

TERRACE COMMUNITY SCHOOL

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

June 30, 2007

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AUDITOR GENERAL

**TERRACE COMMUNITY SCHOOL
JUNE 30, 2007**

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TCMS Terrace Community Middle School

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Back To Basics Charter School Foundation, Inc. Terrace Community Middle School Management's Discussion & Analysis For the Fiscal Year Ended June 30, 2007

Our analysis and discussion of the Back to Basics Charter School Foundation Inc.-Terrace Community Middle School (BTBCSF-TCMS) financial performance provides an overview of the school's financial activities for the fiscal year ended June 30, 2007.

Financial Highlights

The BTBCSF-TCMS net assets totaled \$549,494 which represents 22% increase over prior fiscal year. The net assets balance consisted of net capital investments of \$ 115,335, Capital leases payable of \$112,133 and unrestricted net assets of \$ 546,292. General revenues totaled \$ 3,034,617 and accounted for 100% of all revenues for the school.

The year end balances in our separate funds were: general fund reported a balance of \$546,292 while our debt service fund ended with a fund balance of \$ 856,200.

Using this Comprehensive Annual Financial Report

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand BTBCSF-TCMS as a whole, and then proceed to a detailed look at specific financial activities.

Reporting BTBCSF-TCMS as a Whole

The statement of Net Assets and Statement of Activities

One of the most important questions one can ask about the BTBCSF-TCMS financial activities is: Is BTBCSF-TCMS better off or worse as a result of this year's activities? The Statement of Net Assets and the Statement of Activities report information about BTBCSF-TCMS as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year revenues and expenses are taken into consideration when cash is received or paid.

These two statements report BTBCSF-TCMS net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the financial health of BTBCSF-TCMS is improving or deteriorating as a whole. The reader should consider other

non- financial factors such as enrollment, state funding levels, and facility conditions in arriving at their conclusion of the overall health of BTBCSF-TCMS.

Reporting the Schools Most Significant Funds

Fund Financial Statements

Our analysis of the school’s major funds begins on page 3 of the Auditors report. The fund financial statements begin on page 17 of the Auditors report and provide detailed information about the most significant funds at BTBCSF-TCMS. These funds represent the funds required to be established by the State of Florida, HSB, and the “Red Book”. The form of accounting for these funds is described in the notes that accompany the financial statements.

Governmental Funds

All non debt service funds that flow through the BTBCSF-TFMC activities are classified under Governmental Funds, which focus on how money flows into and out of the funds and the balances left at year-end available for spending in future periods. These funds are accounting for under a modified accrual accounting method, which measures cash and other financial assets that can readily be converted into cash. The government fund statements provide a detailed short-term view of the BTBCSF-TCMS general government operations and the basic services it provides. Government fund information helps you to determine whether there are more or less financial resources available to spend in the future to finance school activities. The relationship or differences between governmental activities as reported in the Statement of Net Assets and the Statement of Activities and governmental funds is reconciled in the basic financial statements.

Debt Service Funds

All capital funds (SIT) flow through the Capital Fund in the beginning of the fiscal year, and were transferred to the Debt Service fund, and the balances left at year end available for spending in future periods. These funds are accounting for under a modified accrual accounting method, which measures cash and other financial assets that can readily be converted into cash. The Debt Service fund statements provide a detailed view of the debt service funds available for the retirement of the debt incurred on behalf of the construction of the new physical plant of BTBCSF-TCMS.

School-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a school’s financial position. In the case of BTBCSF-TCMS assets exceeded liabilities by \$ 549,494 at the close of the past fiscal year. Approx. 20.1% of the BTBCSF-TCMS net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The BTBCSF-TCMS uses capital assets to provide education facilities and services, therefore these assets are not available for future spending. Although the BTBCSF-TCMS investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. It should be noted that BTBCSF-TCMS secured a mortgage for \$6.215MM via issuance of Series 2007 A & B Industrial Development Revenue Bonds for the retirement of various bridge mortgages used to acquire 3.39 acres MOL and construction of 33,000 sq. ft permanent facility

**BTBCSF-Terrace Community Middle School
Management's Discussion and Analysis**

A comparative Analysis of Fiscal year 2006 to 2007 follows:

Net Assets	Government Assets	
	2006	2007
Current Assets	\$ 283,469	\$ 1,552,431
Non-current Assets	0	350,368
Capital Assets	200,290	5,163,154
Total Assets	483,759	7,065,953
Current Liabilities	33,350	264,743
Long term liabilities	0	6,251,716
Total Liabilities	33,350	6,516,459
 Net Assets		
Invested in Capital		
Assets net of debt	200,290	115,335
Capital leases	-	(112,133)
Unrestricted	250,119	546,292
Total Net assets	\$ 450,409	\$ 549,494

Analysis of Net Assets Restrictions

Currently, no portion of net assets are restricted that are not part of invested Capital assets, these balances may be used to meet the schools on going activities. The BTBCSF-TCMS continues to report positive balances in all areas of net assets.

**BTBCSF-Terrace Community Middle School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30,2007**

See appendix A

Changes in Net Assets

As previously stated and further demonstrated in this analysis, BTBCSF-TCMS has experienced a increase in net assets of 22% during fiscal year 2007. This change is the end result of an increase of 33.5% in revenues offset by a 29% increase in operational spending for the same period. The revenue increases came from State FTE sources, student/PRA sources and in unrestricted Grants and donations, the bulk of these increases was based on the increase student population at TCMS. The spending increases were generally in personnel costs and increased operational expenses of the school. Capital asset acquisition was significantly influenced by the previously described land acquisition and building construction. The change in net assets was positive albeit near break-even as planned. The foundation and school operation continue to seek cost reductions and revenue improvements.

This change in the fund balances indicates a slight growth period on our fund balance as a continuation of the expansion of the school and our move from within MOSI to our new facility. This is as planned and indicative efforts by the governing body of the school to improve the net assets of the operation. At this time there is no indication of any limitations to the viability of the school in the near future.

**BTBCSF-Terrace Community School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30,2007**

See appendix B

Variance Analysis to Budgets

The BTBCSF-TCS had an overall variance of non capital assets spending to revenues of \$23,943 favorable to the plan for FY 2007, this is compared to a variance of \$21,823 favorable for the FY 2006. Revenues for both years included:

<u>Revenue Source</u>	<u>Fav/(unfav) FY 2006 Var.</u>	<u>Fav/(unfav) FY 2007 Var.</u>
State FTE funds	\$ 11,431	\$ 65,588
SIT Funds	34,287	93,575
Grant/Donations	(146,130)	21,503
Student/PRA	63,006	10,938

Spending variances for the same periods included:

<u>Spending /Exp.</u>	<u>(Fav)/Unfav FY 2006 Var.</u>	<u>(Fav)/Unfav FY 2007 Var.</u>
Salaries/Fringe	\$ 54,256	\$ (66,337)
Professional Svc	9,810	(12,311)
Repairs/Maint.	1,412	(14)
Lease payments	0	0
Textbooks/supplies	18,011	(10,088)
Student Activities	(61,744)	(42,915)

There was no change between the original budget and the final budget as presented in all examples above. The causes for these variances are wide and cover numerous issues, mostly the increased population of students over original plan. All issues were made aware to management and were dealt with accordingly. Every effort was made to ensure that there was ample funding to cover any program or initiative.

Management sees no significant impact on immediate operations of the school as a result of these variances.

Significant Capital Assets

As presented in Auditors NOTE 5 dealing with Capital Fixed assets, the net value of the capital Fixed assets at BTBCSF-TCMS increased by \$4,962,864 net of depreciation expense of \$120,697. These additions included (at Gross):

Land	\$ 2,145,170
Building & Improvements	2,742,758
Furniture & Fixtures	6,897
Audio & Video	188,736
Computers and Software	-

Operating Leases & Lease purchase payable

As described in the auditors note # 3 & 6, the BTBCSF-TCMS has operating lease commitments as follows: Subsequent events should be noted in note #6.

2008	\$ 300,000
2009	300,000
2010	300,000
2011	300,000
Thereafter	1,800,000

These payments exclusive of any potential future FTE adjusts as provided by the MOSI-BTBCSF-TCMS lease agreement. Subsequent events related to the sub-lease to Hillsborough County School District eliminates these payments in favor of BTBCSF-TCMS for the duration of the sub lease. This sub lease runs for 5 years with a 5 year option to renewal commencing July, 2007.

The management of the BTBCSF-TCMS is aware of the risk associated with the effects of the risk associated with the sub lease arrangement as it relates to the level of SIT funding that will be available for operations and occupancy expenses for the school. Management is continuing with efforts to secure additional funding in the form of operational grants and endowment seed funds to help offset this risk in the future. While these plans have been fully developed, success in the current economic climate has been difficult, however we will continue on our quest for these funds.

