

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

THE CHARTER SCHOOL OF EXCELLENCE, INC.
*A Charter School and Component Unit
of the Broward County School District*

June 30, 2007

Charles A. Krblich, P.A.
Certified Public Accountant

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Charles A. Krblich, P.A.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Charter School of Excellence, Inc.
Fort Lauderdale, Florida

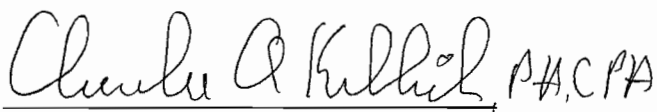
I have audited the accompanying financial statements of the governmental activities and the general fund of The Charter School of Excellence, Inc., component unit of the Broward County School District, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Charter School of Excellence, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of The Charter School of Excellence, Inc. 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*, I have also issued my report dated September 13, 2007, on my consideration of The Charter School of Excellence, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and page 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.



Fort Lauderdale, Florida
September 13, 2007

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

The Charter School of Excellence, Inc.'s management discussion and analysis presents an overview of the School's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the School's financial statements beginning on page 6.

FINANCIAL HIGHLIGHTS

- The total net assets increased \$237 thousand. Assets exceeded liabilities (net assets) by \$722 thousand; net assets consist of an investment in capital assets of \$662 thousand and unrestricted net assets of \$60 thousand.
- General revenues accounted for \$2,020 thousand, or 93% of all revenues. Program specific revenues consisting of grants, contributions and charges for services accounted for \$154 thousand or 7% of revenues.
- On a *funds* basis, there was an excess of revenues over expenditures of \$182 thousand. Total revenues increased by \$367 thousand and expenditures decreased by \$237 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide (component unit) financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the net assets of the School changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of cash flows*.

The government-wide financial statements can be found on pages 6 and 7 of this report.

Fund Financial Statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and

demonstrate compliance with finance-related legal requirements. The School currently utilizes only one fund - the general fund.

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

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

The School adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8 through 11 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$722,508 at the close of the most recent fiscal year.

The Charter School of Excellence, Inc.'s Net Assets

	Component Unit Activities	
	2007	2006
Current and other assets	\$ 139,667	\$ 151,601
Capital assets	662,477	624,976
Total assets	<u>802,144</u>	<u>776,577</u>
Long-term liabilities	-0-	187,000
Other liabilities	79,636	104,108
Total liabilities	<u>79,636</u>	<u>291,108</u>
Net assets:		
Capital assets	662,477	624,976
Unrestricted (deficit)	60,031	(139,507)
Total net assets	<u>\$ 722,508</u>	<u>\$ 485,469</u>

The Charter School of Excellence, Inc.'s Changes in Net Assets

	Component Unit Activities		Increase (Decrease)
	2007	2006	from Fiscal 2006
Revenues			
Program revenues			
Charges for services	\$ 150,854	\$ 151,416	(562)
Operating grants and contracts	3,600	561	3,039
General revenues			
State sources	1,840,511	1,531,214	309,297
Other local revenues	165,097	124,680	40,417
Investment earnings	2,242	164	2,078
Gain on sale of capital assets, net	13,035	-0-	13,035
Total revenues	<u>2,175,339</u>	<u>1,808,035</u>	<u>367,304</u>
Expenses			
Instructional	838,520	746,077	92,443
Pupil personnel services	11,176	42,159	(30,983)
Instruction and curriculum development	3,223	2,203	1,020
Instructional staff training services	8,651	1,500	7,151
General administration	104,280	88,571	15,709
School administration	219,848	212,881	6,967
Facilities acquisition and construction	117,900	117,900	-0-
Fiscal services	89,380	70,600	18,780
Food services	14,933	-0-	14,933
Central services	288,122	287,774	348
Operation of plant	202,511	169,204	33,307
Maintenance of plant	39,756	44,091	(4,335)
Total expenses	<u>1,938,300</u>	<u>1,782,960</u>	<u>155,340</u>
Changes in net assets	237,039	25,075	211,964
Net assets – beginning	485,469	460,394	25,075
Net assets – ending	<u>\$ 722,508</u>	<u>\$ 485,469</u>	<u>\$ 237,039</u>

- The largest dollar increase in revenues is from State sources.
- The largest increase in expenses is Instructional.

Financial Analysis of the School's Funds

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

Governmental funds. The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements.

General fund. The general fund is the chief operating fund of the School; at the present time, it is also the only operating fund. At the end of the fiscal year, the general fund had a balance of \$60,031.

- Total revenues increased by \$354 thousand (16%) principally from larger enrollment.
- Expenditures for general School purposes increased by \$237 thousand (14%).

