

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.**  
**(A Component Unit of the Pinellas County School District)**

**FINANCIAL STATEMENTS**  
**June 30, 2008**



CPAs AND BUSINESS ADVISORS

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

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## INDEPENDENT AUDITORS' REPORT

### **The Board of Directors Academie Da Vinci Charter School, Inc. Dunedin, Florida**

We have audited the accompanying financial statements of the governmental activities and each major fund of Academie Da Vinci Charter School, Inc. (the "School"), a component unit of the School Board of Pinellas County, as of and for the year ended June 30, 2008, which collectively comprise the School's 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the School as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2008, on our consideration of the School's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



An Association of Independent Firms

To the Board of Directors of the  
Academie Da Vinci Charter School, Inc.

The management's discussion and analysis and budgetary comparison schedules 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. We have applied certain limited procedures, which consisted primarily 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.

*Harper, Von Siock + Company, LLP*

Clearwater, Florida  
September 18, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

Our discussion and analysis of Academie Da Vinci Charter School, Inc.'s (the "School") financial performance provides an overview of the School's activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the accompanying financial statements.

### Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this annual report, as all activities of the School are governmental activities. The report consists of the organization-wide, fund statements, and notes to the financial statements. The 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 and Governmental Funds Balance Sheet presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances presents information showing how the School's net assets changed during the most recent fiscal year. The School uses the economic resources measurement focus and the accrual basis of accounting. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., appropriations receivable). Governmental activities are primarily supported by state sources and charges for services.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. A reconciliation of the organization-wide and fund financial statements is provided in Note 2 of these financial statements.

### Financial Analysis

Over time, net assets may serve as a useful indicator of the School's financial position. At the close of the fiscal year, assets exceeded liabilities by \$336,486. Thirty-six percent of net assets represents investment in capital assets and thus is not available for future spending and twenty percent of net assets are restricted for capital outlay. The balance is unrestricted and is available to meet the School's obligations and operating costs. Conversion to GASB 34 does not allow net assets to be represented as "reserved" unless there are external legal restrictions on how they may be used.

The following is a summary of changes in the statements of net assets:

	<u>2008</u>	<u>2007</u>
Total assets	\$ 340,821	\$ 306,601
Total current liabilities	<u>4,335</u>	<u>8,274</u>
Net assets:		
Unrestricted	150,349	103,611
Restricted for capital outlay	65,864	50,280
Invested in capital assets	<u>120,273</u>	<u>144,436</u>
Total net assets	<u>\$ 336,486</u>	<u>\$ 298,327</u>

Total assets increased by \$34,220, due primarily to increases in the cash account balances as a result of revenues exceeding expenditures. Total liabilities decreased by \$3,939, due to the capital lease obligation payment made.

The following is a summary of changes in the statements of activities:

	<u>2008</u>	<u>2007</u>
Total expenses	\$ 748,805	\$ 670,504
Less: program revenues	<u>65,662</u>	<u>47,555</u>
Net program expense	683,143	622,949
General revenues	<u>721,302</u>	<u>678,095</u>
Change in net assets	<u>\$ 38,159</u>	<u>\$ 55,146</u>

Total expenses increased by \$78,301 over the prior fiscal year. This increase was due in part from an increase in instructional costs of approximately \$49,000 and operating costs that increased due to an increase in the number of students served and program enhancements. General revenues increased by approximately \$43,000 from state and local resources due to an increase in students.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$154,684, compared to \$111,885 at the end of the previous year. As a measure of the General Fund liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 23% of total General Fund expenditures as compared to 18% for the previous fiscal year ended.

Expenses were \$44,133 less than revenues in the General Fund in the current year as compared to the prior year in which expenses were \$25,968 less than revenues.

### **Economic Factors and Next Year's Budget**

The overall financial position and results of operations for the School improved for the fiscal year ended June 30, 2008. The School met its operating budget goals and all significant educational legal compliance requirements. It is expected that net assets will continue to increase over the next few years at comparable rates.

## **Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the School Administrator, 1380 Pinehurst Road, Dunedin, Florida 34698.