Declaration of facts conditions since period end and audit report date:

Management is unaware of any significant issue, fact, or circumstance that has arisen since the close of the fiscal year and the date of this report, except as noted below or disclosed herein, that it feels will have a significant effect on the financial position or results of the operations after the reporting date.

BTBCSF-Terrace Community School
 Managements Discussion & Analysis
 Fiscal Year Ended June 30, 2007
 Appendix A

	Total Governmental Activities	
	2005-2006	2006-2007
	<u>Actual</u>	<u>Actual</u>
3001 · TOTAL REVENUE		
3100 · FOUNDATION INCOME		
3110 · GRANT-DONATION INCOME		
3111 · CORPORATE GRANTS/DONATIONS	2,774.00	1,485.52
3112 · PRIVATE FOUNDATION GRANTS	0.00	16,000.00
3113 · GENERAL PUBLIC DONATIONS	15,702.00	46,073.00
3119 · GRANTS-GOVERNMENTAL	395.00	3,444.21
3110 · GRANT-DONATION INCOME - Other	0.00	0.00
Total 3110 · GRANT-DONATION INCOME	<u>18,870.00</u>	<u>67,002.73</u>
3120 · INVESTMENT INCOME	1,079.00	730.29
3121 · INTEREST INCOME	4,541.00	17,985.76
Total 3120 · INVESTMENT INCOME	<u>5,621.00</u>	<u>18,716.05</u>
3130 · SCHOOL BOARD REVENUE=EFT		
3131 · STATE FUNDS-EFT	1,795,759.00	2,222,055.21
3132 · SIT FUNDS..CAPITAL OUTLAY	156,287.00	273,575.00
3139 · OTHER INCOME-EFT	37,112.00	41,932.89
Total 3130 · SCHOOL BOARD REVENUE=EFT	<u>1,959,158.00</u>	<u>2,537,563.10</u>
3140 · OTHER INCOME		
3141 · SCHOOL LUNCH INCOME	246.00	74,559.32
3142 · TRANSPORTATION REVENUE	0.00	11,764.80
3143 · STUDENT ACTIVITY/PROJECT INCOME		
31431 · FIELD TRIP RECEIPTS	67,592.00	72,630.55
31433 · YEARBOOK RECEIPTS	11,693.00	13,402.06
31435 · OTHER	2,724.00	9,407.84
31437 · Student Gov. Receipts	5,291.00	8,005.22
31438 · Forensics	0.00	0.00
31439 · 8th GRADE GRADUATION	3,9738.00	3,004.00
31450 · Book fees	4,792.00	14,567.48
31457 · After School Care Receipts	0.00	0.00
31459 · Other Fund raising	8,301.00	7,421.06
Total 3143 · STUDENT ACTIVITY/PROJECT INCOME	<u>112,006.00</u>	<u>128,438.21</u>
3144 · ATHLETIC DEPARTMENT		
31441 · ADMISSION RECEIPTS	0.00	0.00
31442 · STUDENT PAYMENTS-FEES	0.00	150.00
31443 · FUND RAISING	1,607.00	.00
31444 · OTHER-ATHLETIC	0.00	4,770.00
3144 · ATHLETIC DEPARTMENT - Other	0.00	0.00
Total 3144 · ATHLETIC DEPARTMENT	<u>1,607.00</u>	<u>4,920.00</u>
3145 · P.R.A. ACTIVITIES		
31451 · AUCTION RECEIPTS	49,830.00	94,220.00
31452 · TEAM TORNADO RECEIPTS	45,075.00	58,308.00
31453 · SCHOOL STORE	10,245.00	23,570.50
31454 · WED. PIZZA LUNCH RECEIPTS	57,025.00	0.00
31455 · PRA RECEIPTS OTHER	7,081.00	11,189.47
31456 · PRA T SHIRT SALES	6,120.00	1,494.00

BTBCSF-Terrace Community School
 Managements Discussion & Analysis
 Fiscal Year Ended June 30, 2007

Appendix A

3145 · P.R.A. ACTIVITIES - Other	0.00	977.95
Total 3145 · P.R.A. ACTIVITIES	175,377.00	189,759.92
3149 · OTHER	0.00	1,893.00
3140 · OTHER INCOME - Other	0.00	0.00
Total 3140 · OTHER INCOME	289,236.00	411,335.25
Total 3100 · FOUNDATION INCOME	2,272,885.00	3,034,617.13
Total 3001 · TOTAL REVENUE	2,272,885.00	3,034,617.13
4000 · TOTAL EXPENSES		
5100 · Basic instruction		
5100100 · Basic Instruction salaries		
5100101 · CLASSROOM TEACHER P/R	911,941.00	1,254,025.61
Total 5100100 · Basic Instruction salaries	911,941.00	1,254,025.61
5100200 · Basic Instruction Employee Ben.		
5100203 · FICA-ER EXP.	69,764.00	86,672.02
5100205 · WORKERS COMP INS. EXP		
5100206 · FLA SUI EXP.	3,906.00	3,172.31
5100207 · OTHER P/R RELATED EXP	111,407.00	137,169.14
Total 5100200 · Basic Instruction Employee Ben.	185,076.00	227,013.47
5100500 · Basic Instr-material & suppl		
5100510 · MATERIALS & SUPPLIES	0.00	111.00
5100520 · SUPPLIES-INSTRUCTIONAL	14,416.00	15,859.91
5100540 · TEXT BOOKS	10,439.00	37,289.21
5100550 · Instructional equipment	19,134.00	18,827.57
5100580 · STUDENT ACTIVITIES-PROGRAMS	5,541.00	13,898.83
5100581 · FIELD TRIP EXP.	69,939.00	92,115.54
5100582 · BANQUET EXPENSES	0.00	0.00
5100583 · YEARBOOK EXPENSES	12,062.00	11,785.21
5100585 · OTHER	8,689.00	14,975.94
5100586 · SGA EXPENSES	4,671.00	5,571.53
5100587 · Other clubs expense	2,928.00	4,202.91
5100588 · 8 th Grade Graduation	4,914.00	4,363.93
Total 5100500 · Basic Instr-material & suppl	152,733.00	219,001.58
Total 5100 · Basic instruction	1,248,752.00	1,700,040.66
5600 · Other Instructional		
5600100 · Other Instr-salaries		
5600101 · SUBSTITUTE TEACHER P/R	22,631.00	44,242.16
5600102 · AIDE P/R	0.00	2,000.00
5600103 · Stipends	20,603.00	33,750.00
Total 5600100 · Other Instr-salaries	43,234.00	79,992.16
5600200 · Other instr-employee ben		
5600203 · OI FICA ER	3,308.00	6,119.40
5600206 · OI Fla SUI	186.00	223.98
5600207 · OI other PR related	4,496.00	1,662.00
Total 5600200 · Other Instr-employee ben	7,990.00	8,005.38
Total 5600 · Other Instructional	51,224.00	87,997.54
6200 · Instructional Media Services		
6200500 · Instr. media Svc-materials		

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 Managements Discussion & Analysis
 Fiscal Year Ended June 30, 2007
 Appendix A