General Fund Budgetary Highlights

- Total revenues were more than budgeted amounts by \$173 thousand (9%). Grant revenues were under the amounts budgeted by \$57 thousand.
- Budgeted expenditures were exceeded in two-thirds of the categories.

Capital Asset Administration

Capital assets at June 30, 2007 and 2006 are outlined below:

The Charter School of Excellence Inc.'s Capital Assets
(Net of depreciation)

	<u>Component Unit Activities</u>	
	<u>2007</u>	<u>2006</u>
Buildings and improvements	\$ 504,530	\$ 528,868
Furniture, fixtures and equipment	<u>157,947</u>	<u>96,108</u>
Total capital assets, net of depreciation	<u>\$ 662,477</u>	<u>\$ 624,976</u>

Additional information on the School's capital assets can be found in Note D to the financial statements. (See page 17 of this report).

Requests for Information

This financial report is designed to provide a general overview of The Charter School of Excellence Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, The Charter School of Excellence, 1217 Southeast 3rd Avenue, Fort Lauderdale, Florida 33316.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
Statement of Net Assets
 June 30, 2007

	Component Unit Activities
ASSETS	
Cash and cash equivalents	\$ 137,325
Prepaid expenses	1,802
Deposits	540
Capital assets, net	<u>662,477</u>
Total assets	\$ <u>802,144</u>
LIABILITIES	
Accounts payable and accrued expenditures/expenses	\$ 33,342
Accrued payroll, payroll taxes and withholdings	<u>46,294</u>
Total liabilities	<u>79,636</u>
NET ASSETS	
Invested in capital assets	662,477
Unrestricted	<u>60,031</u>
Total net assets	\$ <u><u>722,508</u></u>

See Independent Auditor's Report.
 The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District.
Statement of Activities

For the year ended June 30, 2007

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
PROGRAM EXPENSES AND REVENUES:					
COMPONENT UNIT ACTIVITIES:					
Instruction	\$ 838,520	\$ 150,854	\$ 3,600	\$ -	(684,066)
Pupil personnel services	11,176	-	-	-	(11,176)
Instruction and curriculum development	3,223	-	-	-	(3,223)
Instructional staff training services	8,651	-	-	-	(8,651)
General administration	104,280	-	-	-	(104,280)
School administration	219,848	-	-	-	(219,848)
Facilities acquisition and construction	117,900	-	-	-	(117,900)
Fiscal services	89,380	-	-	-	(89,380)
Food services	14,933	-	-	-	(14,933)
Central services	288,122	-	-	-	(288,122)
Operation of plant	202,511	-	-	-	(202,511)
Maintenance of plant	39,756	-	-	-	(39,756)
	\$ 1,938,300	\$ 150,854	\$ 3,600	\$ -	(1,783,846)

GENERAL REVENUES:

State Sources - categorical programs and other	1,840,511
Other local sources	165,097
Unrestricted investment earnings, net	2,242
Gain on sale of capital assets, net	13,035
Total general revenues	2,020,885
Change in net assets	
Total net assets, beginning of year	237,039
Total net assets, end of year	\$ 485,469

See Independent Auditor's Report.
The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
BALANCE SHEET - GENERAL FUND
 June 30, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 137,325
Prepaid expenses	1,802
Deposits	<u>540</u>
Total assets	\$ <u><u>139,667</u></u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenditures/expenses	\$ 33,342
Accrued payroll, payroll taxes and withholdings	<u>46,294</u>
Total liabilities	<u>79,636</u>
 FUND BALANCE	
Unreserved/undesignated	<u>60,031</u>
Total fund balance	<u>60,031</u>
Total liabilities and fund balance	\$ <u><u>139,667</u></u>

See Independent Auditor's Report.
 The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
RECONCILIATION of the BALANCE SHEET - GENERAL FUND
to the STATEMENT OF NET ASSETS
June 30, 2007

Total fund balance - general fund	\$ 60,031
A Charter School and Component Unit	
Capital assets used in component unit activities are not financial resources and, are not reported in the funds. Total cost of assets is \$1,276,022 and the accumulated depreciation is \$613,545.	<u>662,477</u>
Total net assets - component unit activities	<u><u>\$ 722,508</u></u>

See Independent Auditor's Report.
The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GENERAL FUND
For the year ended June 30, 2007

