



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

**JUNE 30, 2008**

## CONTENTS

	<u>Page</u>
<b>Management's Discussion and Analysis</b>	1 - 5
<b>Report of Independent Auditors on Basic Financial Statements and Supplementary Information</b>	6 - 7
<b>Basic Financial Statements:</b>	
Statement of Net Assets	8
Statement of Activities	9
Balance Sheet - Governmental Fund	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	13
Notes to the Basic Financial Statements	14 - 20
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule - General Fund	21
<b>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 <i>Government Auditing Standards</i></b>	22 - 23
<b>Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities:</i></b>	
Management Letter	24 - 26

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

The discussion and analysis of the Life Skills Center Polk 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.

**Financial Highlights**

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$147,545 (net assets). This is a decrease from the prior year, when assets of the School exceeded its liabilities by \$177,553.

Revenues from state and local sources increased 13% (\$316,159), while revenues from Federal sources decreased 100% (\$111,785) for a net decrease in revenues of 16% (\$427,944). Expenses correspondingly decreased 16% (\$415,190). The change is primarily due to changes in enrollment.

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

**Net Assets**

Table 1 provides a comparative summary of the School's net assets for fiscal years 2008 and 2007.

(Table 1)  
**Net Assets**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 176,575	\$ 453,221	\$ (276,646)
Capital Assets, net	<u>50,213</u>	<u>118,133</u>	<u>(67,920)</u>
Total Assets	<u><u>\$ 226,788</u></u>	<u><u>\$ 571,354</u></u>	<u><u>\$ (344,566)</u></u>
<b>Liabilities</b>			
Current Liabilities	<u><u>\$ 79,243</u></u>	<u><u>\$ 393,801</u></u>	<u><u>\$ (314,558)</u></u>
<b>Net Assets</b>			
Invested in Capital Assets	\$ 50,213	\$ 118,133	\$ (67,920)
Restricted	2,460	2,460	-
Unrestricted	<u>97,332</u>	<u>56,960</u>	<u>40,372</u>
Total Net Assets	<u><u>\$ 150,005</u></u>	<u><u>\$ 177,553</u></u>	<u><u>\$ (27,548)</u></u>

The decreases in Current Assets and Current Liabilities are directly related to the timing of payments for management fees at year end. Net capital assets decreased primarily as a result of depreciation expense in excess of capital asset purchases in the current year.

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

**Change in Net Assets**

Table 2 shows the comparative changes in net assets between fiscal year 2008 and 2007, as well as a listing of revenues and expenses.

(Table 2)  
**Change in Net Assets**

	<b>2008</b>	<b>2007</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
State and Local Sources	\$ 2,210,846	\$ 2,527,005	\$ (316,159)
Federal Sources	-	111,785	(111,785)
Total Revenues	<u>2,210,846</u>	<u>2,638,790</u>	<u>(427,944)</u>
<b>Expenses</b>			
Instruction	1,001,787	857,128	144,659
Pupil Personnel Services	165,848	146,773	19,075
Instructional Staff Training Services	71,731	61,972	9,759
Board	28,413	25,043	3,370
School Administration	551,659	1,200,724	(649,065)
Facilities Acquisition and Construction	228,348	219,106	9,242
Operation of Plant	127,200	121,319	5,881
Maintenance of Plant	65,868	23,979	41,889
Total Expenses	<u>2,240,854</u>	<u>2,656,044</u>	<u>(415,190)</u>
Change in Net Assets	<u>\$ (30,008)</u>	<u>\$ (17,254)</u>	<u>\$ (12,754)</u>

Total revenues decreased because of a slight decrease in enrollment and because no federal monies were received during the current fiscal year. Total expenses decreased correspondingly. Last year expenses related to professional consulting services included as "School Administration" were considerably higher. In fiscal year 2008, revenues and expenses primarily reflect student-related and ongoing activities, thereby requiring no monetary contribution by the management company. See Note 7 to the financial statements.

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

**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.

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 \$94,872.

**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 \$101,420 carryover to the following year. Actual results produced a carryover in the general fund of \$97,332.

**Capital Assets**

At the end of fiscal year 2008 the School had \$203,758 invested in computer software. Table 3 shows comparative balances of capital assets for fiscal years 2008 and 2007.

