



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
ORANGE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON**

JUNE 30, 2008

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**LIFE SKILLS CENTER ORANGE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The discussion and analysis of the Life Skills Center Orange County, Inc.'s (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

First Year of Operations

The 2007-2008 school year was the School's first year of formal operations. Accordingly, any comparisons to the prior year results are not applicable in this section. These comparisons will be presented in future periods when information is available.

Financial Highlights

The assets of the School exceeded its liabilities at the close of this fiscal year by \$31,630 (net assets).

Using this Financial Report

This report consists of three parts, the management discussion and analysis, the basic financial statements, and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements, the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.
- The remaining statements, the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by the private sector. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - are one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)**

Net Assets

Table 1 provides a summary of the School's net assets for fiscal year 2008.

	(Table 1) Net Assets
	2008
Assets	<hr/>
Current Assets	\$ 196,418
Total Assets	<hr/> <hr/>
Liabilities	
Current Liabilities	<hr/> <hr/>
Net Assets	
Unrestricted	\$ 31,630
Total Net Assets	<hr/> <hr/>

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)**

Change in Net Assets

Table 2 shows the changes in net assets for fiscal year 2008, as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2008
Revenues	
State and Local Sources	\$ 1,098,588
Other Revenue	491,492
Total Revenues	1,590,080
 Expenses	
Instruction	670,972
Pupil Personnel Services	61,868
Instructional Staff Training Services	82,454
Board	1,327
School Administration	401,372
Facilities Acquisition and Construction	179,582
Operation of Plant	107,989
Maintenance of Plant	52,886
Total Expenses	1,558,450
Change in Net Assets	\$ 31,630

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds, which focus on (1) how financial assets can readily be converted to cash flows and (2) on the year-end balances available for spending.

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(continued)**

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the School's governmental fund reported an ending unreserved fund balance of \$31,630.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates.

The School's final general fund budget estimated a \$15,750 carryover to the following year. Actual results produced a carryover in the general fund of \$31,630.

Capital Assets

At the end of fiscal year 2008 the School had no amounts invested in Capital Assets.

Current Financial Issues

As explained more fully in Note 6 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which includes facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. The Company agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Orange County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by WHLS does not represent a loan or future obligation of the School to WHLS.

For fiscal year 2008, the School's first year of operation, the Company provided \$491,492 of additional support to the School. These costs were incurred solely by the Company on behalf of the School and its operations. The School projects that with increased enrollment and the absence of some upfront capital investments in the facility, the School will not require this level of additional support from the Company during fiscal year 2009.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Amy Rohner, Government Business Services Manager for the Life Skills Center Orange County, Inc., 4526 South Orange Blossom Trail, Orlando, FL 32839.



**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

To the Board of Directors of Life Skills Center Orange County, Inc.,
a Charter School and Component Unit of the District
School Board of Orange County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Life Skills Center Orange County, Inc. (the “School”), a charter school and component unit of the District School Board of Orange County, Florida, 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 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Life Skills Center Orange County, Inc. 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 29, 2008 on our consideration of the School’s internal control over financial reporting and 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.

The management's discussion and analysis on pages 1 - 4 and the budgetary comparison schedule on page 19 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 supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
September 29, 2008

LIFE SKILLS CENTER ORANGE COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 196,418
Total Assets	\$ 196,418
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Management Company	164,788
Total Liabilities	164,788
 <u>NET ASSETS</u>	
Unrestricted Net Assets	31,630
Total Net Assets	31,630
Total Liabilities and Net Assets	\$ 196,418

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

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

FUNCTIONS	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:	Expenses	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 670,972	\$ -	\$ (670,972)
Pupil Personnel Services	61,868	-	(61,868)
Instructional Staff Training Services	82,454	-	(82,454)
Board	1,327	-	(1,327)
School Administration	401,372	-	(401,372)
Facilities Acquisition and Construction	179,582	-	(179,582)
Operation of Plant	107,989	-	(107,989)
Maintenance of Plant	52,886	-	(52,886)
Total Governmental Activities	\$ 1,558,450	\$ -	(1,558,450)
General Revenues:			
FEFP			1,098,588
Other Revenue			491,492
Total General Revenues			1,590,080
Change in Net Assets			31,630
Net Assets-Beginning			-
Net Assets-Ending			\$ 31,630

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

LIFE SKILLS CENTER ORANGE COUNTY, INC.
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2008

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 196,418
Total Assets	\$ 196,418
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Due to Management Company	\$ 164,788
Total Liabilities	164,788
 FUND BALANCE	
Unreserved	31,630
Total Fund Balance	31,630
Total Liabilities and Fund Balance	\$ 196,418

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

LIFE SKILLS CENTER ORANGE COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balance - governmental fund **\$ 31,630**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

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Total net assets - governmental activities **\$ 31,630**

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

LIFE SKILLS CENTER ORANGE COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund
REVENUES	
State and Local Sources	\$ 1,098,588
Other Revenue	491,492
Total Revenues	1,590,080
EXPENDITURES	
Instruction	670,972
Pupil Personnel Services	61,868
Instructional Staff Training Services	82,454
Board	1,327
School Administration	401,372
Facilities Acquisiton and Construction	179,582
Operation of Plant	107,989
Maintenance of Plant	52,886
Total Expenditures	1,558,450
Net Changes in Fund Balance	31,630
Fund Balance, July 1, 2007	-
Fund Balance, June 30, 2008	\$ 31,630

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

LIFE SKILLS CENTER ORANGE COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balance - governmental fund **\$ 31,630**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

-

Change in net assets of governmental activities **\$ 31,630**

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

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center Orange County, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes.

