

**SEBASTIAN CHARTER JUNIOR HIGH, INC.**

**Basic Financial Statements  
with  
Independent Auditors' Report**

Year ended June 30, 2007

**RECEIVED**

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**AUDITOR GENERAL**

**SEBASTIAN CHARTER JUNIOR HIGH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

As management of Sebastian Charter Junior High, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

**FINANCIAL HIGHLIGHTS**

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$403,584 (net assets). Of this amount, \$58,872 (unrestricted net assets) may be used to meet the ongoing obligations of the School. The School's total net assets increased by \$57,964 or 17% in comparison with prior year net assets.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$69,472, or 8% of total expenditures. The School's combined ending fund balances increased by \$6,913 or 11% in comparison with the prior year balances. \$58,872 of the \$69,472 is available for spending at the School's discretion (unreserved fund balance). The remaining \$10,600 has been designated for capital projects.
- Investment in capital assets increased over the prior year by \$51,051 or 18%.

**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 five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

**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 (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net assets*. Over time, increases and 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 School'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.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 8 and 9 of this report.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**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 funds used by the School are considered governmental fund types.

**Governmental fund** – *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 government'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 two 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. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 10 - 12 of this report.

**Notes to the 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 on pages 14 - 21 of this report.

**Required supplementary information** – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

## **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 \$403,584 at June 30, 2007.

A portion of the School's net assets (83%) reflects its investment in capital assets, net of related debt (e.g. land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2007, of \$430,320 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**SEBASTIAN CHARTER JUNIOR HIGH, INC.'S NET ASSETS**

	2007	2006
Current assets	\$ 171,763	\$ 126,438
Capital assets, net	764,432	738,574
<b>Total assets</b>	<b>936,195</b>	<b>865,012</b>
Current liabilities	131,231	90,995
Long-term liabilities:	401,380	428,397
<b>Total liabilities</b>	<b>532,611</b>	<b>519,392</b>
Net assets:		
Invested in capital assets, net of related debt	334,112	283,061
Restricted for:		
Capital projects	10,600	6,764
Unrestricted	58,872	55,795
<b>Total net assets</b>	<b>\$ 403,584</b>	<b>\$ 345,620</b>

An additional portion of the School's net assets (15%) represents *unrestricted net assets* that are available to meet the financial obligations of the School. A final portion of the School's net assets (2%) is restricted for capital projects. At the end of the current fiscal year, the School is able to report positive balances in all three categories of net assets.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**SEBASTIAN CHARTER JUNIOR HIGH, INC.'S CHANGE IN NET ASSETS**

	2007	2006
<b>Revenues:</b>		
Program revenues:		
Operating grants and contributions	\$ 21,230	\$ 25,700
Capital grants and contributions	62,939	26,395
General revenues:		
FTE non-specific revenues	816,417	729,391
Unrestricted investment earnings	3,836	1,992
Gifts, grants and bequests not restricted to specific programs	31,450	16,721
<b>Total revenues</b>	<b>935,872</b>	<b>800,199</b>
<b>Expenses:</b>		
Instruction	464,991	400,694
Instructional staff training	7,044	8,042
School administration	251,581	178,246
Fiscal services	9,482	9,159
Food services	20,313	25,700
Transportation	9,446	11,381
Operation of plant	54,656	48,456
Maintenance of plant	20,831	25,744
Interest on long-term debt	26,476	33,398
Depreciation - unallocated	13,088	12,267
<b>Total expenses</b>	<b>877,908</b>	<b>753,087</b>
<b>Change in net assets</b>	<b>57,964</b>	<b>47,112</b>
<b>Net assets, beginning of year</b>	<b>345,620</b>	<b>298,508</b>
<b>Net assets, end of year</b>	<b>\$ 403,584</b>	<b>\$ 345,620</b>

**Governmental activities** – The School relies heavily on general revenues (i.e. FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 9% of total revenues. General revenues comprise 91% of total revenues.

**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 and segregation for particular purposes.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**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 School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$69,472, an increase of \$6,913 over the previous fiscal year. The fund balance consists of *unreserved fund balance*, which is available for spending at the School's discretion, with a portion (\$10,600) primarily designated for capital projects.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

- The original budget was not amended for fiscal year June 30, 2007.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets** – The School's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$764,432 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, furniture and computer software. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 16, 19 and 20 of this report.

**Long-term debt** – The School has related debt outstanding as of June 30, 2007, of \$430,320 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1, 3 and 4 on pages 16, 19 and 20 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The School received the majority of its revenues from FTE dollars provided by the Indian River County School District.
- The Indian River County School District continues to retain 5% administrative costs on revenues.
- The Charter School's enrollment is expected to be 100% for the fiscal year ending 2007-2008.

All of these factors were considered in preparing the School's budget for 2007-2008 fiscal year.

