

***SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.***

***BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION***

***Year Ended June 30, 2007***

**Sunshine Elementary Charter School, Inc.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Sunshine Elementary Charter School, Inc.  
Hollywood, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunshine Elementary Charter School, Inc. ("SEC"), a Charter School, as of and for the year ended June 30, 2007, which collectively comprises Sunshine Elementary Charter School, Inc.'s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Management of SEC. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of SEC as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2007, on our consideration of SEC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

This report is intended solely for the information and use of the management, regulatory agencies of federal and state governments and the School Board of Broward County. It is not intended to be and should not be used by anyone other than these specified parties.

*Infante + Company*

September 25, 2007  
Hollywood, FL

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2007**

Our discussion and analysis of the Sunshine Elementary Charter School, Inc.'s ("SEC") financial program provides an overview of SEC's financial activities for the year ended June 30, 2007.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with SEC's financial statements which begin on page 6.

For financial statement purposes, SEC is considered a component unit of the School District of Broward County, which is a primary government entity for financial reporting. SEC has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of SEC by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of SEC.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of SEC's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

*The Statement of Net Assets* presents information on all of SEC'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 SEC 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 when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

### ***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.

*Governmental Funds* - All of SEC's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the SEC's governmental activities and the basic services it provides.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*Notes to the Financial Statements*

The *Notes to the Financial Statements* 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 12-18 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of SEC's financial position. SEC's assets exceeded liabilities by \$56,345 at June 30, 2007.

**NET ASSETS**

Current Assets	\$	<u>72,314</u>
Total Assets	\$	<u>72,314</u>
Capital Assets	\$	<u>11,335</u>
Total Capital Assets	\$	<u>11,335</u>
Accounts Payable and Payroll Liabilities	\$	<u>30,294</u>
Total Liabilities	\$	<u>30,294</u>
Investment in Capital Assets	\$	11,335
Unrestricted		45,010
Restricted		<u>-</u>
Total Net Assets	\$	<u>56,345</u>

Revenues for governmental activities totaled \$805,311 for the year ended June 30, 2007. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 78% of total revenue.

Revenue Source	Amount	% of Total
FEFP	\$ 624,586	78%
Federal passed through local schools	151,250	19%
Other Revenue	<u>29,475</u>	<u>3%</u>
Total	<u>\$ 805,311</u>	<u>100%</u>

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Expenses for major functions of SEC are shown in the following table:

<u>Expenses</u>	<u>Amount</u>	<u>% of Total</u>
Basic instruction	\$ 397,250	53.0%
Instructional and curriculum development	1,995	0.3%
Board expenses	101,986	13.6%
School administration	129,556	17.3%
Facilities acquisition & construction	21,000	2.8%
Fiscal services	23,045	3.1%
Food services	2,371	0.3%
Pupil transportation	38,270	5.1%
Operation of plant	30,894	4.1%
Maintenance of plant	2,600	0.3%
	<u>\$ 748,967</u>	<u>100.0%</u>

**CURRENT YEAR VS PRIOR YEAR RESULTS**

The 2006-2007 school year was the first year that SEC enrolled students. Total revenue was \$805,311 and \$- 0 - for the years ended June 30, 2007 and 2006, respectively. The increase in revenue was the result of SEC receiving FEFP funds and federal implementation funds during its first year of operation. Total expenses were \$748,967 and \$- 0 - for the years ended June 30, 2007 and 2006, respectively. The \$748,967 increase in expenses is primarily attributable to its first year of operations.

**BUDGETARY HIGHLIGHTS**

Actual revenue was \$118,951 more than budgeted because SEC budgeted to receive less FEFP funds based on budgeted student count.

Instruction and other functional expenses were more than the amount budgeted primarily as a result of higher school administration expenses than expected.

Total fund balance of the General Fund was \$45,010 at June 30, 2007.

**PROSPECTS FOR THE FUTURE**

SEC is actively marketing to attract more students and is searching for land to build a new facility which would enable it to accommodate more students.