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
June 30, 2008

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>				
Cash	\$ 140,348	\$ 57,504	\$ -	\$ 197,852
Appropriations receivable	-	6,276	-	6,276
Prepaid expenses	14,336	2,084	-	16,420
Capital assets, net of accumulated depreciation	-	-	120,273	120,273
<b>Total assets</b>	<u>\$ 154,684</u>	<u>\$ 65,864</u>	<u>120,273</u>	<u>340,821</u>
<b>Liabilities</b>				
Capital lease obligation				
Due within one year	-	-	4,335	4,335
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>4,335</u>	<u>4,335</u>
<b>Fund balances/net assets</b>				
Fund balances				
Unreserved	154,684	65,864	(220,548)	-
<b>Total fund balances</b>	<u>154,684</u>	<u>65,864</u>	<u>(220,548)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 154,684</u>	<u>\$ 65,864</u>		
<b>Net assets</b>				
Unrestricted			150,349	150,349
Restricted for capital outlay			65,864	65,864
Invested in capital assets			120,273	120,273
<b>Total net assets</b>			<u>\$ -</u>	<u>\$ 336,486</u>

See Notes to Financial Statements.

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.**

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year ended June 30, 2008**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/Expenses</b>					
Current					
Instructional	\$ 405,898	\$ -	\$ 405,898	\$ 34,607	\$ 440,505
School administration	157,288	-	157,288	12,159	169,447
Operation and maintenance of plant	48,457	43,257	91,714	-	91,714
Community services	33,992	-	33,992	-	33,992
School activities/field trips	12,316	-	12,316	-	12,316
Debt service					
Principal	3,939	-	3,939	(3,939)	-
Interest	831	-	831	-	831
Capital outlay	12,100	10,503	22,603	(22,603)	-
<b>Total expenditures/expenses</b>	<b>674,821</b>	<b>53,760</b>	<b>728,581</b>	<b>20,224</b>	<b>748,805</b>
<b>Program revenues</b>					
Charges for services:					
Other programs and services	46,085	-	46,085	-	46,085
Other revenue	19,577	-	19,577	-	19,577
<b>Net program expenses</b>					<b>683,143</b>
<b>General revenues</b>					
State passed through local school district	653,292	68,010	721,302	-	721,302
<b>Total revenues</b>	<b>718,954</b>	<b>68,010</b>	<b>786,964</b>	<b>-</b>	<b>721,302</b>
<b>Excess of revenues over expenditures</b>	<b>44,133</b>	<b>14,250</b>	<b>58,383</b>	<b>(58,383)</b>	<b>-</b>
<b>Other financing sources (uses)</b>					
Transfers - internal activities	(1,334)	1,334	-	-	-
<b>Total other financing sources</b>	<b>(1,334)</b>	<b>1,334</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance/net assets</b>	<b>42,799</b>	<b>15,584</b>	<b>58,383</b>	<b>(58,383)</b>	<b>38,159</b>
<b>Fund balance/net assets</b>					
Beginning of year	111,885	50,280	162,165	136,162	298,327
End of year	<u>\$ 154,684</u>	<u>\$ 65,864</u>	<u>\$ 220,548</u>	<u>\$ 77,779</u>	<u>\$ 336,486</u>

See Notes to Financial Statements.

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

1. Summary of Significant Accounting Policies

The Reporting Entity – Academie Da Vinci Charter School, Inc. (the "School") is part of the Florida system of public education under the general direction of the State Department of Education. The School was created pursuant to Chapter 228, Florida Statutes, following approval of its charter by the School Board of Pinellas County, Florida (the "School Board"). The School Board approved the charter effective July 1, 2000 through June 30, 2010. The School is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Service Code Section 501(c)(3).

The Florida Department of Education (the "Department") has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual issued by the Department. The School is required by contract with the School Board to use the governmental reporting model and the Department's accounting and reporting manual.

These financial statements present the financial position and results of operations of the applicable funds controlled or dependent upon the School. In evaluating the School as a reporting entity, management has addressed all potential component units for which the School may or may not be financially accountable and, as such, are included in the School's financial statements. No component units exist that would require inclusion in the School's financial statements.

Government-Wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. The effect of interfund activities has been removed from these statements. The School only has governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for other programs and services. General revenues include amounts received from state and local sources. The School reports the following major governmental funds:

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

Capital Outlay Fund – In accordance with guidelines established by the Pinellas County School Board, this fund accounts for all resources used for the leasing and acquisition of capital facilities by the School to the extent funded by capital outlay funds.

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

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

1. **Summary of Significant Accounting Policies (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 enough 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 period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Budgets and Budgetary Accounting – Budgets are prepared and original budgets are adopted annually for the General Fund in accordance with procedures and time intervals prescribed by the Board of Directors (the "Board") of the School. During the fiscal year ended June 30, 2008, the Board adopted an annual budget for the General Fund. The School is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and debt service) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

Cash – Cash is made up of cash on hand, certificates of deposit, and in interest-earning checking accounts. The School has no cash equivalents.