	<u>General Fund</u>
REVENUES:	
State sources:	
Categorical programs and other	\$ 1,840,511
Total state sources	<u>1,840,511</u>
Local sources	
Fundraising and contributions, net	48,604
Grants and other	270,947
Total local sources	<u>319,551</u>
Unrestricted investment earnings	<u>2,242</u>
Total Revenues	2,162,304
EXPENDITURES:	
Current:	
Instruction	789,039
Pupil personnel services	11,176
Instruction and curriculum development	3,223
Instructional staff training services	8,651
General administration	104,280
School administration	211,366
Facilities acquisition and construction	117,900
Fiscal services	89,380
Food services	14,933
Central services	288,122
Operation of plant	202,511
Maintenance of plant	39,756
Capital outlay	<u>100,362</u>
Total Expenditures	<u>1,980,699</u>
Excess of Revenues Over Expenditures	181,605
OTHER FINANCING SOURCES (USES)	
Proceeds from the sale of capital assets	17,933
Repayment of long-term debt	(187,000)
Total Other Financing Sources (Uses)	<u>(169,067)</u>
Net change in fund balance	12,538
Fund Balance - Beginning of Year	<u>47,493</u>
Fund Balance - End of Year	<u>\$ 60,031</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND
to the STATEMENT OF ACTIVITIES
 For the year ended June 30, 2007

Net change in fund balance - general fund	\$	12,538
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Governmental funds report capital outlays as expenditures. However in the statement of activities the costs of those capital outlays that benefit the School are posted as assets and are allocated over their estimated useful lives and reported as depreciation. Also, the disposition of capital assets (net book value) are deducted from the sale of fixed assets. This amount is the net by which capital outlays exceeded depreciation and write off of net book value of assets disposed of in the current period.

37,501

Governmental funds report repayment of long-term debt as expenditures. However in the statement of net assets long-term debt repayment is shown as a decrease in the liability. The following is the amount of long-term debt repayment during the year.

187,000

Change in net assets of component unit activities	\$	<u><u>237,039</u></u>
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See Independent Auditor's Report.

The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
BUDGET TO ACTUAL COMPARISON STATEMENT -
GENERAL FUND - UNAUDITED
For the year ending June 30, 2007

	<u>Budgeted</u> <u>(Original</u> <u>and Final)</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:			
State sources:			
Categorical programs and other	\$ 1,631,805	\$ 1,840,511	\$ 208,706
Total state sources	<u>1,631,805</u>	<u>1,840,511</u>	<u>208,706</u>
Local sources:			
Fundraising and contributions, net	29,560	48,604	19,044
Grants and other	<u>327,720</u>	<u>270,947</u>	<u>(56,773)</u>
Total local sources	<u>357,280</u>	<u>319,551</u>	<u>(37,729)</u>
Unrestricted investment earnings	<u>-</u>	<u>2,242</u>	<u>2,242</u>
Total Revenues	1,989,085	2,162,304	173,219
EXPENDITURES:			
Current:			
Instruction	867,595	789,039	78,556
Pupil personnel services	18,577	11,176	7,401
Instruction and curriculum development	32,782	3,223	29,559
Instructional staff training services	7,103	8,651	(1,548)
General administration	112,165	104,280	7,885
School administration	300,502	211,366	89,136
Facilities acquisition and construction	99,984	117,900	(17,916)
Fiscal services	88,620	89,380	(760)
Food services	-	14,933	(14,933)
Central services	277,397	288,122	(10,725)
Operation of plant	155,890	202,511	(46,621)
Maintenance of plant	28,138	39,756	(11,618)
Capital outlay	<u>-</u>	<u>100,362</u>	<u>(100,362)</u>
Total Expenditures	<u>1,988,753</u>	<u>1,980,699</u>	<u>8,054</u>
Excess (deficiency) of Revenues			
Over Expenditures	332	181,605	181,273
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of capital assets	-	17,933	17,933
Repayment of debt	<u>(332)</u>	<u>(187,000)</u>	<u>(186,668)</u>
Total Other Financing Sources (Uses)	<u>(332)</u>	<u>(169,067)</u>	<u>(168,735)</u>
Net change in fund balance	-	12,538	12,538
Fund Balance - Beginning of Year	<u>47,493</u>	<u>47,493</u>	<u>-</u>
Fund Balance - End of Year	\$ <u>47,493</u>	\$ <u>60,031</u>	\$ <u>12,538</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of this statement.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Charter School of Excellence, Inc. (the "School" or "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In 2002, the School adopted GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Significant School accounting policies are described below.

Reporting Entity

The Charter School of Excellence, Inc. is responsible for administrative and fiscal control of the School. The Charter School of Excellence, Inc. is a not-for-profit corporation, organized pursuant to Chapter 617, of the Florida Statutes, the Florida Not for Profit Corporation Act, and Section 228.056, of the Florida Statutes. The governing body of the School is the non-profit corporation Board of Directors, which is composed of 16 members. The charter provides that the day-to-day financial management and internal accounting procedures of the Charter School are under the purview of the management of the Charter School.

