

OAKLAND AVENUE CHARTER SCHOOL

FINANCIAL STATEMENTS AND AUDIT REPORT

JUNE 30, 2008

**OAKLAND AVENUE CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2008**

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INDEPENDENT AUDITORS' REPORT

School Advisory Council and
the Town Commission
Oakland, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oakland Avenue Charter School (the "School"), which is included in the operations of the Town of Oakland, Florida (the "Town") as a special revenue fund, 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 Oakland Avenue Charter 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 opinions.

As discussed in Note 1, the financial statements of the Oakland Avenue Charter School (Special Revenue Fund of the Town), are intended to present the financial position, and the changes in financial position of only the transactions of the School as chartered by the Orange County District School Board. They do not purport to, and they do not, present fairly the financial position of the Town as a whole and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Oakland Avenue Charter 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 25, 2008 on our consideration of the Oakland Avenue Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the major fund budgetary comparison information as listed in the table of contents, 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, consisting principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Lashley, Seland & Rotroff, P.A.
September 25, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Oakland Avenue Charter School (the “School”) presents management’s discussion and analysis of the School’s financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the School’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School’s total net assets increased \$521,804 or 58% compared to the prior year. This was primarily due to a decrease in liabilities at June 30 and in purchases of capital assets during the year.
- Overall, revenues increased by \$193,921 or 5% primarily due again to the increased state and local funding.
- Expenses (instruction and related services, food services, rent and other) increased \$62,802 or 1.8% during fiscal year 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School’s operations and in the case of the statement of revenues, expenditures and changes in fund balances in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor’s report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School’s financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and content of each of the statements.

	Fund Statements	
	Government-wide Statements	Governmental Funds
Scope	Entire School	The activities of the School governed by governmental accounting.
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

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 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 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 – is one way to measure the School’s financial condition. Over time, increases or decreases in the School’s net assets are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors such as changes in the School’s student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of 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.

- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant fund, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has one kind of fund:

- *Governmental funds* – the School's basic services are included in the governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. This information does not encompass the additional long-term focus of the government-wide statements.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets increased from fiscal year 2007 to 2008 (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Current and other assets	\$ 1,035,094	\$ 939,684	\$ 95,410
Accounts receivable	271,603	81,635	189,968
Capital assets, net	<u>197,699</u>	<u>150,269</u>	<u>47,430</u>
Total assets	<u>1,504,396</u>	<u>\$ 1,171,588</u>	<u>332,808</u>
Current and other liabilities	85,693	\$ 274,689	\$ (188,996)
Long-term liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>85,693</u>	<u>274,689</u>	<u>(188,996)</u>
Net assets:			
Invested in capital assets, net of related debt	313,145	226,117	87,028
Unrestricted	1,105,558	661,977	443,581
Restricted	<u>-</u>	<u>8,805</u>	<u>(8,805)</u>
Total net assets	<u>\$ 1,418,703</u>	<u>\$ 896,899</u>	<u>\$ 521,804</u>

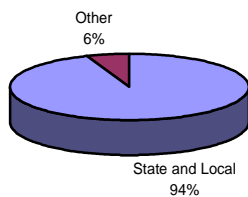
Current and other assets increased due to an increase in cash and cash equivalents, which was primarily the result of increased capital outlay funding during June 30, 2008. The increase in capital assets is primarily due to capital expenditures exceeding depreciation expensed during FY2008. The decrease in liabilities is due to the payment of debt to other funds in the Town of Oakland during June 30, 2008. The increase in net assets is due to revenue exceeding expenses, increased capital assets and lower liabilities.

Change in Net Assets

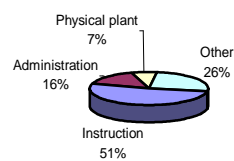
The School's total revenues increased by 5% to \$4,160,372 and the total cost of all programs and services increased by 1.8% to \$3,638,568 (see table below).

	Governmental Activities		Increase
	2008	2007	(Decrease)
Revenues:			
State and local sources	\$ 3,913,230	\$ 3,768,243	\$ 144,987
Other revenue	247,142	198,208	48,934
Total revenues	4,160,372	3,966,451	193,921
Expenses:			
Instruction and instruction-related services	1,891,240	1,802,722	88,518
School administration	566,306	645,776	(79,470)
Pupil transportation services	34,547	49,880	(15,333)
Operation and maintenance of plant	249,952	310,297	(60,345)
Food services	88,801	35,188	53,613
Rent	706,345	670,394	35,951
Other	101,377	61,509	39,868
Total expenses	3,638,568	3,575,766	62,802
Change in net assets	\$ 521,804	\$ 390,685	\$ 131,119

2008 Revenues



2008 Expenses



Revenues from state and local sources constitute 94% of total revenues and increased primarily due to continued capital outlay funding.