The School contracts with WHLS of Florida, LLC (WHLS) for most of its functions. See Note 6.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Orange County (the District). The current charter is effective until June 30, 2012 and may be renewed for up to an additional fifteen years 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 the grounds specified in the charter. In this 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 any good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District. The School is considered a component unit of the District and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governments.

The School operates under a self-appointing, six-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the District, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The fund in the financial statements of this report is as follows:

Governmental Fund:

- General Fund - to account for all financial resources not required to be accounted for in another fund.

For the purposes of these statements, the School's fund described above is considered to be a major fund.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they occur.

LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

C. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. REVENUE SOURCES

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by the state legislature. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the 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 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 District receives a 5% administrative fee from the School. This administrative fee is calculated on the FEFP revenues up to 500 students. Amounts awarded under FEFP for the 2008 school year totaled \$1,098,588.

LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUE SOURCES (Continued)

The School may receive federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent eligible expenditures have been incurred.

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The School has no capital assets, as the School operates under a management agreement with WHLS (see Note 6).

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of unrestricted net assets.

3. CUSTODIAL CREDIT RISK - DEPOSITS

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 deposit policy for custodial credit risk is to spread its deposits among various institutions to the extent possible in order to limit its exposure to any one institution. As of June 30, 2008, \$96,418 of the School's bank balance of \$196,418 was exposed to custodial credit risk. This balance was collateralized by securities held by the pledging bank's trust department, but not in the School's name. The School has not historically experienced losses on such accounts.

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)**

4. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2008, state and local revenues were received from the District as follows:

	<u>2008</u>
Florida Education Finance Program	\$ 849,631
Class Size Reduction	154,597
Discretionary Millage	68,268
Instructional Materials	17,516
Discretionary Lottery Funds	<u>8,576</u>
Total Revenues	<u><u>\$ 1,098,588</u></u>

5. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance (see Note 6).

Director and Officer - Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

6. AGREEMENT WITH WHLS

The School entered into a five-year Management Agreement (Agreement) with WHLS, which is an educational consulting and management company. The Agreement's term coincides with the School's charter agreement and will renew for additional, successive five (5) year terms unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as, "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any

LIFE SKILLS CENTER ORANGE COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

6. AGREEMENT WITH WHLS (Continued)

terms and conditions attached to the grants, if any.” The continuing fee is paid to WHLS based on the previous month’s qualified gross revenues less any fees the School is required to remit to the District. The continuing fee paid to WHLS for the year ended June 30, 2008 was \$1,010,699. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

During the year ended June 30, 2008, WHLS expended \$491,292 more than the management fee required by the management agreement. Per the management agreement, no other amounts are required other than the management fee as calculated above. All amounts expended by the management company above the fee are not required to be repaid, and, consequently, are recorded as “Other Revenue” to the School in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance – Government Fund.

7. CONTINGENCES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$ 1,014,528	\$ 1,025,000	\$ 1,098,588	\$ 73,588
Other Revenue	210,472	555,750	491,492	(64,258)
Total Revenues	<u>1,225,000</u>	<u>1,580,750</u>	<u>1,590,080</u>	<u>9,330</u>
EXPENDITURES				
Instruction	316,000	690,000	670,972	19,028
Pupil Personnel Services	56,000	65,000	61,868	3,132
Instructional Staff Training Services	7,200	40,000	82,454	(42,454)
Board	12,200	15,000	1,327	13,673
School Administration	482,000	400,000	401,372	(1,372)
Facilities Acquisition and Construction	269,300	230,000	179,582	50,418
Operation of Plant	55,000	95,000	107,989	(12,989)
Maintenance of Plant	5,000	30,000	52,886	(22,886)
Total Expenditures	<u>1,202,700</u>	<u>1,565,000</u>	<u>1,558,450</u>	<u>6,550</u>
Net Changes in Fund Balance	22,300	15,750	31,630	15,880
Fund Balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 22,300</u>	<u>\$ 15,750</u>	<u>\$ 31,630</u>	<u>\$ 15,880</u>

See report of independent auditors.



Report of Independent Auditors 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 of Life Skills Center Orange County, Inc.,
a Charter School and Component Unit of the District
School Board of Orange County, Florida

We have audited the financial statements of the governmental activities and the major fund of Life Skills Center Orange County, Inc. (the "School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 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 opinions 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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal 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 School'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 and its operation 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 basic 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the School, the District School Board of Orange County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 29, 2008

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL
CHAPTER 10.850
*AUDITS OF CHARTER SCHOOLS AND SIMILAR ENTITIES***



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Board of Directors of Life Skills Center Orange County, Inc.,
a Charter School and Component Unit of the District
School Board of Orange County, Florida

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Life Skills Center Orange County, Inc. (the "School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (the "conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.

Section 10.855(10), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we have applied financial condition assessment procedures as of June 30, 2008, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

This communication is intended solely for the information and use of the Board of Directors, management and others within Life Skills Center Orange County, Inc., and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 29, 2008

**LIFE SKILLS CENTER ORANGE COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**RECOMMENDATIONS TO IMPROVE COMPLIANCE, INTERNAL CONTROL
AND THE FINANCIAL REPORTING PROCESS**

June 30, 2008

There are no findings or recommendations in the current year.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Fiscal 2008 was the School's first year of formal operations as a charter school; therefore, there were no prior year findings or recommendations.