The general operating authority of the Charter School is contained in Section 228.056, of the Florida Statutes. The Charter School operates under a charter of the sponsoring school district, the Broward County District School Board (the "District"). The current charter is effective until June 30, 2010 and may be renewed in increments of one year by mutual 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 if good cause is shown. The Charter School of Excellence, Inc. is considered a component unit of the Broward County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the Charter School's financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Government Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

Component Unit and Fund Financial Statements

The component unit financial statements (the Statement of Net Assets and the Statement of Activities) report information on the activities of the component unit.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE A - CONTINUED

Component Unit and Fund Financial Statements - continued

a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, in the case of the School, the general fund represents the only such fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

Component Unit Financial Statements:

The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State source revenues, grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated sources are reported as general revenues rather than as program revenues. Likewise, general revenues include State source revenues.

Fund Financial Statements:

Fund financial statements (Governmental) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

- The general fund is the School's only operating fund. It accounts for all financial resources, except those required to be accounted for in another fund (currently no other such funds exist).

Investments

In accordance with GASB Statement No. 31, the School's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE A – CONTINUED

Investments – continued

However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments, which have a remaining term of one year or less at the time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the component unit financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Property, plant, and equipment are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	10 – 30 years
Computer equipment	5 years
School equipment	7 – 10 years
Leasehold improvements	5 – 15 years
Furniture and equipment	7 years

Compensated Absences

Full time employees of the School, after 90 days of employment, are entitled to be paid for ten or twelve days of sick leave in each calendar year, depending on whether they are ten or twelve month employees, respectively. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused sick days.

Each full time twelve-month employee is entitled to annual paid vacation leave, which is accrued when earned. The amount of paid vacation time ranges from five days after one-year employment to fifteen days after ten years employment. In the event of termination, each qualifying employee is entitled to receive payment equal to one hundred percent of the value of the total accumulated unused vacation days.

Long-Term Obligations

In the component unit financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE A – CONTINUED

Use of Estimates - continued

management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Budgetary Data

Budgets are presented on the modified accrual basis of accounting for the general fund.

NOTE B – CASH AND INVESTMENTS

According to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, certain qualifying investments are to be reported in the Statement of Net Assets at fair value. The fair value of the School's qualifying investments, held as of June 30, 2007, is provided by the safekeeping agent who uses pricing services to report fair market valuations of securities.

Certain investments are required to be categorized to give an indication of the level of custodial credit risk assumed by the entity at year-end. The three categories of risk are as follows:

1. Insured or registered, or securities held by the School or its agent in the entity's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the School's name; and
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the School's name.

All the School's investments were categorized as Risk 1. At June 30, 2007, the investment balances were as follows:

	Fair Value
Investments not subject to categorization:	
Funds held in money market accounts	\$107,694
Total investments	107,694
Total deposits	29,631
Total cash, cash equivalents and investments	\$137,325

The public deposits as of June 30, 2007 were as follows:

	Carrying Amount	Balance Per Bank
Demand deposits	\$29,631	\$37,960
Time deposits	-	-
Total deposits	\$29,631	\$37,960

The Charter School of Excellence, Inc.
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE B - CONTINUED

The School occasionally has deposits in excess of federally insured limits.

For the year ended, June 30, 2007, net unrestricted investment earnings totaled \$15,277, consisting of interest and dividend income and gains on sales of investments.

NOTE C – RELATED PARTY TRANSACTIONS

The School conducts certain business with a Foundation controlled by a member of it's Board of Directors and deems that all services and materials supplied are arms length transactions and at fair value. In addition, this member recuses from voting on matters relating to these transactions.

The CEO/Superintendent of the School is an officer of the Florida Consortium of Charter Schools.

NOTE D - CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2007 is as follows:

Description	Beginning Balance	Additions	Removals	Ending Balance
Buildings and improvements	\$ 691,354	\$ -	\$ -	\$ 691,354
Furniture, fixtures and equipment	508,794	100,362	(24,488)	584,668
Total capital assets	1,200,148	100,362	(24,488)	1,276,022
Accumulated depreciation:				
Buildings and improvements	(162,486)	(24,337)	-	(186,823)
Furniture, fixtures and equipment	(412,686)	(33,627)	19,591	(426,722)
Total accumulated depreciation	(575,172)	(57,964)	19,591	(613,545)
 Total capital assets, net	 \$ <u>624,976</u>	 \$ <u>42,398</u>	 \$ <u>(4,897)</u>	 \$ <u>662,477</u>

Depreciation was charged to School functions as follows:

Component unit activities:	
Instructional	\$49,481
School administration	<u>8,483</u>
Total depreciation expense	<u>\$57,964</u>

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2007

NOTE E - LONG-TERM DEBT

The School had an outstanding note payable of \$187,000 to a foundation controlled by a member of the Board of Directors. The proceeds were used to cover the costs associated with start-up and operation of the School. The note was paid in full during the year.