6200530 · PERIODICALS	0.00	0.00
6200590 · OTHER MATERIAL & SUPPLIES	0.00	0.00
Total 6200500 · Instr. media Svc-materials	0.00	0.00
Total 6200 · Instructional Media Services	0.00	0.00
7200 · General Administration		
7200300 · Gen Admin purchases svc		
7200310 · PROFESSIONAL & TECH. SERVICES	48,635.00	60,699.30
7200320 · GENERAL & PROPERTY INSURANCE EX	13,774.00	32,690.54
7200330 · TRAVEL EXP.	53.00	365.66
7200335 · ENTERTAINMENT EXP.	2,609.00	3,366.86
7200363 · EQUIPMENT-OFFICE RENTALS	18,209.00	17,793.10
7200371 · TELEPHONE EXPENSES	5,154.00	4,067.80
7200372 · INTERNET EXPENSES	2,566.00	3,363.74
7200380 · Advertising exp	5468.00	801.35
7200390 · OFFICE EXPENSES	19,644.00	28,662.19
7200395 · CITY UTILITIES	0.00	0.00
Total 7200300 · Gen Admin purchases svc	111,190.00	151,810.54.00
7200400 · Gen Admin Energy svc		
7200430 · ELECTRICITY EXP.	0.00	0.00
7200431 · Gas bill	0.00	0.00
Total 7200400 · Gen Admin Energy svc	0.00	0.00
7200700 · Gen Admin other exp		
7200701 · OTHER EXPENSES	1,672.00	1,240.93
7200703 · INTEREST EXP.	0.00	47,639.52
7200704 · FUND RAISING EXP	1,200.00	0.00
7200705 · Challenge Fund Spending	0.00	0.00
7200751 · P.R.A. SPENDING	11,185.00	9,855.83
7200752 · PRA AUCTION EXPENSES	6,751.00	29,562.28
7200753 · PRA TEAM TORNADO EXPENSES	1,662.00	442.94
7200754 · PRA SCHOOL STORE EXPENSES	4,967.00	2,187.93
7200755 · PRA PIZZA LUNCH EXP	38,982.00	0.00
7200756 · PRA OTHER EXPENSES	561.00	3,763.00
7200760 · BOARD EXPENSES	1,542.00	2,762.61
7200780 · ATHLETIC DEPT. SPENDING	226.00	607.95
7200781 · ATHLETIC FACILITY RENTALS	0.00	0.00
7200782 · REFEREE FEES	0.00	1,324.00
7200783 · ATHLETIC UNIFORM EXPENSES	0.00	0.00
7200784 · ATHLETIC EQUIPMENT-SUPPLIES	1,238.00	0.00
7200785 · ATHLETIC REGISTRATION FEES	0.00	0.00
7200786 · ATHLETIC EXPENSES-OTHER	0.00	0.00
7200790 · MISC. OTHER EXP.	1,990.00	1,224.00
7277702 · MOSI MOVING EXPENSES	0.00	-8,580.34
Total 7200700 · Gen Admin other exp	72,010.00	95,817.20
Total 7200 · General Administration	187,200.00	247,627.74
7300 · School Admin		
7300100 · School Admin Salaries		
7300101 · ADMINISTRATION P/R	289,402.00	350,825.99
7300102 · CLERICAL P/R	0.00	0.00
7300103 · OVERTIME-NON EXEMPT	1,177.00	3,218.46

BTBCSF-Terrace Community School
 Managements Discussion & Analysis
 Fiscal Year Ended June 30, 2007

Appendix A

Total 7300100 · School Admin Salaries	290,579.00	354,044.45
7300200 · School Admin Empl Benefits		
7300203 · School Admin FICA ER	21,870.00	26,006.82
7300206 · School Admin Fla Sui	1,249.00	951.88
7300207 · School Admin other PR related	21,658.00	5,793.00
Total 7300200 · School Admin Empl Benefits	44,777.00	32,751.70
Total 7300 · School Admin	335,356.00	386,796.15
7600 · Food Service		
7600500 · Food svc Material supplis		
7600570 · FOOD-LUNCH PROGRAMS	429.00	67,280.04
Total 7600500 · Food svc Material supplis	429.00	67,280.04
Total 7600 · Food Service	429.00	67,280.04
7800 · Student Transportation		
7800500 · Student transp. materials/supp		
7800502 · TRANSPORTATION EXP	19,490.00	0.00
7800595 · Bus related exp.	0.00	0.00
Total 7800500 · Student transp. materials/supp	19,490.00	0.00
Total 7800 · Student Transportation	19,490.00	0.00
7900 · Plant ops		
7900300 · Plant ops purchased svc		
7900355 · SUPPLIES-CUSTODIAL, OTHER	3,130.00	4,745.43
7900360 · RENTALS-LEASES	130.00	0.00
7900361 · BUILDING	321,722.00	319,942.78
Total 7900300 · Plant ops purchased svc	324,982.00	324,688.21
Total 7900 · Plant ops	324,982.00	324,688.21
8100 · Maintenance of Plant		
8100300 · Maintenance of Plant Services		
8100340 · REPAIRS MAINT. OFFICE	0.00	0.00
8100350 · REPAIRS & MAINTENANCE-FACILITY	588.00	.00
Total 8100300 · Maintenance of Plant Services	588.00	460.00
Total 8100 · Maintenance of Plant	588.00	460.00
9100 · Community Svc		
9100100 · Community Svc salaries		
9100101 · SUMMER/AFTER SCHOOL PROGRAM	60.00	0.00
Total 9100100 · Community Svc salaries	60.00	0.00
Total 9100 · Community Svc	60.00	0.00
7400 Purchase of land	0.00	0.00
7400663 Building & Fixed Asset Const	10,0000.00	387.75
	0.00	0.00
Total 7400000 ·	10,000.00	387.75
Total Governmental Activities	2,174,680.00	2,814,835.16
Depreciation	88,529.00	120,697.00
CAPITAL SPENDING	6,075.00	
NOTE PAYABLE PAYMENTS	.00	
Total Expenditures	2,269,284.00	2,935,532.16
Excess Revenues over Expenditures	3,601.00	99,085.89

BTBCSF-Terrace Community Middle School
 Managements Discussion Analysis
 Fiscal Year Ended June 30,2007
 Appendix B

	2006 Governmental Activities			2007 Governmental Activities		
	Actual	Budget	Variance	Actual	Budget	Variance
3001 · TOTAL REVENUE						
3100 · FOUNDATION INCOME						
3110 · GRANT-DONATION INCOME						
3111 · CORPORATE GRANTS/DONATIONS	2,774	5,000	(2,226)	1,485.52	-	1,486
3112 · PRIVATE FOUNDATION GRANTS	-	125,000	(125,000)	16,000.00	40,000	(24,000)
3113 · GENERAL PUBLIC DONATIONS	15,702	35,000	(19,298)	46,073.00	5,000	41,073
3119 · GRANTS-GOVERNMENTAL	-	-	-	3,444	500	2,944
3110 · GRANT-DONATION INCOME - Other	395	-	395	-	-	-
Total 3110 · GRANT-DONATION INCOME	18,870	165,000	(146,130)	67,003	45,500	21,503
3120 · INVESTMENT INCOME						
3121 · INTEREST INCOME	5,621	-	5,621	18,716	7,500	11,216
Total 3120 · INVESTMENT INCOME	5,621	-	5,621	18,716	7,500	11,216
3130 · SCHOOL BOARD REVENUE=EFT						
3131 · STATE FUNDS-EFT	1,765,759	1,791,440	(25,681)	2,222,055.21	2,149,400	72,655
3132 · SIT FUNDS..CAPITAL OUTLAY	156,287	122,000	34,287	273,575.00	180,000	93,575
3139 · OTHER INCOME-EFT	37,112	-	37,112	41,932.89	49,000	(7,067)
Total 3130 · SCHOOL BOARD REVENUE=EFT	1,959,158	1,913,440	45,718	2,537,563	2,378,400	159,163
3140 · OTHER INCOME						
3141 · SCHOOL LUNCH INCOME	249	-	249	74,559.32	74,880	(321)
3142 · TRANSPORTATION REVENUE	-	9,000	(9,000)	11,764.80	-	11,765
3143 · STUDENT ACTIVITY/PROJECT INCOME						
31431 · FIELD TRIP RECEIPTS	67,592	25,000	42,592	72,630.55	75,000	(2,369)
31433 · YEARBOOK RECEIPTS	11,693	10,000	1,693	13,402.06	11,000	2,402
31435 · OTHER	10,363	5,000	5,363	9,407.84	5,000	4,408
31437 · Student Gov. Receipts	5,291	2,000	3,291	8,005.22	5,000	3,005
31438 · Forensics	-	-	-	3,004.00	-	3,004
31439 · 8th GRADE GRADUATION	3,973	-	3,973	14,567.48	7,000	7,567
31450 · Book fees	4,792	7,000	(2,208)	7,000	7,000	(7,000)
31457 · After School Care Recelpts	-	-	-	-	-	-
31459 · Music fundraiser	8,301	-	8,301	7,421	7,500	(79)
Total 3143 · STUDENT ACTIVITY/PROJECT INCO	112,006	49,000	63,006	128,438	117,500	10,938
3144 · ATHLETIC DEPARTMENT						
31441 · ADMISSION RECEIPTS	-	-	-	-	-	-
31442 · STUDENT PAYMENTS-FEE	20	-	20	150	2,000	(1,850)
31443 · FUND RAISING	1,427	-	1,427	4,770	5,000	(230)
31444 · OTHER-ATHLETIC	160	-	160	-	-	-
3144 · ATHLETIC DEPARTMENT -	-	-	-	-	-	-
Total 3144 · ATHLETIC DEPARTMENT	1,607	-	1,607	4,920	7,000	(2,080)
3145 · P.R.A. ACTIVITIES						
31451 · AUCTION RECEIPTS	49,830	40,000	9,830	94,220.00	55,000	39,220
31452 · TEAM TORNADO RECEIPT	45,075	20,000	25,075	58,308.00	50,000	8,308
31453 · SCHOOL STORE	10,245	5,000	5,245	23,570.50	12,000	11,571
31454 · WED. PIZZA LUNCH REC	57,026	32,000	25,026	-	-	-
31455 · PRA RECEIPTS OTHER	7,081	4,500	2,581	11,189.47	7,000	4,189
31456 · PRA T SHIRT SALES	6,120	11,000	(4,880)	1,494.00	7,500	(6,006)
3145 · P.R.A. ACTIVITIES - Other	-	1,000	(1,000)	977.95	-	978
Total 3145 · P.R.A. ACTIVITIES	175,377	113,500	61,877	189,760	131,500	58,260
3149 · OTHER	-	-	-	1,893	-	1,893
3140 · OTHER INCOME - Other	-	-	-	-	-	-
Total 3140 · OTHER INCOME	289,238	171,500	117,738	411,335	330,880	80,455
Total 3100 · FOUNDATION INCOME	2,272,887	2,249,940	22,947	3,034,617	2,762,280	272,337
Total 3001 · TOTAL REVENUE	2,272,887	2,249,940	22,947	3,034,617	2,762,280	272,337