**Sunshine Elementary Charter School, Inc.**  
**Statement of Net Assets**  
**June 30, 2007**

		<u>Governmental Activities</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$	72,314
Accounts Receivable		2,990
Total current assets		<u>75,304</u>
<b>CAPITAL ASSETS</b>		
Capital Assets, Net of Accumulated Depreciation		
Furniture, fixtures and equipment		11,335
Total capital assets		<u>11,335</u>
Total assets	\$	<u><u>86,639</u></u>
<b>LIABILITES AND NET ASSETS</b>		
<b>LIABILITES</b>		
Salaries and Wages Payable	\$	29,522
Accounts Payable		772
Total liabilities		<u>30,294</u>
<b>NET ASSETS</b>		
Investment in Capital Assets		11,335
Unrestricted		45,010
Total net assets		<u>56,345</u>
Total liabilities and net assets	\$	<u><u>86,639</u></u>

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

**Sunshine Elementary 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
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 397,250	\$ -	\$ 53,618	\$ -	\$ (343,632)
Instructional media services	46	-	-	-	(46)
Instruction and curriculum development services	849	-	824	-	(25)
Instructional staff training	1,100	-	-	-	(1,100)
Board expenses	101,986	-	51,818	-	(50,168)
School administration	129,556	-	31,096	-	(98,460)
Facilities acquisition & construction	21,000	-	1,000	-	(20,000)
Fiscal services	23,045	-	10,813	-	(12,232)
Food services	2,371	-	-	-	(2,371)
Pupil transportation	38,270	-	-	-	(38,270)
Operation of plant	30,894	-	2,081	-	(28,813)
Maintenance of plant	2,505	-	-	-	(2,505)
Interest on long term debt	94	-	-	-	(94)
Total governmental activities	\$ 748,967	\$ -	\$ 151,250	\$ -	\$ (597,717)

General Revenues	
State through local school district	586,604
Investment earnings	1,652
Miscellaneous revenues	27,824
Special items	37,982
Total General Revenues	654,062
Change in net assets	56,345
Net assets, July 1, 2006	-
Net assets, June 30, 2007	\$ 56,345

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

**Sunshine Elementary Charter School, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 72,314	\$ -	\$ 72,314
Accounts Recievable	2,990	-	2,990
<b>Total Assets</b>	<b><u>\$ 75,304</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 75,304</u></b>
<b>LIABILITES</b>			
Salaries and Wages Payable	\$ 29,522	\$ -	\$ 29,522
Accounts Payable	772	-	772
<b>Total Liabilities</b>	<b><u>30,294</u></b>	<b><u>-</u></b>	<b><u>30,294</u></b>
<b>FUND BALANCES</b>			
Unrestricted	45,010	-	45,010
Restricted	-	-	-
<b>Total Fund Balances</b>	<b><u>45,010</u></b>	<b><u>-</u></b>	<b><u>45,010</u></b>
 Total Liabilities and Fund Balances	 <b><u>\$ 75,304</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 75,304</u></b>

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

**Sunshine Elementary Charter School, Inc.**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2007**

Fund Balance - Governmental Funds	\$	45,010
<p>Deposits are not available to pay for current period expenditures and, therefore, are not reported in the funds</p>		
		-
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$	11,879
Less accumulated depreciation		<u>(544)</u>
		<u>11,335</u>
Net Assets of Governmental Activities	\$	<u><u>56,344</u></u>

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

**Sunshine Elementary Charter School, Inc.**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2007**

	General Fund	Special Revenue Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Federal passed through local school district	\$ -	\$ 151,250	\$ 151,250
State passed through local school district	624,586	-	624,586
Interest income	1,651	-	1,651
Other revenue	<u>27,824</u>	<u>-</u>	<u>27,824</u>
<b>TOTAL REVENUES</b>	654,061	151,250	805,311
<b>EXPENDITURES/EXPENSES</b>			
Instruction	354,967	53,618	408,585
Instructional media services	46	-	46
Instruction and curriculum development services	25	824	849
Instructional staff training	1,100	-	1,100
Board expenses	50,168	51,818	101,986
School administration	98,460	31,096	129,556
Facilities acquisition & construction	20,000	1,000	21,000
Fiscal services	12,232	10,813	23,045
Food services	2,371	-	2,371
Pupil transportation	38,270	-	38,270
Operation of plant	28,813	2,081	30,894
Maintenance of plant	2,505	-	2,505
Interest on long term debt	94	-	94
Total expenditures	<u>609,051</u>	<u>151,250</u>	<u>760,301</u>
Expenses over Revenues	45,010	-	45,010
Fund balances, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2007	<u>\$ 45,010</u>	<u>\$ -</u>	<u>\$ 45,010</u>