(Table 3)  
**Capital Assets**  
(Net of Depreciation and Amortization)

	<b>2008</b>	<b>2007</b>	<b>Increase (Decrease)</b>
Audio Visual Materials	\$ 2,186	\$ 9,443	\$ (7,257)
Computer Software	48,027	108,690	(60,663)
Totals	\$ 50,213	\$ 118,133	\$ (67,920)

For more information on capital assets, see Note 4 in the Notes to the Basic Financial

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

**Current Financial Issues**

As explained more fully in Note 7 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 Polk 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 third year of operation, the Company did not provide any additional support to the School. With continued increases in enrollment and the absence of upfront capital investments in the facility, it is not anticipated that the School will require 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 Polk County, Inc., 407 East Memorial Boulevard, Lakeland, FL 33801.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

We have audited the accompanying financial statements of the governmental activities and the major fund of Life Skills Center Polk County, Inc. (the “School”), a charter school and component unit of the District School Board of Polk 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 Polk 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 25, 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 - 5 and the budgetary comparison schedule on page 21 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 25, 2008

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

	<u><b>Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
<b>Cash and Cash Equivalents</b>	\$ 176,575
<b>Capital Assets:</b>	
Audio Visual Materials	21,770
Less Accumulated Depreciation	(19,584)
Computer Software	181,988
Less Accumulated Amortization	<u>(133,961)</u>
<b>Total Assets</b>	<b><u><u>\$ 226,788</u></u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
<b><u>LIABILITIES</u></b>	
Accounts Payable	\$ 38,425
Due to Management Company	<u>40,818</u>
<b>Total Liabilities</b>	<b><u>79,243</u></b>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets	50,213
Unrestricted Net Assets	<u>97,332</u>
<b>Total Net Assets</b>	<b><u>147,545</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 226,788</u></u></b>

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

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

<b>FUNCTIONS</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Governmental Activities:</b>	<b>Expenses</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities</b>
Instruction	\$ 1,001,787	\$ -	\$ (1,001,787)
Pupil Personnel Services	165,848	-	(165,848)
Instructional Staff Training Services	71,731	-	(71,731)
Board	28,413	-	(28,413)
School Administration	551,659	-	(551,659)
Facilities Acquisition and Construction	228,348	-	(228,348)
Operation of Plant	127,200	-	(127,200)
Maintenance of Plant	65,868	-	(65,868)
<b>Total Governmental Activities</b>	<b>\$ 2,240,854</b>	<b>\$ -</b>	<b>(2,240,854)</b>
<b>General Revenues:</b>			
FEFP			2,210,846
<b>Total General Revenues</b>			<b>2,210,846</b>
<b>Change in Net Assets</b>			<b>(30,008)</b>
Net Assets-Beginning			177,553
<b>Net Assets-Ending</b>			<b>\$ 147,545</b>

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

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

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 176,575
<b>Total Assets</b>	<u><u>\$ 176,575</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 38,425
Due to Management Company	<u>40,818</u>
<b>Total Liabilities</b>	<u>79,243</u>
 <b>FUND BALANCE</b>	
Unreserved	<u>97,332</u>
<b>Total Fund Balance</b>	<u>97,332</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 176,575</u></u>

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

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

<b>Total fund balance - governmental fund</b>	<b>\$ 97,332</b>
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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.	<u>50,213</u>
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<b>Total net assets - governmental activities</b>	<b><u><u>\$ 147,545</u></u></b>
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The accompanying notes to financial statements are an integral part of this statement.

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

	<b>General Fund</b>
<b>REVENUES</b>	
State and Local Sources	\$ 2,210,846
Total Revenues	2,210,846
<b>EXPENDITURES</b>	
Instruction	941,124
Pupil Personnel Services	165,848
Instructional Staff Training Services	64,474
Board	28,413
School Administration	551,659
Facilities Acquisition and Construction	228,348
Operation of Plant	127,200
Maintenance of Plant	65,868
Total Expenditures	2,172,934
<b>Net Changes in Fund Balance</b>	37,912
<b>Fund Balance, July 1, 2007</b>	59,420
<b>Fund Balance, June 30, 2008</b>	\$ 97,332

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

**LIFE SKILLS CENTER POLK 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** **\$ 37,912**

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. This is the amount by which depreciation expense exceeded capital outlays in the current period.

(67,920)

**Change in net assets of governmental activities** **\$ (30,008)**

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

**LIFE SKILLS CENTER POLK 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 Polk 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 7.

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 Polk County (the District). The current charter is effective until June 30, 2009 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, ten-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 POLK 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 POLK 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.

**LIFE SKILLS CENTER POLK 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 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 \$2,210,846.