BTBCSF-Terrace Community Middle School
 Managements Discussion Analysis
 Fiscal Year Ended June 30,2007

Appendix B

2,272,887	2,249,940	22,947	3,034,617	2,762,280	272,337
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4000 · TOTAL EXPENSES

5100 · Basic Instruction

5100100 · Basic Instruction salaries

5100101 · CLASSROOM TEACHER P/R	911,943	874,991	(36,952)	1,254,025.61	1,075,795	(178,231)
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Total 5100100 · Basic Instruction salaries	911,943	874,991	(36,952)	1,254,026	1,075,795	(178,231)
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5100200 · Basic Instruction Employee Ben.

5100203 · FICA-ER EXP.	69,764	66,937	(2,827)	86,672.02	82,298	(4,374)
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5100205 · WORKERS COMP INS. EXP			-			-
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5100206 · FLA SUI EXP.	3,906	12,250	8,344	3,172.31		(3,172)
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5100207 · OTHER P/R RELATED EXP	111,407	139,561	28,154	137,169.14	240,440	103,271
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Total 5100200 · Basic Instruction Employee Ben.	185,076	218,748	33,672	227,013	322,738	95,725
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5100500 · Basic Instr-material & suppl

5100510 · MATERIALS & SUPPLIES		12,000	12,000	111.00	5,000	4,889
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5100520 · SUPPLIES-INSTRUCTIONAL	14,416	20,000	5,584	15,859.91	15,000	(860)
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5100540 · TEXT BOOKS	17,274	25,000	7,726	37,289.21	37,000	(289)
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5100550 · Instructional equipment	12,299	5,000	(7,299)	18,827.57	5,000	(13,828)
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5100580 · STUDENT ACTIVITIES-PROGRAMS	5,541	5,000	(541)	13,898.83	5,000	(8,899)
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5100581 · FIELD TRIP EXP.	69,939	27,000	(42,939)	92,115.54	75,000	(17,116)
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5100582 · BANQUET EXPENSES			-			-
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5100583 · YEARBOOK EXPENSES	12,062	10,000	(2,062)	11,785.21	11,000	(785)
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5100585 · OTHER	8,689	3,000	(5,689)	14,976	10,000	(4,976)
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5100586 · SGA EXPENSES	4,671	2,000	(2,671)	5,571.53	2,000	(3,572)
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5100587 · Forensics expense	2,928		(2,928)	4,363.93	1,000	(3,364)
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5100588 · 8th Grade Graduation	4,914		(4,914)	4,202.91		(4,203)
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Total 5100500 · Basic Instr-material & suppl	152,733	109,000	(43,733)	219,002	166,000	(53,002)
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Total 5100 · Basic instruction	1,249,752	1,202,739	(47,013)	1,700,041	1,564,533	(135,508)
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5600 · Other Instructional

5600100 · Other Instr-salaries

5600101 · SUBSTITUTE TEACHER P/R	22,631	25,000	2,369	44,242.16	20,000	(24,242)
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5600102 · AIDE P/R			-	2,000.00		(2,000)
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5600103 · Stipends	20,602		(20,602)	33,750.00	35,200	1,450
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Total 5600100 · Other Instr-salaries	43,234	25,000	(18,234)	79,992	55,200	(24,792)
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5600200 · Other instr-employee ben

5600203 · OI FICA ER	3,308	1,913	(1,395)	6,119.40	4,223	(1,896)
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5600206 · OI Fla SUI	186	325	139	223.98	718	494
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5600207 · OI other PR related	4,496	9,500	5,004	1,662.00	8,860	7,198
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Total 5600200 · Other instr-employee ben	7,990	11,738	3,748	8,005	13,801	5,796
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Total 5600 · Other Instructional	51,223	36,738	(14,485)	87,998	69,001	(18,997)
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6200 · Instructional Media Services

6200500 · Instr. media Svc-materials

6200530 · PERIODICALS			-		100	100
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6200590 · OTHER MATERIAL & SUPPLIES			-			-
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Total 6200500 · Instr. media Svc-materials			-		100	100
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Total 6200 · Instructional Media Services			-		100	100
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7200 · General Administration

7200300 · Gen Admin purchases svc

7200310 · PROFESSIONAL & TECH. SERVICES	48,635	50,000	1,365	60,699.30	60,000	(699)
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7200320 · GENERAL & PROPERTY INSURANCE EX	13,774	15,000	1,226	32,690.54	20,000	(12,691)
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7200330 · TRAVEL EXP.	53		(53)	365.66		(366)
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7200335 · ENTERTAINMENT EXP.	2,609		(2,609)	3,366.86	1,500	(1,867)
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7200363 · EQUIPMENT-OFFICE RENTALS	18,209	17,000	(1,209)	17,793.10	18,000	207
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7200371 · TELEPHONE EXPENSES	5,154	5,000	(154)	4,067.80	5,000	932
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7200372 · INTERNET EXPENSES	2,566	8,000	5,434	3,363.74	5,000	1,636
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BTBCSF-Terrace Community Middle School
 Managment Discussion Analysis
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7200380 · Adverting exp	546	3,000	2,454	801.35	3,000	2,199
7200390 · OFFICE EXPENSES	19,644	23,000	3,356	28,662.19	27,000	(1,662)
7200395 · CITY UTILITIES	-	-	-	-	-	-
Total 7200300 · Gen Admin purchases svc	111,190	121,000	9,810	151,811	139,500	(12,311)
7200400 · Gen Admin Energy svc						
7200430 · ELECTRICITY EXP.			-		27,000	27,000
7200431 · Gas bill	-	-	-	-	-	-
Total 7200400 · Gen Admin Energy svc	-	-	-	-	27,000	27,000
7200700 · Gen Admin other exp						
7200701 · OTHER EXPENSES	1,672	-	(1,672)	1,240.93	-	(1,241)
7200703 · INTEREST EXP.	-	2,500	2,500	47,639.52	1,000	(46,640)
7200704 · FUND RAISING EXP	1,200	15,500	14,300		2,500	2,500
7200705 · Challenge Fund Spending		-	-		-	-
7200751 · P.R.A. SPENDING	11,185	3,000	(8,185)	9,856	8,000	(1,856)
7200752 · PRA AUCTION EXPENSES	6,751	5,000	(1,751)	29,562	20,000	(9,562)
7200753 · PRA TEAM TORNADO EXPENSES	1,662	1,000	(662)	443	-	(443)
7200754 · PRA SCHOOL STORE EXPENSES	4,967	2,000	(2,967)	-	-	-
7200755 · PRA PIZZA LUNCH EXP	38,982	31,500	(7,482)	2,188	30,000	27,812
7200756 · PRA OTHER EXPENSES	561	5,000	4,439	3,763	-	(3,763)
7200760 · BOARD EXPENSES	1,542	500	(1,042)	2,763	1,500	(1,263)
7200780 · ATHLETIC DEPT. SPENDING	226		(226)	608	5,000	4,392
7200781 · ATHLETIC FACILITY RENTALS			-		-	-
7200782 · REFEREE FEES			-	1,324	2,000	676
7200783 · ATHLETIC UNIFORM EXPENSES			-		-	-
7200784 · ATHLETIC EQUIPMENT-SUPPLIES	1,238		(1,238)	1,224	1,000	(224)
7200785 · ATHLETIC REGISTRATION FEES			-		-	-
7200786 · ATHLETIC EXPENSES-OTHER	35		(35)		-	-
7200790 · MISC. OTHER EXP.	1,990	3,000	1,010	3,787	5,042	1,255
7277702 · MOSI MOVING EXPENSES		-	-	(8,580)	-	8,580
Total 7200700 · Gen Admin other exp	72,010	69,000	(3,010)	95,817	76,042	(28,356)
Total 7200 · General Administration	183,201	190,000	6,799	247,628	242,542	(13,666)
7300 · School Admin						
7300100 · School Admin Salaries						
7300101 · ADMINISTRATION P/R	289,402	190,107	(99,295)	350,826	341,710	(9,116)
7300102 · CLERICAL P/R		135,761	135,761	-	-	-
7300103 · OVERTIME-NON EXEMPT	1,177	-	(1,177)	3,218	-	(3,218)
Total 7300100 · School Admin Salaries	290,579	325,868	35,289	354,044	341,710	(12,334)
7300200 · School Admin Empl Benefits						
7300203 · School Admin FICA ER	21,870	24,929	3,059	26,007	24,558	(1,449)
7300206 · School Admin Fla Sul	1,249	4,562	3,313	952	4,494	3,542
7300207 · School Admin other PR related	21,658	51,976	30,318	5,793	51,200	45,407
Total 7300200 · School Admin Empl Benefits	44,777	81,467	36,690	32,752	80,252	47,500
Total 7300 · School Admin	335,356	407,335	71,979	386,796	421,962	35,166
7600 · Food Service						
7600500 · Food svc Material supplies						
7600570 · FOOD-LUNCH PROGRAMS	427	8,500	8,073	67,280	-	(67,280)
Total 7600500 · Food svc Material supplies	427	8,500	8,073	67,280	-	(67,280)
Total 7600 · Food Service	427	8,500	8,073	67,280	-	(67,280)
7800 · Student Transportation						
7800500 · Student transp. materials/supp						
7800502 · TRANSPORTATION EXP	19,090	14,000	(5,090)	-	-	-
7800595 · Bus related exp.			-			
Total 7800500 · Student transp. materials/supp	19,090	14,000	(5,090)	-	-	-
Total 7800 · Student Transportation	19,090	14,000	(5,090)	-	-	-
7900 · Plant ops						