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

**Sunshine Elementary Charter School, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2007**

Net Change in fund balances - governmental funds \$ 45,010

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	11,879	
Less current year depreciation		<u>(544)</u>	<u>11,335</u>
Change in Net Assets of Governmental Activities	\$		<u><u>56,344</u></u>

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

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
NOTES TO FINANACIAL STATEMENTS  
JUNE 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Sunshine Elementary Charter School, Inc. ("SEC") operates as a Charter School pursuant to a Charter School Contract ("the Contract") with the School District of Broward County, Florida ("the District"). Under the Contract, SEC provides an elementary school education to children who reside in Broward County. The governing body of SEC is the Board of Directors.

SEC is an non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The general operating authority of SEC is under Florida Statutes 228.056(7) as a Charter School Contract with the School Board of Broward County, Florida. Under the Charter, SEC provides education to children from kindergarten through the fifth grade in Broward County. The Contract is effective through June 2011.

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

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 SEC. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as SEC 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.

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 SEC 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

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
NOTES TO FINANACIAL STATEMENTS  
JUNE 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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 SEC'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. All of SEC's funds were deemed major funds. 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 governmental 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, considered to be sixty days. 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 recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

SEC'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. SEC reports the following major governmental funds:

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

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
 NOTES TO FINANACIAL STATEMENTS  
 JUNE 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**4. Budgetary basis of accounting**

SEC's annual budgets are adopted for the entire operations for SEC and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation to deficiency of revenues under expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

**5. Cash**

Cash is made up of cash on hand at SEC and/or checking accounts held at a financial institution.

**6. Capital assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by SEC 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. For the year ended June 30, 2007, SEC recorded net capital assets of \$11,335.

Property, plant and equipment of SEC is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Furniture, fixture and equipment	20

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.

**7. Revenue sources**

Revenues for current operations are received primarily from the State of Florida passed through the District to SEC pursuant to the funding provisions included in SEC's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, SEC 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 (FEFP).

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
NOTES TO FINANACIAL STATEMENTS  
JUNE 30, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

7. Revenue sources (continued)

Funding for SEC is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by SEC during designated FTE student survey periods.

SEC receives federal awards for the enhancement of various educational programs. This assistance is generally 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 qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

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, upon settlement, actual results may differ from estimated amounts.

**NOTE B - CONCENTRATIONS**

1. Revenue sources

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

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 624,586
Federal passed through	151,250
Other	<u>29,475</u>
	<u>\$ 805,311</u>

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
NOTES TO FINANACIAL STATEMENTS  
JUNE 30, 2007

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Adjustments and Deletions</u>	<u>Balance at June 30, 2007</u>
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ -	\$ 11,879	\$ -	\$ 11,879
Total assets depreciated	<u>\$ -</u>	<u>\$ 11,879</u>	<u>\$ -</u>	<u>\$ 11,879</u>
Less Accumulated depreciation				
Furniture, fixtures and equipment	\$ -	\$ 544	\$ -	\$ 544
Total assets depreciated	<u>\$ -</u>	<u>\$ 544</u>	<u>\$ -</u>	<u>\$ 544</u>
 Total governmental activities				
Capital assets, net				<u>\$ 11,355</u>

Depreciation expense of \$544 was charged to the school administration function for the year ended June 30, 2007.

**NOTE D – CASH AND INVESTMENTS**

SEC maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$100,000. As of June 30, 2007, there were no uninsured deposit balances.

**NOTE E - COMMITMENTS**

SEC leased property during the year for its administrative and classroom space under a non-cancelable operating lease that expires in June 30, 2008.