#### **REQUESTS 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 Dr. Martha McAdams, Principal, Sebastian Charter Junior High, Inc., 782 Wave Street, Sebastian, Florida 32958.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Statement of Net Assets

June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash	\$ 59,448	\$ -	\$ 59,448
Due from local sources	100,370	-	100,370
Accrued interest receivable	10,600	-	10,600
Deposits receivable	1,345	-	1,345
Capital assets, net	764,432	-	764,432
<b>Total Assets</b>	<b>936,195</b>	<b>-</b>	<b>936,195</b>
<b>Liabilities</b>			
Payroll tax payable	1,921	-	1,921
Deferred revenue	100,370	-	100,370
Long-term liabilities:			
Due within one year:			
Note payable	25,948	-	25,948
Obligation under capital leases	2,992	-	2,992
Due in more than one year:			
Note payable	398,740	-	398,740
Obligation under capital leases	2,640	-	2,640
<b>Total Liabilities</b>	<b>532,611</b>	<b>-</b>	<b>532,611</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	334,112	-	334,112
Restricted for:			
Capital projects	10,600	-	10,600
Unrestricted	58,872	-	58,872
<b>Total Net Assets</b>	<b>\$ 403,584</b>	<b>\$ -</b>	<b>\$ 403,584</b>

See accompanying notes to the basic financial statements.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Statement of Activities

Year ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
Instruction	\$ 464,991	\$ -	\$ 917	\$ 1,725	\$ (462,349)	\$ -	\$ (462,349)
Instruction and curriculum development	7,044	-	-	-	(7,044)	-	(7,044)
School administration	251,581	-	-	1,870	(249,711)	-	(249,711)
Fiscal services	9,482	-	-	-	(9,482)	-	(9,482)
Food services	20,313	-	20,313	-	-	-	-
Transportation	9,446	-	-	-	(9,446)	-	(9,446)
Operation of plant	54,656	-	-	-	(54,656)	-	(54,656)
Maintenance of plant	20,831	-	-	47,928	27,097	-	27,097
Interest on long-term debt	26,476	-	-	11,416	(15,060)	-	(15,060)
Depreciation - unallocated *	13,088	-	-	-	(13,088)	-	(13,088)
<b>Total governmental activities</b>	<b>\$ 877,908</b>	<b>\$ -</b>	<b>\$ 21,230</b>	<b>\$ 62,939</b>	<b>(793,739)</b>	<b>-</b>	<b>(793,739)</b>

**General Revenues:**

Local revenue:						
Florida Education Finance Program					667,034	667,034
Student academic improvement					12,700	12,700
Discretionary lottery funds					4,792	4,792
Instructional materials					12,982	12,982
Class size					95,057	95,057
Gifts, grants and bequests not restricted to specific programs					31,450	31,450
Other miscellaneous local sources					23,852	23,852
Interest earned					3,836	3,836
<b>Total general revenues and special items</b>					<b>851,703</b>	<b>851,703</b>
<b>Change in net assets</b>					<b>57,964</b>	<b>57,964</b>
<b>Net Assets, beginning</b>					<b>345,620</b>	<b>345,620</b>
<b>Net Assets, ending</b>					<b>\$ 403,584</b>	<b>\$ 403,584</b>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.  
accompanying notes to the basic financial statements.



**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Balance Sheet - Governmental Funds

June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 59,448	\$ -	\$ 59,448
Due from local sources	100,370	-	100,370
Accrued interest receivable	10,600	-	10,600
Deposits receivable	1,345	-	1,345
<b>Total Assets</b>	<b>\$ 171,763</b>	<b>\$ -</b>	<b>\$ 171,763</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Payroll tax payable	\$ 1,921	\$ -	\$ 1,921
Deferred revenue	100,370	-	100,370
<b>Total Liabilities</b>	<b>102,291</b>	<b>-</b>	<b>102,291</b>
Fund balances:			
Unreserved	69,472	-	69,472
<b>Total Liabilities and Fund Balances</b>	<b>\$ 171,763</b>	<b>\$ -</b>	

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.	764,432
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(430,320)
Net assets of governmental activities	<b>\$ 403,584</b>

See accompanying notes to the basic financial statements.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds

Year ended June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental:			
Federal through local	\$ 62,939	\$ 917	\$ 63,856
Interest	3,836	-	3,836
Local	847,866	20,313	868,179
<b>Total Revenues</b>	<b>914,641</b>	<b>21,230</b>	<b>935,871</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	452,792	917	453,709
Instruction and curriculum development	7,044	-	7,044
School administration	250,286	-	250,286
Fiscal services	9,482	-	9,482
Food services	-	20,313	20,313
Transportation	9,446	-	9,446
Operation of plant	54,656	-	54,656
Maintenance of plant	20,831	-	20,831
Debt service	51,668	-	51,668
Fixed Capital Outlay:			
Facilities acquisition and construction	51,523	-	51,523
<b>Total Expenditures</b>	<b>907,728</b>	<b>21,230</b>	<b>928,958</b>
<b>Excess of Revenues over Expenditures</b>	<b>6,913</b>	<b>-</b>	<b>6,913</b>
<b>Net Change in Fund Balances</b>	<b>6,913</b>	<b>-</b>	<b>6,913</b>
<b>Fund Balance, beginning of year</b>	<b>62,559</b>	<b>-</b>	<b>62,559</b>
<b>Fund Balance, end of year</b>	<b>\$ 69,472</b>	<b>\$ -</b>	<b>\$ 69,472</b>

See accompanying notes to the basic financial statements.

**Sebastian Charter Junior High, Inc.**

A Charter School and Component Unit of the  
Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2007

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<b>Net change in fund balances - governmental funds</b>	<b>\$ 6,913</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$51,523) exceeds depreciation expense (\$25,665) in the period.	25,858
Repayment of note payable and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	25,193
<b>Change in net assets of governmental activities</b>	<b>\$ 57,964</b>

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See accompanying notes to the basic financial statements.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Intergovernmental:	\$ 165,545	\$ 165,545	\$ 66,775	\$ (98,770)
Local	674,851	674,851	847,866	173,015
<b>Total Revenues</b>	<b>840,396</b>	<b>840,396</b>	<b>914,641</b>	<b>74,245</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	407,462	407,462	452,792	(45,330)
Instruction and curriculum development	8,997	8,997	7,044	1,953
School administration	217,237	217,237	250,286	(33,049)
Fiscal services	10,000	10,000	9,482	518
Transportation	12,000	12,000	9,446	2,554
Operation of plant	48,600	48,600	54,656	(6,056)
Maintenance of plant	16,000	16,000	20,831	(4,831)
Debt service	70,000	70,000	51,668	18,332
Fixed Capital Outlay:				
Facilities acquisition and construction	39,545	39,545	51,523	(11,978)
<b>Total Expenditures</b>	<b>829,841</b>	<b>829,841</b>	<b>907,728</b>	<b>(77,887)</b>
<b>Net Change in Fund Balance</b>	<b>10,555</b>	<b>10,555</b>	<b>6,913</b>	<b>\$ (3,642)</b>
<b>Fund Balance, beginning of year</b>	<b>62,559</b>	<b>62,559</b>	<b>62,559</b>	
<b>Fund Balance, end of year</b>	<b>\$ 73,114</b>	<b>\$ 73,114</b>	<b>\$ 69,472</b>	

See accompanying notes to the basic financial statements.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Notes to Basic Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

The Sebastian Charter Junior High, Inc., (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board. The current charter is effective until June 30, 2012. 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. The Sebastian Charter Junior High, Inc. is considered a component unit of the Indian River County District School Board.

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

**Basis of Presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.



**Sebastian Charter Junior High, Inc.**  
 A Charter School and Component Unit of the  
 Indian River County District School Board  
 Notes to Basic Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies** (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are adopted on a basis consistent with generally accepted accounting principles.

**Cash**

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

**Capital Assets and Depreciation**

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Improvements other than buildings	40 years
Buildings and fixed equipment	50 years
Property under capital leases	4-5 years
Computers and software	5 years

**Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.



**Note 1 – Summary of Significant Accounting Policies** (continued)

**Revenue Sources**

Revenues for current operations are received primarily from the Indian River 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 228.056(13), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. 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 FTE students reported by the School during the designated FTE student survey periods.

The School received 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.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

**Compensated Absences**

Sick and personal leave expenditures are recognized when payments are made to the employees. Up to two sick days and one personal day may be rolled over each year.

**Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

**Restricted Assets**

Restricted assets is interest earned on amounts set aside for capital projects, whose use is limited by legal requirements.

**Interfund Activity**

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2007, the School made no interfund transfers.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Notes to Basic Financial Statements (continued)

**Note 1 – Summary of Significant Accounting Policies** (continued)

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 2 – Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Capital assets not being depreciated:</b>				
Land	\$ 180,732	\$ 5,485	\$ -	\$ 186,217
Total capital assets not being depreciated	180,732	5,485	-	186,217
<b>Other capital assets:</b>				
Improvements other than buildings	9,234	24,500	-	33,734
Buildings and fixed equipment	565,858	17,943	-	583,801
Furniture, fixtures and equipment	43,753	3,595	-	47,348
Property under capital leases	22,834	-	-	22,834
Computer software	13,089	-	-	13,089
Total other capital assets at historical cost	654,768	46,038	-	700,806
<b>Less accumulated depreciation for:</b>				
Improvements other than buildings	(1,137)	(1,497)	-	(2,634)
Buildings and fixed equipment	(56,689)	(11,592)	-	(68,281)
Furniture, fixtures and equipment	(12,372)	(9,323)	-	(21,695)
Property under capital leases	(15,154)	(2,793)	-	(17,947)
Computer software	(11,574)	(460)	-	(12,034)
Total accumulated depreciation	(96,926)	(25,665) *	-	(122,591)
Other capital assets, net	557,842	20,373	-	578,215
Governmental activities capital assets, net	\$ 738,574	\$ 25,858	\$ -	\$ 764,432