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 Managements Discussion Analysis
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7900300 · Plant ops purchased svc						
7900355 · SUPPLIES-CUSTODIAL, OTHER	3,130	1,500	(1,630)	4,745	5,000	255
7900360 · RENTALS-LEASES	133	2,000	1,867	-	-	-
7900361 · BUILDING	<u>321,722</u>	<u>323,350</u>	<u>1,628</u>	<u>319,943</u>	<u>325,000</u>	<u>5,057</u>
Total 7900300 · Plant ops purchased svc	<u>324,985</u>	<u>326,850</u>	<u>1,865</u>	<u>324,688</u>	<u>330,000</u>	<u>5,312</u>
Total 7900 · Plant ops	<u>324,985</u>	<u>326,850</u>	<u>1,865</u>	<u>324,688</u>	<u>330,000</u>	<u>5,312</u>
8100 · Maintenance of Plant						
8100300 · Maintenance of Plant Services						
8100340 · REPAIRS MAINT. OFFICE	588	2,000	1,412	14	-	(14)
8100350 · REPAIRS & MAINTENANCE-FACILITY			-			-
Total 8100300 · Maintenance of Plant Services	<u>588</u>	<u>2,000</u>	<u>1,412</u>	<u>14</u>	<u>-</u>	<u>(14)</u>
Total 8100 · Maintenance of Plant	<u>588</u>	<u>2,000</u>	<u>1,412</u>	<u>14</u>	<u>-</u>	<u>(14)</u>
9100 · Community Svc						
9100100 · Community Svc salaries						
9100101 · SUMMER/AFTER SCHOOL PROGRAM	60	-	(60)	-	-	-
Total 9100100 · Community Svc salaries	<u>60</u>	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>
7400-Facility Acquisition						
7400663 Building & FA constr	10,000	-	(10,000)	391	-	(391)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total 7400	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>391</u>	<u>-</u>	<u>(391)</u>
Total 7400	<u>10,000</u>	<u>-</u>	<u>(10,060)</u>	<u>391</u>	<u>-</u>	<u>(391)</u>
Total Governmental Activities	<u>2,174,682</u>	<u>2,188,162</u>	<u>13,480</u>	<u>2,814,835</u>	<u>2,628,138</u>	<u>(195,277)</u>
Depn Exp.	88,529	80,000	(8,529)	120,697	59,000	(61,697)
CAPITAL SPENDING	6,075	-	(6,075)	-	-	-
NOPE PAYABLE			-			-
Total Expenditures	<u>2,269,286</u>	<u>2,268,162</u>	<u>(1,124)</u>	<u>2,935,532</u>	<u>2,687,138</u>	<u>(256,974)</u>
Excess Revenues over Expenditures	<u>3,601</u>	<u>(18,222)</u>	<u>21,823</u>	<u>99,085</u>	<u>75,142</u>	<u>23,943</u>

ROWLSON & COMPANY, P.A.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Back to Basics Charter School Foundation, Inc.
D/B/A Terrace Community School
Temple Terrace, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School, a component unit of the Hillsborough County District School Board as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 respective financial position of the governmental activities and each major fund of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles accepted in the United States of America.

The management discussion & analysis and budgeting comparison information on pages 1 through 14 and pages 34 - 38 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report, dated September 15, 2007, on our consideration of the Terrace Community School internal control and our tests of its compliance with laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading *Independent Auditor's Report on Compliance and Internal Control Based on An Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards.*

In accordance with Section 11.45(3)(a)2, Florida Statutes, and Section 10.856(2), Rules of the Auditor General, we have also issued a statement of the auditor's comments and recommendations addressed to Terrace Community School's Board of Directors, dated September 15, 2007, under the heading *Independent Auditor's Management Letter.*

Respectfully submitted,

Rowlfson & Company, PA

Certified Public Accountants
September 15, 2007

**TERRACE COMMUNITY SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$1,552,431
Capital Assets:	
Land	2,145,170
Buildings & improvements	2,749,232
Furnitures & fixtures	103,714
Computer, visual and audio equipment	605,282
Accumulated depreciation	(440,244)
Bond issuance costs, net	350,368
TOTAL ASSETS	7,065,953
 LIABILITIES	
Payroll taxes & benefits payable	149,939
Other accruals	39,387
Lease payable	112,133
Bonds payable:	
Current portion of bonds payable	75,417
Long-term portion of bonds payable	6,139,583
TOTAL LIABILITIES	6,516,459
 NET ASSETS	
Invested in capital assets, net of related debt	115,335
Capital lease payable	(112,133)
Unrestricted	546,292
TOTAL NET ASSETS	\$549,494

See Accompanying Notes and Accountants' Report

**TERRACE COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	EXPENSES	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES		TOTAL GOVERNMENTAL ACTIVITIES
Instructional & administrative activities:		
Salaries	\$1,688,062	(\$1,688,062)
Repairs & maintence	325,539	(325,539)
Employee benefits	267,770	(267,770)
Student activities programs	141,477	(141,477)
Depreciation unallocated	120,697	(120,697)
Transportation	92,116	(92,116)
Textbooks & supplies	83,873	(83,873)
Professional & technical services	60,699	(60,699)
Insurance	32,691	(32,691)
Office expense	28,662	(28,662)
Interest on long-term debt	39,059	(39,059)
Other expenses	25,928	(25,928)
Lease payments	17,793	(17,793)
Communications & utilities	7,432	(7,432)
Travel	3,734	(3,734)
TOTALS	\$2,935,532	(2,935,532)
	GENERAL REVENUES:	
	State funds-EFT	2,263,988
	SIT funds	273,575
	Unrestricted donations & grants	67,003
	Student activities & P.R.A. receipts	318,198
	Other income	111,853
	Total General Revenues	3,034,617
	Change In Net Assets	99,085
	NET ASSETS-BEGINNING	450,409
	NET ASSETS-ENDING	\$549,494

See Accompanying Notes and Accountants' Report

**TERRACE COMMUNITY SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$696,231	\$856,200	\$0	\$1,552,431
TOTAL ASSETS	696,231	856,200	0	1,552,431
LIABILITIES & FUND BALANCES				
LIABILITIES				
Payroll taxes & benefits payable	149,939			149,939
TOTAL LIABILITIES	149,939	0	0	149,939
FUND BALANCES				
Unreserved	546,292			546,292
Reserved for retirement of long-term debt		856,200		856,200
TOTAL FUND BALANCES	546,292	856,200	0	1,402,492
TOTAL LIABILITIES & FUND BALANCES	\$696,231	\$856,200	\$0	\$1,552,431