Future minimum lease payments required under the lease agreements are approximately as follows:

	<u>Premises</u>
June 30:	
2008	\$ 25,200

**NOTE F - RISK MANAGEMENT**

SEC is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. SEC purchases commercial insurance for all material risks of loss to which SEC is exposed, including general liability, property and workers compensation.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
NOTES TO FINANACIAL STATEMENTS  
JUNE 30, 2007

**NOTE G - STATE RETIREMENT PROGRAM**

*Plan Description*

All full time employees of the School are covered by the Florida Retirement System (FRS), a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). SEC contributed \$22,180 during the year ending June 30, 2007 to the FRS on behalf of its employees. The Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payment while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Plan's financial statement and other supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
 NOTES TO FINANACIAL STATEMENTS  
 JUNE 30, 2007

**NOTE G - STATE RETIREMENT PROGRAM (continued)**

***Funding Policy***

The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2007 fiscal year, contribution rates were as follows:

Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to		
Florida Retirement System	-	10.91
Teachers' Retirement System	-	10.91
State and County Officers and Employees	-	9.33
Florida Retirement System, Re-employed Retiree	(B)	(B)

Notes: (A) Employer rate include 1.11 percent for the post-employment health insurance supplement.

(B) Contribution rates are dependent upon the retirement class in which re-employed.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Sunshine Elementary Charter School, Inc.**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	Governmental Funds				Special Revenue Fund				Totals				
	Budget	General Fund	Variance	Budget	Budget	Special Revenue Fund	Variance	Budget	Governmental Funds	Budget	Variance	Governmental Funds	Variance
<b>Revenues</b>													
Federal passed through local school district	\$ -	\$ -	\$ -	\$ 151,250	\$ -	\$ 151,250	\$ -	\$ 151,250	\$ 151,250	\$ -	\$ 151,250	\$ -	\$ -
State passed through local school district	455,697	624,586	(168,889)	-	-	-	-	455,697	624,586	(168,889)	624,586	(168,889)	(168,889)
Interest income	132	1,651	(1,519)	-	-	-	-	132	1,651	(1,519)	1,651	(1,519)	(1,519)
Other revenue	79,281	27,824	51,457	-	-	-	-	79,281	27,824	51,457	27,824	51,457	51,457
<b>Total revenues</b>	535,110	654,061	(118,951)	151,250	151,250	151,250	-	686,360	805,311	(118,951)	805,311	(118,951)	(118,951)
<b>Expenses</b>													
Basic instruction	306,363	354,967	(48,604)	68,082	53,618	53,618	14,464	374,445	408,585	(34,140)	408,585	(34,140)	(34,140)
Pupil personnel services	-	46	(46)	-	-	-	-	-	46	(46)	46	(46)	(46)
Instructional media services	-	25	(25)	-	824	824	(824)	-	849	(849)	849	(849)	(849)
Instructional staff training	-	-	-	5,000	-	-	5,000	-	-	5,000	-	5,000	5,000
Instructional & curriculum development	4,944	1,100	3,844	-	-	-	-	4,944	1,100	3,844	1,100	3,844	3,844
Board expenses	52,995	50,168	2,827	50,000	51,818	51,818	(1,818)	102,995	101,986	1,009	101,986	1,009	
School administration	49,527	98,460	(48,933)	23,168	31,096	31,096	(7,928)	72,695	129,556	(56,861)	129,556	(56,861)	
Facilities acquisition & construction	35,000	20,000	15,000	5,000	1,000	1,000	4,000	40,000	21,000	19,000	21,000	19,000	
Fiscal services	15,648	12,232	3,416	-	10,813	10,813	(10,813)	15,648	23,045	(7,397)	23,045	(7,397)	
Food services	2,239	2,371	(132)	-	-	-	-	2,239	2,371	(132)	2,371	(132)	
Pupil transportation	41,901	38,270	3,631	-	-	-	-	41,901	38,270	3,631	38,270	3,631	
Operation of plant	17,615	28,813	(11,198)	-	2,081	2,081	(2,081)	17,615	30,894	(13,279)	30,894	(13,279)	
Maintenance of plant	4,009	2,505	1,504	-	-	-	-	4,009	2,505	1,504	2,505	1,504	
Interest on long term debt	-	94	(94)	-	-	-	-	-	94	(94)	94	(94)	
<b>Total expenses</b>	530,241	609,051	(78,810)	151,250	151,250	151,250	0	681,491	760,301	(78,810)	760,301	(78,810)	
<b>Revenues over expenditures</b>	\$ 4,869	\$ 45,010	\$ (40,141)	\$ -	\$ -	\$ -	\$ (0)	\$ 4,869	\$ 45,010	\$ (40,141)	\$ 45,010	\$ (40,141)	
Fund Balance, July 1, 2006	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance, June 30, 2007	\$ -	\$ 45,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,869	\$ 45,010	\$ -	\$ 45,010	\$ -	\$ -

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



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- Personal Financial Planning Section

Florida Institute of CPAs

National Associated Certified Public Accounting Firms

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board Members of  
Sunshine Elementary Charter School, Inc.  
Hollywood, Florida

We have audited the basic financial statements of the Sunshine Elementary Charter School, Inc., ("SEC") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 25, 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 of America.