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Notes to Basic Financial Statements (continued)

**Note 2 – Capital Assets** (continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 11,282
School administration	1,295
Unallocated	13,088
	\$ 25,665

**Note 3 – Obligation under Capital Leases**

The class and amount of property acquired under capital leases are as follows:

	Asset Balance
Copier	\$ 16,360
Printer	1,299
Duplicator	5,175
	\$ 22,834

Future minimum capital lease payments and the present value of the minimum lease payments are as follows:

Fiscal year ending June 30	Amount
2008	\$ 3,259
2009	2,716
Total minimum lease payments	5,975
Less amount representing interest	343
	\$ 5,632

The imputed interest rate is 6.79 percent.

**Note 4 – Long-Term Liabilities**

In July 2003, the School refinanced the mortgage note payable on their land and building with a local financial institution. The School borrowed \$505,000 against the existing real property and the addition of a modular complex which was installed in August 2003. The agreement requires monthly payments of \$4,399 including interest at 6.5%, and matures in November 2019.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Notes to Basic Financial Statements (continued)

**Note 4 – Long-Term Liabilities** (continued)

Amounts needed for the repayment of the mortgage at June 30, 2007, are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2008	\$ 25,948	\$ 26,841	\$ 52,789
2009	27,686	25,103	52,789
2010	29,540	23,249	52,789
2011	31,519	21,270	52,789
2012	33,630	19,159	52,789
2013-2017	205,103	58,842	263,945
2018-2019	71,262	3,523	74,785
	\$ 424,688	\$ 177,987	\$ 602,675

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2006	Additions	Reductions	Principal Outstanding June 30, 2007	Amount Due in One Year
Note payable	\$447,070	\$ -	\$22,382	\$424,688	\$ 25,948
Obligation under capital leases	8,443	-	2,811	5,632	2,992
	\$455,513	\$ -	\$25,193	\$430,320	\$ 28,940

**Note 5 – Deferred Revenue**

During prior fiscal years the School received Capital Outlay awards which are to be used toward capital purchases or improvements. At June 30, 2007, the School had Capital Outlay deferred revenue of \$100,370.

**Note 6 – 401(k) Plan**

The School initiated a 401(k) plan on August 22, 2006, that covers all employees who have attained twenty one years of age and satisfied a one-year service requirement. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee's contribution up to a limit of 3% of the employee's compensation for the fiscal year. For the year ended June 30, 2007, the School contributed \$13,665 to the plan.

**Sebastian Charter Junior High, Inc.**  
A Charter School and Component Unit of the  
Indian River County District School Board  
Notes to Basic Financial Statements (continued)

**Note 7-- Risk Management Programs**

During the year ended June 30, 2007, employees of the School were covered by purchased health insurance. The School contributes monthly for each employee to the plan and employees, at their option, authorize payroll withholdings to pay contributions for dependents.

General liability, professional liability, property, and workers' compensation coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.



# O'Haire, Kmetz, Nuttall, Elwell & Co., chartered

Tax, Business and Financial Consultants

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MICHAEL L. KMETZ, CPA, PFS  
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## 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*

To the Board of Directors  
Sebastian Charter Junior High, Inc.  
Sebastian, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

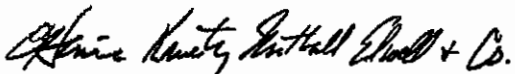
### Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, pass-through entities 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.

  
O'Haire, Kmetz, Nuttall, Elwell & Co., chartered  
Certified Public Accountants

August 13, 2007

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To the Board of Directors  
Sebastian Charter Junior High, Inc.

The Rules of the Auditor General (Sections 10.804(1)(d)5c. and 10.854(1)(d)4c.) require disclosure of deficiencies in the internal control that are not reportable conditions, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., omission of required disclosures from the annual financial statements); and (b) failures to properly record financial transactions. Our audit disclosed no matters required to be disclosed.

This management letter is intended solely for the information and use of the Board of Directors, management, pass-through entities 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.

*O'Haire Kmetz Nuttall Elwell & Co.*

O'Haire, Kmetz, Nuttall, Elwell & Co., chartered  
Certified Public Accountants

August 13, 2007