See Accompanying Notes and Accountants' Report

**TERRACE COMMUNITY SCHOOL
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007**

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

TOTAL FUND BALANCES-GOVERNMENTAL FUNDS	\$1,402,492
Bond issuance costs, net	350,368
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The costs of the assets are \$5,603,398 and the accumulated depreciation is \$440,244.	5,163,154
Long-term liabilities, including bonds payable, are not due and payable in current period and therefore not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	\$6,215,000
Accrued interest on bonds	39,387
Capital lease payable	112,133
	(6,366,520)
TOTAL NET ASSETS-GOVERNMENTAL ACTIVITIES	\$549,494

See Accompanying Notes and Accountants' Report

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

	General Fund	Debt Service Fund	Capital Fund	Total Governmental Funds
Revenues:				
Other financing sources				
Bond proceeds			\$6,215,000	\$6,215,000
Mortgage proceeds			4,593,000	4,593,000
Total other financing sources	\$0	\$0	10,808,000	10,808,000
Grants & donations				
Corporate grants & donations	\$1,486			\$1,486
Private foundation grants	16,000			16,000
General public donations	46,073			46,073
Grants - governmental	3,444			3,444
Total grants & donations	67,003		0	67,003
Investment income				
Interest income	14,514	3,472		17,986
Other investment income	730			730
Total Investment income	15,244	3,472	0	18,716
School board - EFT				
State funds - EFT	2,222,055			2,222,055
SIT funds - capital outlay			273,575	273,575
Other income - EFT	41,933			41,933
Total school board - EFT	2,263,988		273,575	2,537,563
Other income				
School lunch income	74,559			74,559
Transportation revenue	11,765			11,765
Student activity & project income:				
Field trip receipts	72,631			72,631
Yearbook receipts	13,402			13,402
Other	4,343			4,343
Student government receipts	8,005			8,005
8th grade graduation	3,004			3,004
Book fees	14,567			14,567
Lab fees	5,065			5,065
Drama receipts	6,631			6,631
I.D. badge proceeds	790			790
Jr. K Club receipts				
Other				
Athletic department	4,920			4,920
P.R.A. activities:				
Auction receipts	94,220			94,220
Team Tornado receipts	58,308			58,308
School store	23,571			23,571
Wednesday pizza lunch receipts				
Receipts other	12,167			12,167
T-shirt sales	1,494			1,494
Other	1,893			1,893
Total other income	411,335		0	411,335
Total Revenues	\$2,757,570	\$3,472	\$11,081,575	\$13,842,617

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

	General Fund	Debt Service Fund	Capital Fund	Total Governmental Funds
Expenditures:				
Other financing uses				
Bond costs			\$351,316	\$351,316
Repayment of mortgage			4,593,000	4,593,000
Interest expense			136,922	136,922
Purchase of land and building			4,887,928	4,887,928
Other financing uses			195,633	195,633
Total other financing uses	\$0	\$0	10,164,799	10,164,799
Basic instruction				
Classroom teacher payroll	1,272,099			1,272,099
Federal payroll taxes	86,672			86,672
State payroll taxes	3,172			3,172
Other payroll expenses	137,169			137,169
Supplies - instructional	15,971			15,971
Lab expenses				
Textbooks	37,289			37,289
Books-consumables	18,828			18,828
Instructional equipment				
Student activities - programs	13,899			13,899
Field trip expenses	92,116			92,116
Yearbook expenses	11,785			11,785
Other	14,976			14,976
SGA expenses	5,572			5,572
8th grade graduation	4,364			4,364
Drama expenses	4,201			4,201
Jr. K. Club Expenses				
Total basic instruction expense	1,718,113	0	0	1,718,113
Other instructional				
Substitute teacher payroll	44,242			44,242
Stipends	33,750			33,750
Federal payroll taxes	6,119			6,119
State payroll taxes	224			224
Other payroll related expenses	3,664			3,664
Total other instructional expense	87,999	0	0	87,999
School administration				
Administration payroll	350,826			350,826
Overtime - non-exempt	3,218			3,218
Federal payroll taxes	26,007			26,007
State payroll taxes	952			952
Other payroll related expenses	5,793			5,793
Total school administration expense	386,796	0	0	386,796
Food service				
Food - lunch programs	67,280			67,280
Total food service expense	\$67,280	\$0	\$0	\$67,280

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Fund</u>	<u>Total Governmental Funds</u>
General administration				
Professional & technical services	\$60,699			\$60,699
General & property insurance expense	32,691			32,691
Travel & entertainment expense	3,733			3,733
Equipment - office rentals	17,793			17,793
Telephone & internet expense	7,432			7,432
Office expense	28,662			28,662
Advertising expense	801			801
Interest expense	8,579			8,579
P.R.A. expense	45,812			45,812
Board expense	2,763			2,763
Athletic expense	3,156			3,156
Capital outlay				
Miscellaneous & other expense	15,159			15,159
Total general administration expense	<u>227,280</u>	<u>\$0</u>	<u>\$0</u>	<u>227,280</u>
Facility acquisition costs				
Facility acquisition costs	32,772			32,772
Total facility acquisition costs	<u>32,772</u>	<u>0</u>	<u>0</u>	<u>32,772</u>
Plant operations				
Supplies - custodial	4,745			4,745
Alarm system - security				
Building				
Total plant operations expense	<u>4,745</u>	<u>0</u>	<u>0</u>	<u>4,745</u>
Maintenance of plant				
Repairs & maintenance - facility	460			460
Total maintenance of plant expense	<u>460</u>	<u>0</u>	<u>0</u>	<u>460</u>
Community service				
Summer & after school program				
Total community service expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>2,525,445</u>	<u>0</u>	<u>10,164,799</u>	<u>12,690,244</u>
Excess of Revenues Over Expenditures	<u>232,125</u>	<u>3,472</u>	<u>916,776</u>	<u>1,152,373</u>
Other financing uses				
Interfund transfers	201,200	852,728	(1,053,928)	
Total other financing uses	<u>201,200</u>	<u>852,728</u>	<u>(1,053,928)</u>	<u>0</u>
Net Changes In Fund Balances	<u>433,325</u>	<u>856,200</u>	<u>(137,152)</u>	<u>1,152,373</u>
Fund Balances, July 1, 2006	<u>112,967</u>	<u>0</u>	<u>137,152</u>	<u>250,119</u>
Fund Balances, June 30, 2007	<u>\$546,292</u>	<u>\$856,200</u>	<u>\$0</u>	<u>\$1,402,492</u>

Page 3 of 3

**TERRACE COMMUNITY SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

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

NET CHANGES IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$1,152,373
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays \$5,083,561 exceeds depreciation expense (\$120,697) for the year ended.	4,962,864
Proceeds from borrowings is reported as revenue in the government funds and increase long-term liabilities in the statement of net assets.	(5,863,684)
In the statement of activities certain operating expenses are deducted where as they are not deducted in the governmental funds.	(258,910)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires use of a current financial resource. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the governmental funds is the net result of the two factors.	106,442
CHANGE IN NET ASSETS-GOVERNMENTAL ACTIVITIES	<u> \$99,085</u>

See Accompanying Notes and Accountants' Report

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - REPORTING ENTITY

Back To Basics Charter School Foundation, Inc. D/B/A Terrace Community School (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 not-for-profit corporation's Board of Directors.

Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School is exempt from income taxes under provision 501(c)(3) of the Internal Revenue 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 Hillsborough County District School Board. The current charter is effective until June 30, 2011 by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in 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 immediately if good cause is shown or if the health, safety, or welfare of the students is threatened. In such event, the Hillsborough County District School board shall assume operation of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School. Due to the above relationship, the School is deemed to be a component unit of the Hillsborough County District School Board.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - Continued

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Certain of the significant changes in the Statement include the following:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements relating to activities of the School.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements) as of June 30, 2007.

FUND ACCOUNTING

The School's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific school functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

GOVERNMENTAL FUND TYPES

The General Fund- 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 and Federal grants (other than expendable trusts or for specific capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - Continued

BASIS OF PRESENTATION

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School as a whole. The government-wide statements are prepared using the economic measurement fund. These statements differ in the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanation to better identify the relationship between the government-wide statement and the statement for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each identifiable activity or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the School.

Fund Financial Statements

Fund financial statements report detailed information about the School. Their focus is on major funds rather than reporting funds by type. Each major governmental aid fund is presented in a separate column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., expenditures and other financing uses) in net current assets.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - Continued

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using the modified accrual basis for governmental funds.

Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow.

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. The principle exceptions to this rule are: (1) prepaid items are generally not accrued; (2) interest on long-term debt is recognized when due; and (3) expenditures related to liabilities reported as general long-term debt are recognized when due.

BUDGETS AND BUDGETARY 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 and benefits, purchased services, materials and supplies, capital outlay).

CASH AND CASH EQUIVALENTS

The school's cash consists of demand deposits with commercial financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - Continued

CAPITAL ASSETS & DEPRECIATION

All capital assets are capitalized at cost and updated for addition and retention during the year. Donated fixed assets are recorded at their fair market values as of the date received. Capital assets are depreciated over ten to fifty years using the straight-line method. Depreciation expense for this year was not allocated to any activity. Due to its location in Florida the School has been unable to obtain wind-storm insurance at commercially reasonable rates. Therefore, the School is self-insured for wind-storm insurance.

REVENUE SOURCES

Revenues for current operations are received primarily from the Hillsborough 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 provisions of Section 236.081, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The basic amount of funding through the FEFP under Section 236.081 is the product of the (1) weighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(c)(2). For the year 2006-2007 school year the school reported 351.56 un-weighted FTE. Weighted funding represents approximately 6.30% of the total funding.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - Continued

The following is a break-down of the funding for the fiscal year after the 5% district administrative fee:

FEFP Funding:	
Basic Funding	\$ 1,529,686
ESE Funding	124,954
Class size reduction funds	278,613
Other	<u>288,802</u>
Total FEFP funding	2,222,055
Other Funding	<u>41,933</u>
Total	<u>\$ 2,263,988</u>

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Sections 229.565(2) & (3), Florida Statutes, and Rule 6A-1.0453, Florida. In this regard, the school is required to maintain the following documentation for three years or until the completion of an FTE audit:

- *Attendance and membership documentation (Rule 6A-1.044, FAC)
- *Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- *Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- *Evaluation and planning documents for weighted programs (Section 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC)

The School also receives funding from the Public Education Capital Outlay funds pursuant to Section 228.056(1) of the Florida Statutes. These outlays were used for purpose of the operating lease disclosed in Note 3.

Finally, the School received donations from various corporations. These donations were used specifically for computer and technology enhancements for the school.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - OPERATING LEASE

On August 24, 2000 the School entered into an agreement with the Museum of Science and Industry Foundation, Inc. (MOSI) to lease space in their facility located at 4801 East Fowler Avenue, Tampa, Florida. The terms of the lease are as follows:

- (1) The School will pay \$25,000 per month beginning July 1, 2001 and ending June 30, 2016.
- (2) The lease payment will be increased by the percentage the School's FTE funding from the state of Florida has been increased during each preceding school year.
- (3) The school has granted MOSI security interest in all present and future property of the school placed in the MOSI facility.

The minimum lease payments exclusive of the FTE annual adjustment are as follows:

2008	\$ 300,000
2009	300,000
2010	300,000
2011	300,000
2012	300,000
Thereafter	1,500,000

NOTE 4 - RETIREMENT PLAN

The School has available for the benefit of all its employees a retirement plan which provides benefits for the employees at retirement, disability, or death.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - CAPITAL FIXED ASSETS

A summary of general fixed assets follows:

<i>Governmental Activities:</i>	Balance July 1, 2006	Additions	Balance June 30, 2007
Buildings & Improvements	\$ 6,474	\$ 2,742,758	\$ 2,749,232
Furniture & Fixtures	96,817	6,897	103,714
Computer, visual & audio Equipment	416,546	188,736	605,282
Land	<u>0</u>	<u>2,145,170</u>	<u>2,145,170</u>
Total	<u>519,837</u>	<u>5,083,561</u>	<u>5,603,398</u>
 <i>Less Accumulated Depreciation:</i>			
Buildings & Improvements	4,005	54,984	58,989
Furniture & Fixtures	60,792	5,185	65,977
Computer, visual & audio Equipment	<u>254,750</u>	<u>60,528</u>	<u>315,278</u>
Total	<u>319,547</u>	<u>120,697</u>	<u>440,244</u>
 Capital Assets, Net	 <u>\$ 200,290</u>	 <u>\$ 4,962,864</u>	 <u>\$ 5,163,154</u>

NOTE 6 - SUBSEQUENT EVENT

Subsequent to year end the School assigned a portion of the Note 3 MOSI lease obligation to The School Board of Hillsborough County. The assignment is for five years with the School resuming the MOSI lease obligation after that time period.

**TERRACE COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - BOND DEBT MATURITY

During the year the School secured a mortgage for \$6.215MM via the issuance of Series 2007 A & B Industrial Development Revenue Bonds for the retirement of various bridge mortgages used to acquire 3.39 acres MOL and construction of a 33,000 sq. ft permanent facility. The Series 2007A Bond has a maturity date of May 15, 2037 and a stated interest rate of 5.125%. The Series 2007B Bond has a maturity date of May 15, 2015 and a stated interest rate of 6.900%. The payment schedules are summarized below:

Government Activities- Bonds

Revenue Bonds

Year Ended June 30	Series 2007A		Series 2007B	
	Principal	Interest	Principal	Interest
2008	\$ -	\$275,042	\$ 75,000	\$ 46,623
2009	-	282,900	80,000	42,780
2010	-	282,900	85,000	37,260
2011	-	282,900	95,000	31,395
2012	-	282,900	100,000	24,840
2013-2017	345,000	1,399,638	260,000	31,395
2018-2022	790,000	1,248,962	-	-
2023-2027	1,010,000	1,025,256	-	-
2028-2032	1,300,000	738,256	-	-
2033-2037	2,075,000	370,025	-	-
Total	\$ 5,520,000	\$ 6,188,779	\$ 695,000	\$ 214,293

REQUIRED SUPPLEMENTARY INFORMATION

**TERRACE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Grants & donations				
Corporate grants & donations			\$1,486	\$1,486
Private foundation grants	\$40,000	\$40,000	16,000	(24,000)
General public donations	5,000	5,000	46,073	41,073
Grants - governmental	500	500	3,444	2,944
Total grants & donations	45,500	45,500	67,003	21,503
Investment income				
Interest income	7,500	7,500	14,514	7,014
Other investment income			730	730
Total investment income	7,500	7,500	15,244	7,744
School board - EFT				
State funds - EFT	2,149,400	2,149,400	2,222,055	72,655
SFT capital funds				
Other income - EFT	49,000	49,000	41,933	(7,067)
Total school board - EFT	2,198,400	2,198,400	2,263,988	65,588
Other income				
School lunch income	74,880	74,880	74,559	(321)
Transportation revenue			11,765	11,765
Student activity & project income:				
Field trip receipts	75,000	75,000	72,631	(2,369)
Yearbook receipts	11,000	11,000	13,402	2,402
Other	5,000	5,000	4,343	(657)
Student government receipts	5,000	5,000	8,005	3,005
8th grade graduation			3,004	3,004
Book fees	7,000	7,000	14,567	7,567
Jr. K Club receipts				
Drama receipts	7,000	7,000	6,631	(369)
I.D. badge proceeds			790	790
Lab fees	7,500	7,500	5,065	(2,435)
Athletic department	7,000	7,000	4,920	(2,080)
P.R.A. activities:				
Auction receipts	55,000	55,000	94,220	39,220
Team Tornado receipts	50,000	50,000	58,308	8,308
School store	12,000	12,000	23,571	11,571
PRA lunch receipts				
Receipts other	7,000	7,000	12,167	5,167
T-shirt sales	7,500	7,500	1,494	(6,006)
Script				
Other			1,893	1,893
Total other income	330,880	330,880	411,335	80,455
Total Revenues	\$2,582,280	\$2,582,280	\$2,757,570	\$175,290