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 capital assets are recorded on the accompanying Statement of Net Assets at cost (\$203,758), net of accumulated depreciation (\$153,545) for a net book value of \$50,213. Depreciation is computed by the straight-line method over three years for Audio Visual Materials and Computer Software.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 7).

**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 capital assets, net of accumulated depreciation, restricted net assets and unrestricted net assets.

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

**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, \$76,738 of the School's bank balance of \$176,738 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.

**4. CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2008, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets Being Depreciated:</b>				
Audio Visual Materials	\$ 21,770			\$ 21,770
Computer Software	<u>181,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>181,988</u>
<b>Total Capital Assets Being Depreciated</b>	<u>203,758</u>	<u>-</u>	<u>-</u>	<u>203,758</u>
<b>Less Accumulated Depreciation:</b>				
Audio Visual Materials	(12,327)	(7,257)		(19,584)
Computer Software	<u>(73,298)</u>	<u>(60,663)</u>	<u>-</u>	<u>(133,961)</u>
<b>Total Accumulated Depreciation</b>	<u>(85,625)</u>	<u>(67,920)</u>	<u>-</u>	<u>(153,545)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>\$ 118,133</u>	<u>\$(67,920)</u>	<u>\$ -</u>	<u>\$ 50,213</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:

Instruction	\$ 60,663
Instructional Staff Training Services	<u>7,257</u>
Total governmental activities depreciation expense	<u>\$ 67,920</u>

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

**5. 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><b>2008</b></u>
Florida Education Finance Program	\$ 1,798,590
Class Size Reduction	157,763
Discretionary Millage	100,892
Transportation	99,696
Instructional Materials	36,684
Discretionary Lottery Funds	<u>17,221</u>
Total Revenues	<u><u>\$ 2,210,846</u></u>

**6. 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 7).

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

**7. 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 was renewed for an additional year ending June 30, 2009. The term coincides with the School's charter 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 terms and conditions attached to the grants, if any."

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

**7. AGREEMENT WITH WHLS (Continued)**

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 \$2,033,979. 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. Amounts owed to the management company under this agreement as of June 30, 2008 totaled \$40,818.

During the year ended June 30, 2008, WHLS did not expend 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. Amounts expended by the management company above the fee, if any, are not required to be repaid, and, consequently, would be 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.

**8. 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 POLK 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>
<b>REVENUES</b>				
State and Local Sources	\$ 1,507,822	\$ 2,400,000	\$ 2,210,846	\$ (189,154)
Total Revenues	<u>1,507,822</u>	<u>2,400,000</u>	<u>2,210,846</u>	<u>(189,154)</u>
<b>EXPENDITURES</b>				
Instruction	582,778	1,060,000	941,124	118,876
Pupil Personnel Services	45,260	175,000	165,848	9,152
Instructional Staff Training Services	-	55,000	64,474	(9,474)
Board	29,000	30,000	28,413	1,587
School Administration	428,163	595,000	551,659	43,341
Facilities Acquisition and Construction	240,000	240,000	228,348	11,652
Operation of Plant	152,000	135,000	127,200	7,800
Maintenance of Plant	<u>15,000</u>	<u>68,000</u>	<u>65,868</u>	<u>2,132</u>
Total Expenditures	<u>1,492,201</u>	<u>2,358,000</u>	<u>2,172,934</u>	<u>185,066</u>
<b>Net Changes in Fund Balance</b>	15,621	42,000	37,912	(4,088)
<b>Fund Balance, July 1, 2007</b>	<u>59,420</u>	<u>59,420</u>	<u>59,420</u>	<u>-</u>
<b>Fund Balance, June 30, 2008</b>	<u>\$ 75,041</u>	<u>\$ 101,420</u>	<u>\$ 97,332</u>	<u>\$ (4,088)</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 Polk County, Inc.,  
a Charter School and Component Unit of the District  
School Board of Polk County, Florida

We have audited the financial statements of the governmental activities and the major fund of Life Skills Center Polk County, Inc. (the “School”), a charter school and component unit of the District School Board of Polk 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 25, 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 Polk 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 25, 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

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

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Life Skills Center Polk County, Inc. (the "School"), a charter school and component unit of the District School Board of Polk 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 Polk 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 25, 2008

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

**RECOMMENDATION 1:**

Consistent with the recommendations outlined in the School's charter contract, we recommend the Board of Directors and management devise a plan to increase the unreserved fund balance within the general fund in relation to general fund revenues to a 2.5% level.

As of June 30, 2008, the ratio of unreserved fund balance within the general fund to general fund revenues exceeds 4.2%.