A summary of changes in Long-term debt for the year ended June 30, 2007 is as follows:

Description	Beginning Balance	Issued (Retired)	Ending Balance
Note payable – Foundation	\$187,000	\$(187,000)	\$-0-

NOTE F – NOTE PAYABLE (SHORT-TERM DEBT)

At June 30, 2007 the School had a \$100,000 line of credit with a financial institution; there was no balance outstanding at year end on the line. Interest is charged at prime plus two percent. Interest expense for the year ended June 30, 2007 is \$3,323.

A summary of changes in short-term debt for the year ended June 30, 2007 is as follows:

Description	Beginning Balance	Issued (Retired)	Ending Balance
Line of credit – Financial Institution	<u>\$ 30,000</u>	<u>\$(30,000)</u>	<u>\$ -0-</u>
Totals	<u>\$ 30,000</u>	<u>\$(30,000)</u>	<u>\$ -0-</u>

NOTE G - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the School carries commercial insurance.

NOTE H – RETIREMENT PLAN

The School participates in the Florida Retirement System (FRS). The plan is administered by the State Board of Administration and is open to all employees. Employees may choose between a defined benefit retirement plan or a defined contribution retirement plan. Regardless of plan type, all contributions are made by the School. Contributions are based on a percent of salary and the employee's FRS membership class and vesting depends on the employee's choice of plan. Expenses for the Florida Retirement System for the year ended June 30, 2007 were \$99,916.

The Charter School of Excellence, Inc.
A Charter School and Component Unit of the Broward County School District
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE I - COMMITMENTS AND CONTINGENCIES

The School leases facilities under an operating lease. In addition, the School leases portable classrooms from a foundation controlled by a member of the Board of Directors. Rent expense for the year ended June 30, 2007 was \$117,900. Future minimum rental payments for the years ended June 30, are as follows:

2008	\$117,450
2009	\$117,450
2010	\$117,450

COMPLIANCE SECTION

Charles A. Krblich, P.A.

Certified Public Accountant

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

To the Board of Directors
The Charter School of Excellence, Inc.
Fort Lauderdale, Florida

I have audited the financial statements of the governmental activities and the general fund of The Charter School of Excellence, Inc., component unit of the Broward County School District, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued my report thereon dated September 13, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Charter School of Excellence, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, not for the purpose of expressing an opinion on the effectiveness of the Charter School of Excellence, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter School of Excellence's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Charter School of Excellence, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Charter School of Excellence, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Charter School of Excellence, Inc.'s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Charter School of Excellence, Inc.'s internal control.

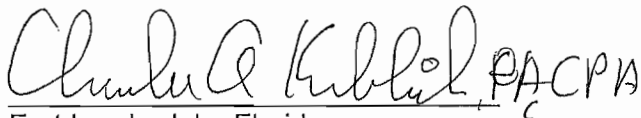
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Charter School of Excellence, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Charles A. Kubicki, PACPA. The signature is written in cursive and includes the letters "PACPA" in a slightly larger, more formal font at the end.

Fort Lauderdale, Florida
September 13, 2007

Charles A. Krblich, P.A.

Certified Public Accountant

MANAGEMENT LETTER IN ACCORDANCE WITH THE
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
The Charter School of Excellence, Inc.
Fort Lauderdale, Florida

I have audited the financial statements of the governmental activities and the general fund of The Charter School of Excellence, Inc., component unit of the Broward County School District, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued my report thereon dated September 13, 2007.

I conducted my audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters required by *Government Auditing Standards*. Disclosures in this report, which is dated September 13, 2007, should be considered in conjunction with this management letter.

Additionally, my audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General. The Rules of Auditor General (Section 10.854(1)(d)) require that I address in the management letter if there were any matters as described in the rule. There were no findings or recommendations. In addition, there were no findings or recommendations made in the preceding year's audit report.

This management letter is solely for the information of The Charter School of Excellence, Inc. and management, and the State of Florida Office of the Auditor General and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than those specific parties.



Fort Lauderdale, Florida
September 13, 2007