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

Internal Control over Financial Reporting - In planning and performing our audit, we considered SEC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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. However, we have communicated other

observations involving internal control over financial reporting to the Management of SEC in a separate letter dated September 25, 2007.

This report is intended solely for the information and use of the management, regulatory agencies of federal and state governments and the School Board of Broward County. It is not intended to be and should not be used by anyone other than these specified parties.

*Infante + Company*

September 25, 2007  
Hollywood, Florida



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## MANAGEMENT LETTER

To the Board of Directors  
Sunshine Elementary Charter School, Inc.  
Hollywood, Florida

We have audited the basic financial statements of the Sunshine Elementary Charter School, Inc. ("SEC") as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 25, 2007.

We issued our Report on Compliance and on Internal Control Over Financial Reporting dated September 25, 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:

1. No recommendations were made and no violations were reported in the preceding annual financial audit report since this is SEC's first year of operations.
2. There were no violations of laws, rules, regulations, and contractual provisions that: (1) have occurred, or are likely to have occurred and (2) were discovered within the scope of the financial audit
3. Please see the attached recommendations to improve the charter school's present financial management, accounting procedures and internal controls.
4. There were no illegal or improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
5. There were no matters requiring correction which may or may not materially affect the financial statements reported on, including, but not limited to:
  - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
  - Failures to properly record financial transactions.
  - Other inaccuracies, shortages, defalcations, and instances of fraud

discovered by, or that come to the attention of, the auditor.

6. The official title of SEC is *Sunshine Elementary Charter School, Inc.*, which is a component unit of the School District of Broward County, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Act, and Section 228.056, Florida Statutes.
7. In connection with our audit, we determined that the Sunshine Elementary Charter School, Inc. did not meet the condition described in Section 218.503(1) and, therefore, no financial emergency will be reported.

This management letter is intended for the information of the Sunshine Elementary Charter School, Inc.'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.

*Infante & Company*

September 25, 2007  
Hollywood, Florida

## **Recommendations to Improve Financial Management, Accounting Procedures and Internal Controls**

### **07-1 Additional Bank Account Needed For Unrestricted Funds**

We noted that SEC has only one operating account which is managed by its management company to pay all school expenses for its activities. We recommend that a second bank account should be opened to deposit unrestricted funds relative to after school care and fund raising activities. This will permit the school administration the ability to disburse funds for these activities at the school location.

### **07-2 Approved Invoices Need To Be Scanned**

We noted that SEC currently sends all approved invoices via Federal Express to its management company. We recommend that these invoices should be approved, scanned and sent to its management company for payment. The original invoice can be retained at the school location for its permanent file.

### **07-3 ESE Employee Is Paid By Another School And Shared By SEC**

We noted that another school has an ESE employee that is providing services with SEC and the other school is being reimbursed by SEC. SEC needs to establish a written sharing agreement with the other school that is providing SEC this service with a sharing cost agreement.



# Sunshine Elementary Charter School

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September 28, 2007

To Whom It May Concern:

The board of directors of the Sunshine Elementary Charter School has directed me to send the following is our response to the management letter dated September 25, 2007, and each response is numbered consistently with the numbers assigned in the management letter:

07-1 Additional Bank Account Needed For Unrestricted Funds

We will establish a new bank account that will be controlled at the school's location to make deposits for after school care and fund raising activities.

07-2 Approved Invoices Need To Be Scanned

We will implement the scanning of approved invoices and email same to our accounting firm for payment. This will be a reduction of our mailing cost and will provide an electronic file of each invoice processed by the school.

07-3 ESE Employee Is Paid By Sunshine And Shared By Other Schools

We will work with another school that is providing us with an ESE Employee to develop a sharing agreement as to their services being provided.

Ronald P. Renna  
Educational Consultant

CC: board of directors, file