REQUIRED SUPPLEMENTARY INFORMATION

**TERRACE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Expenditures:				
Basic instruction				
Classroom teacher payroll	\$1,075,795	\$1,075,795	\$1,272,099	\$196,304
Federal payroll taxes	82,298	82,298	86,672	4,374
State payroll taxes			3,172	3,172
Other payroll expenses	240,440	240,440	137,169	(103,271)
Materials & supplies	5,000	5,000	111	(4,889)
Supplies - instructional	7,000	7,000	15,860	8,860
Lab expenses	8,000	8,000		(8,000)
Textbooks	37,000	37,000	56,117	19,117
Instructional equipment	5,000	5,000		(5,000)
Student activities - programs	5,000	5,000	13,899	8,899
Field trip expense	75,000	75,000	92,116	17,116
Yearbook expense	11,000	11,000	11,785	785
Other	10,000	10,000	14,976	4,976
SGA expense	3,000	3,000	5,572	2,572
Drama expenses			4,201	4,201
8th grade graduation			4,364	4,364
Total basic instruction expense	1,564,533	1,564,533	1,718,113	153,580
Other instructional				
Substitute teacher payroll	20,000	20,000	44,242	24,242
Stipends	35,200	35,200	33,750	(1,450)
Federal payroll taxes	4,223	4,223	6,119	1,896
State payroll taxes	718	718	224	(494)
Other payroll related expenses	8,860	8,860	3,664	(5,196)
Total other instructional expense	69,001	69,001	87,999	18,998
Instructional media services				
Periodicals	100	100		(100)
Total instructional media services expense	100	100	0	(100)
School administration				
Administration payroll	341,710	341,710	350,826	9,116
Clerical payroll				
Overtime - non-exempt			3,218	3,218
Federal payroll taxes	24,558	24,558	26,007	1,449
State payroll taxes	4,494	4,494	952	(3,542)
Other payroll related expenses	51,200	51,200	5,793	(45,407)
Total school administration expense	421,962	421,962	386,796	(35,166)
Food service				
Food - lunch programs			67,280	67,280
Total food service expense	\$0	\$0	\$67,280	\$67,280

REQUIRED SUPPLEMENTARY INFORMATION

**TERRACE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
General administration				
Professional & technical services	\$60,000	\$60,000	\$60,699	\$699
General & property insurance expense	20,000	20,000	32,691	12,691
Travel & entertainment expense	1,500	1,500	3,733	2,233
Equipment - office rentals	18,000	18,000	17,793	(207)
Telephone & internet expense	10,000	10,000	7,432	(2,568)
Office expense	27,000	27,000	28,662	1,662
Interest expense	1,000	1,000	8,579	7,579
Advertising expense	3,000	3,000	801	(2,199)
Electricity	27,000	27,000		(27,000)
P.R.A. expense	58,000	58,000	45,812	(12,188)
Board expense	1,500	1,500	2,763	1,263
Athletic expense	8,000	8,000	3,156	(4,844)
Fundraising	2,500	2,500		(2,500)
Miscellaneous & other expense	5,042	5,042	15,159	10,117
Total general administration expense	242,542	242,542	227,280	(15,262)
Facilities Acquisition and Construction				
Facility acquisition costs			32,772	32,772
Total Facilities Acquisition and Construction	0	0	32,772	32,772
Plant operations				
Supplies - custodial	5,000	5,000	4,745	(255)
Building				
Depreciation expense	59,000	59,000		(59,000)
Total Plant operations expense	64,000	64,000	4,745	(59,255)
Maintenance of plant				
Repairs & maintenance - office	2,000	2,000		(2,000)
Repairs & maintenance - facility	30,000	30,000	460	(29,540)
Total Maintenance of plant expense	32,000	32,000	460	(31,540)
Community service				
Summer & after school program				
Total Community service expense	0	0	0	0
Total Expenditures	2,394,138	2,394,138	2,525,445	131,307
Excess of Revenues Over Expenditures	188,142	188,142	232,125	43,983
Other financing uses				
Interfund transfers			201,200	201,200
Net Changes In Fund Balance	188,142	188,142	433,325	245,183
Fund Balance, July 1, 2006	99,787	99,787	112,967	13,180
Fund Balance, June 30, 2007	\$287,929	\$287,929	\$546,292	\$258,363

REQUIRED SUPPLEMENTARY INFORMATION

**TERRACE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL-CAPITAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other financing sources				
SIT funds-capital outlay	\$180,000	\$180,000	\$273,575	\$93,575
Bond proceeds			6,215,000	6,215,000
Mortgage proceeds			4,593,000	4,593,000
Total other financing sources	<u>180,000</u>	<u>180,000</u>	<u>11,081,575</u>	<u>10,901,575</u>
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>11,081,575</u>	<u>10,901,575</u>
Expenditures:				
General administration				
Interest expense	0	0	0	0
General administration expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other financing uses				
Bond costs			351,316	351,316
Repayment of mortgage			4,593,000	4,593,000
Interest expense			136,922	136,922
Building	380,000	380,000	4,887,928	4,507,928
Other financing uses			195,633	195,633
Other financing uses	<u>380,000</u>	<u>380,000</u>	<u>10,164,799</u>	<u>9,784,799</u>
Total Expenses	<u>380,000</u>	<u>380,000</u>	<u>10,164,799</u>	<u>9,784,799</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>916,776</u>	<u>1,116,776</u>
Other financing sources				
Interfund transfers			(1,053,928)	(1,053,928)
Net Changes in Fund Balance	<u>(200,000)</u>	<u>(200,000)</u>	<u>(137,152)</u>	<u>62,848</u>
Fund Balance July 1, 2006	<u>166,049</u>	<u>166,049</u>	<u>137,152</u>	<u>(28,897)</u>
Fund Balance June 30, 2007	<u><u>(\$33,951)</u></u>	<u><u>(\$33,951)</u></u>	<u><u>\$0</u></u>	<u><u>\$33,951</u></u>

See Accompanying Notes and Accountants' Report

REQUIRED SUPPLEMENTARY INFORMATION

**TERRACE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL-DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Other financing sources				
Interest income			\$3,472	\$3,472
Total other financing sources	\$0	\$0	3,472	3,472
Total Revenues	0	0	3,472	3,472
Expenditures:				
General administration				
Interest expense				
General administration expense	0	0	0	0
Other financing uses				
Building				
Other financing uses	0	0	0	0
Total Expenses	0	0	0	0
Excess of Revenues Over Expenditures	0	0	3,472	3,472
Other financing sources:				
Interfund transfers			852,728	852,728
Net Changes in Fund Balance	0	0	856,200	856,200
Fund Balance July 1, 2006	0	0	0	0
Fund Balance June 30, 2007	\$0	\$0	\$856,200	\$856,200

See Accompanying Notes and Accountants' Report

ROWLSON & COMPANY, P.A.

Certified Public Accountants

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Independent Auditors' Report on Compliance and Internal Control Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Back to Basics Charter School Foundation, Inc.
D/B/A Terrace Community School
Temple Terrace, Florida

We have audited the general purpose financial statements of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School, a component unit of Hillsborough County District School Board, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading Independent Auditor's Report on General Purpose Financial Statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of Charter School Audits performed in the State of Florida.

COMPLIANCE

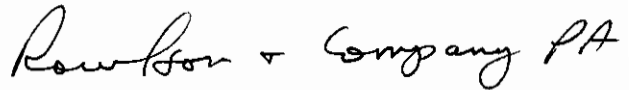
As part of obtaining reasonable assurance about whether the School's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other guidelines, non-compliance with which could have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

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the School's general purpose financial statements for the fiscal year ended June 30, 2007, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the School's general purpose financial statements and not to provide assurance on the School's internal control. 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 general purpose 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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, School District and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Certified Public Accountants
September 15, 2007

ROWLSON & COMPANY, P.A.

Certified Public Accountants

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Independent Auditors' Management Letter

To the Board of Directors of
Back to Basics Charter School Foundation, Inc.
D/B/A Terrace Community School
Temple Terrace, Florida

We have audited the financial statements of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated September 15, 2007.

We have issued our Independent Auditors' Report on Compliance and Internal Control Based on An Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards dated September 15, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of Charter School Audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(d)1.) require that we comment as to whether or not irregularities reported in the preceding annual financial audit report have been corrected.

The Rules of the Auditor General (Section 10.854(1)(d)2.) require that we comment as to whether or not recommendations made in the preceding annual financial audit have been followed.

Recommendations to Improve Financial Management Accounting Procedures, and Internal Control: - None

Violations of Laws, Rules, Regulations - None

Illegal or Improper Expenditures – None

Improper or Inadequate Accounting Procedures – None

Failure to Properly Record Financial Transactions - None

Other Inaccuracies, Irregularities, Shortages and Defalcations – None

Conflicts of Interest - None

The Rules of the Auditor General (Section 10.854 (1)(d)(7.)) also require that the name or official title and legal authority for the charter school be disclosed in the management letter, unless disclosed in the notes to the financial statements. Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School was incorporated in the State of Florida May 27, 1998, and receive its status as a non-profit Section 501(c)(3) organization from the Internal Revenue Service June 24, 1998.

This management letter is intended solely for the information of Back to Basics Charter School Foundation, Inc. D/B/A Terrace Community School, and its management, and the State of Florida Office of the Auditor General. However, this report is a matter of public record and its distribution is not limited.

Respectfully Submitted,

Roultson & Company PA

Certified Public Accountants
September 15, 2007