Capital Assets – Capital assets consist of buildings and improvements and furniture, fixtures and equipment. Capital assets are defined by the School as assets with an initial individual cost of at least \$500 and an estimated useful life of at least one year. Such assets are recorded at cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. Depreciation has been provided on capital assets using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from three to ten years.

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

1. **Summary of Significant Accounting Policies (Continued)**

State Sources – The state provides financial assistance to administer certain categorical educational programs. Department rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended, as of the close of the fiscal year, be carried forward into the following year to be expended for the same categorical education programs.

The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved for the unencumbered balance of categorical educational program resources.

The state allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. The School recognizes any revenues from these sources when appropriated.

2. **Reconciliation of Government-Wide and Fund Financial Statements**

Adjustments were made to include capital assets (net of accumulated depreciation) and noncurrent liabilities on the statement of net assets. This resulted in a net difference between ending governmental fund balances and total net assets of \$336,486, as follows:

Ending fund balances	\$	220,548
Capital assets, net		120,273
Current liabilities		<u>(4,335)</u>
Total net assets	\$	<u><u>336,486</u></u>

Adjustments were made to include depreciation expense, eliminate capital outlay expenditures, and eliminate principal payments on notes payable on the statement of activities. This resulted in a net difference between "excess of revenues over expenditures" and "change in net assets" of \$38,159, as follows:

Excess of revenues over expenditures	\$	58,383
Less: depreciation expense		(46,766)
Add:		
Capital outlay expenditures		22,603
Principal payments on notes payable		<u>3,939</u>
Change in net assets	\$	<u><u>38,159</u></u>

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007**

**3. Capital Assets**

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2008</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 412,429	\$ -	\$ -	\$ 412,429
Furnitures, fixtures and equipment	<u>64,255</u>	<u>22,603</u>	<u>-</u>	<u>86,858</u>
Total capital assets being depreciated	476,684	22,603	-	499,287
Less accumulated depreciation for:				
Buildings and improvements	(291,678)	(38,834)	-	(330,512)
Furnitures, fixtures and equipment	<u>(40,570)</u>	<u>(7,932)</u>	<u>-</u>	<u>(48,502)</u>
Total accumulated depreciation	<u>(332,248)</u>	<u>(46,766)</u>	<u>-</u>	<u>(379,014)</u>
Total capital assets, net	<u>\$ 144,436</u>	<u>\$ (24,163)</u>	<u>\$ -</u>	<u>\$ 120,273</u>

Furniture, fixtures and equipment include equipment acquired under a capital lease with a cost and accumulated depreciation balance of \$12,804 and \$3,414, respectively, at June 30, 2008.

Depreciation was charged to functions, as follows:

Instructional	\$ 34,607
School administration	<u>12,159</u>
	<u>\$ 46,766</u>

**4. Capital Lease Obligation**

During 2007, the School entered into a capital lease obligation totaling \$12,804 for the acquisition of equipment. The capital lease agreement calls for three annual payments of \$4,770, including interest at 10%, and is secured by computer equipment.

A summary of changes in the capital lease obligation is as follows:

	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2008</u>
Capital lease obligation	<u>\$ 8,274</u>	<u>\$ -</u>	<u>\$ 3,939</u>	<u>\$ 4,335</u>

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007

4. **Capital Lease Obligation (Continued)**

The following is a schedule of future minimum payments under the capital lease obligation for the year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,335	\$ 435	\$ 4,770

5. **Credit Risk**

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School's deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At year-end, the School's uninsured cash balances total \$97,852.

6. **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; injuries to employees; and natural disasters. The School purchases commercial insurance for all types of claims with nominal deductible amounts. There have been no significant reductions in insurance coverage during fiscal year 2008. Settled claims have not exceeded the commercial excess coverage in any of the past three years.

7. **Salary Savings Plan**

The School has adopted a salary savings plan in accordance with Section 401(k) of the Internal Revenue Code, which covers substantially all full-time employees who have achieved the age of 18. Eligible employees may elect to contribute a portion of their earnings to the plan. The School's board of directors authorized a 3% matching contribution for the year for all eligible employees that contributed a minimum of \$25 per month to the plan.

8. **Lease Commitments**

The School leases certain property under noncancelable operating leases. These leases expire on varying dates through August, 2011 and contain varying renewal options. Current year expense charged to operations under these leases totaled \$40,128.

