code for new expenses by using the Redbook 2001, we will then refer question to our CPA for further guidance

07-02 Over payment to management company:

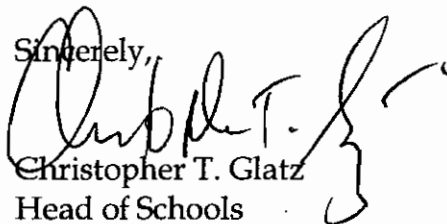
We have implemented a system where the check signer verifies the check amount matches the invoice, once this has been done check singer will indicate his or her review by initialing next to the dollar amount that matches the check amount

07-03 Maintain voided checks

Beginning with this fiscal year we have created a "voided check file." Our process now is to deface the check to prevent from being cashed and then file them in one file according to check number. The voided check file is kept in a secure cabinet with access being limited to the Director of Finance.

If you have any further questions please feel free to contact us at any time.

Sincerely,



Christopher T. Glatz
Head of Schools