**ACADEMIE DA VINCI CHARTER SCHOOL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008 and 2007**

**8. Lease Commitments (Continued)**

The following is a schedule of future minimum lease payments for the years ending June 30:

2009		\$	40,128
2010			40,128
2011			24,076
2012			700
			700
		\$	105,032

**9. Related Parties**

The School maintains its cash deposits with a financial institution of which the School's treasurer is a member of the bank's board of directors.

**10. Concentrations**

The School receives revenues for current operations primarily from the State of Florida through the School Board of Pinellas County. The following is a schedule of revenue sources:

Sources	Amounts
School Board of Pinellas County:	
Florida education finance program	\$ 640,894
Capital outlay	68,010
A+ monies	10,898
Teacher lead	1,500
	721,302
Subtotal	
	721,302
Other revenue:	
Before / after school care	36,449
Student program fees	9,636
Other	19,577
	65,662
Subtotal	
	65,662
	\$ 786,964

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND

Year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
State and local sources	\$ 725,439	\$ 725,439	\$ 653,292	\$ (72,147)
Other income	-	-	65,662	65,662
<b>Total revenues</b>	725,439	725,439	718,954	(6,485)
<b>Expenditures</b>				
Instructional	400,684	400,684	405,898	5,214
School administration	184,166	184,166	157,288	(26,878)
Operation and maintenance of plant	47,841	47,841	48,457	616
Community services	-	-	33,992	33,992
School activities/field trips	-	-	12,316	12,316
Debt service:				
Principal	-	-	3,939	3,939
Interest	-	-	831	831
Capital outlay	-	-	12,100	12,100
<b>Total expenditures</b>	632,691	632,691	674,821	42,130
<b>Other financing uses</b>				
Transfer to capital outlay fund	(2,400)	(2,400)	(1,334)	(1,334)
<b>Total other financing uses</b>	(2,400)	(2,400)	(1,334)	(1,334)
<b>Net change in fund balance</b>	90,348	90,348	42,799	(49,949)
<b>Fund balance at beginning of year</b>	80,090	59,867	111,885	52,018
<b>Fund balance at end of year</b>	\$ 170,438	\$ 150,215	\$ 154,684	\$ 4,469

See Notes to Financial Statements.

ACADEMIE DA VINCI CHARTER SCHOOL, INC.

BUDGETARY COMPARISON SCHEDULE -  
CAPITAL OUTLAY FUND

Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Capital outlay	\$ 41,000	\$ 41,000	\$ 68,010	\$ 27,010
<b>Expenditures</b>				
Operation and maintenance of plant	43,500	43,500	43,257	(243)
Capital outlay	-	-	10,503	10,503
<b>Total expenditures</b>	<u>43,500</u>	<u>43,500</u>	<u>53,760</u>	<u>10,260</u>
<b>Other financing sources</b>				
Transfer in from general fund	<u>2,400</u>	<u>2,400</u>	<u>1,334</u>	<u>(1,066)</u>
<b>Net change in fund balance</b>	(100)	(100)	15,584	15,684
<b>Fund balance at beginning of year</b>	<u>16,194</u>	<u>16,194</u>	<u>50,280</u>	<u>34,086</u>
<b>Fund balance at end of year</b>	<u>\$ 16,094</u>	<u>\$ 16,094</u>	<u>\$ 65,864</u>	<u>\$ 49,770</u>

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PRIVATE COMPANIES  
PRACTICE SECTION

## 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

**The Board of Directors  
Academie Da Vinci Charter School, Inc.  
Dunedin, Florida**

We have audited the financial statements of Academie Da Vinci Charter School, Inc. (the "School"), a component unit of the School Board of Pinellas County, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, 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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's control.

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

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of Academie Da Vinci Charter School, Inc. in the management letter dated September 18, 2008.

This report is intended solely for the information and use of the School's management, Board of Directors, the School Board of Pinellas County, Florida, the State of Florida Auditor General, and other regulatory agencies of state governments and is not intended to be and should not be used by anyone other than these specified parties.

*Harper, Van Hook + Company, LLP*

Clearwater, Florida  
September 18, 2008

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## MANAGEMENT LETTER

### **The Board of Directors Academie Da Vinci Charter School, Inc. Dunedin, Florida**

We have audited the accompanying financial statements of the governmental activities and each major fund of Academie Da Vinci Charter School, Inc. (the "School"), a component unit of the School Board of Pinellas County, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008.

We issued our report of internal controls over financial reporting and on compliance and other matters dated September 18, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise addressed in the auditors' report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School did not meet the conditions described in Section 218.503(1), Florida Statutes.
  - a. There are no current-year findings or recommendations.
4. The official title of the School is Academie Da Vinci Charter School, Inc.

This report is intended solely for the information and use of the School's management, Board of Directors, the School Board of Pinellas County, Florida, the State of Florida Auditor General, and other regulatory agencies of state governments and is not intended to be and should not be used by anyone other than these specified parties.

*Harper, Van Scoik & Company, LLP*

Clearwater, Florida  
September 18, 2008

## Prior Year Findings and Recommendations - Corrected

### 07-1 Employee fingerprinting

Criteria: Section 231.02(2)(a), Florida Statutes, provides that instructional and noninstructional personnel who are hired to fill positions requiring direct contact with students shall, upon employment, file a complete set of fingerprints taken by an authorized law enforcement officer or an employee of the school or district who is trained to take fingerprints.

Condition: Upon review of a sample of employee personnel files and subsequent communications to the School Board of Pinellas County, it was determined that neither the School nor the School Board of Pinellas County were in possession of documentation evidencing that three of the School's employees had filed a complete set of fingerprints.

Cause: The School's procedures include providing for evidence of employee fingerprinting to be maintained by the School Board of Pinellas County; however, the School Board of Pinellas County has represented to the School that it does not maintain fingerprinting records beyond one year.

Effect: The School is not in possession of documentation evidencing all of its employees were fingerprinted in accordance with Florida Statutes.

Auditor's Recommendation: We recommend that each of the School's employees' personnel file contain documentation evidencing the employee filed a complete set of fingerprints as required by Florida Statutes. For those employees for which such documentation is not maintained by the School or the School Board of Pinellas County, we recommend the School require those employees to file a current and complete set of fingerprints.

Status as of June 30, 2008: *Noted compliance with Section 231.02(2)(a), Florida Statutes. During our audit, we examined documentation that all employees required to be fingerprinted in accordance with the Florida Statutes had in fact been fingerprinted.*

### 07-3 Bank reconciliation

Criteria: The School maintains procedures for performing periodic bank reconciliations.

Condition: Upon reviewing the School's year end bank reconciliation for the operating account, it was noted that the reconciliation reflected several uncleared transactions including items dating as far back as 2004.

Cause: The School's bank reconciliation procedures are not sufficient.

Effect: The School's unaudited cash balance was significantly understated.

Auditor's Recommendation: We recommend the School modifies its bank reconciliation procedures to include examining the reasonableness of uncleared items and the process of disposing of items determined not to be valid.

Status as of June 30, 2008: *Noted correction in the bank reconciliation procedures. Per examination of the June 30, 2008 bank reconciliations, no unusual reconciling items we noted and the reconciled balances were in agreement with the general ledger balances.*

## Prior Year Findings and Recommendations – Corrected (Continued)

### 07-4 Fixed assets and depreciation

Criteria: The School's policy is to depreciate the cost of fixed assets over the asset's estimated useful life.

Condition: During the course of our audit, we noted the School failed to record any depreciation expense on its general ledger.

Cause: The School's fiscal policies do not address who is responsible for computing depreciation.

Effect: The School's unaudited general ledger was not in compliance with generally accepted accounting principles.

Auditor's Recommendation: We recommend the School modify its fiscal policies to address who is responsible for computing the School's depreciation.

Status as of June 30, 2008: *Noted correction in the calculation and recording of depreciation expense on the general ledger.*

## Prior Year Findings - Repeated

### 07-2 Basis of accounting of government-wide financial statements

Criteria: The School prepares its financial statements on the basis of cash receipts and disbursements, whereby certain revenues and the related assets are recognized when received, and expenses are recognized when paid.

Condition: In accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board, the government-wide financial statements are to be reported using the economic resources measurement focus and the accrual basis of accounting.

Status: As of June 30, 2008

Condition: In accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board, the government-wide financial statements are to be reported using the economic resources measurement focus and the accrual basis of accounting.

Cause: The School does not prepare year end adjustments to convert its cash basis general ledger to an accrual basis general ledger.

Effect: Several adjusting journal entries were proposed to convert the School's cash basis financial statements to that of an accrual basis.

Recommendation: We recommend that management identify and prepare the year end adjustments required to convert the School's cash basis general ledger to that of an accrual basis.