Although expenses increased the Budget was monitored and watched extremely closely resulting in only a minor increase of 1.8%.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$1,192,003.

General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances.
- Changes made to account for decrease in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

With these adjustments, actual revenues were up \$235,705 against budget, which represents a budget variance of 6%. Actual expenditures were \$3,685,998, which represents a variance against budget of 2.2%. Since we monitor the revenues and expenses monthly we are able to adjust the budget to stay within tolerable limits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008, the School had invested \$87,028 in a broad range of capital assets, including HVAC equipment and work on the media room (See Note 2). This represents a net increase of \$75,634, or 664%, over last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2008, the School considered steady student enrollment and an increase in salaries to be competitive with local schools.

Amounts estimated and available for appropriation are approximately \$3,378,853 at June 30, 2008. FEFP revenue is subject to the state legislature, which may make cuts.

Budgeted expenditures are expected to rise less than 1% for the final 9 budget. Due to the fact that % of the funding comes from and is tied to FTE student equivalent budget adjustments, revisions to the budget will be presented to the School Advisory Council to stay within budget allocations as they relate to FTE and Capital dollars estimated to be received throughout the year. Additionally, staff shall monitor the Florida Legislature and Orange County Public School Board for any proposed further reductions.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the Town's administrative offices at 220 North Tubb Street, Oakland, Florida 34760.

**OAKLAND AVENUE CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS

Cash and cash equivalents	\$ 1,035,094
Accounts receivable	271,603
Capital assets being depreciated, net	<u>197,699</u>
Total assets	<u>\$ 1,504,396</u>

LIABILITIES

Accounts payable	\$ 78,795
Accrued expenses	<u>6,898</u>
Total liabilities	<u>85,693</u>

NET ASSETS

Invested in capital assets	313,145
Unrestricted	<u>1,105,558</u>
Total net assets	<u>1,418,703</u>
Total liabilities and net assets	<u>\$ 1,504,396</u>

**OAKLAND AVENUE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Net Expense Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental Activities:				
Instructional services	\$ 1,599,159	\$ 114,640	\$ -	\$ 1,484,519
Rent	706,345	-	-	706,345
Instructional support services	292,081	-	-	292,081
Operation and maintenance of school	249,952	-	-	249,952
School administration	566,306	-	-	566,306
Student transportation	34,547	-	-	34,547
Food services	88,801	47,077	-	41,724
Other	<u>101,377</u>	<u>-</u>	<u>-</u>	<u>101,377</u>
Total	<u>\$ 3,638,568</u>	<u>\$ 161,717</u>	<u>\$ -</u>	<u>3,476,851</u>
General revenues:				
FTE non-specific revenues				3,362,239
Capital funds other than grants				440,015
A+ Revenue				57,750
Transportation				51,597
Miscellaneous revenue				<u>87,054</u>
Total general revenues				<u>3,998,655</u>
Changes in net assets				521,804
Net assets – beginning				<u>896,899</u>
Net assets – ending				<u>\$ 1,418,703</u>

The accompanying notes are an integral part of these financial statements.

**OAKLAND AVENUE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS

Cash and cash equivalents	\$ 1,035,094
Accounts receivable	<u>242,603</u>
Total assets	<u>\$ 1,277,697</u>

LIABILITIES

Accounts payable	\$ 78,796
Accrued expenses	<u>6,898</u>
Total liabilities	<u>85,694</u>

FUND BALANCES

Unrestricted	<u>1,192,003</u>
Total fund balances	1,192,003

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

Accounts receivable used in governmental activities which are not Collectible within 60 days and, therefore are not reported in the fund	29,000
Capital assets (net) used in governmental activities are not financial resources and, therefore are not reported in the fund	<u>197,700</u>
Net assets of governmental activities	<u>\$ 1,418,703</u>

**OAKLAND AVENUE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

REVENUES

State and local sources	\$ 4,046,863
Other sources	<u>137,143</u>
Total revenues	<u>4,184,006</u>

EXPENDITURES

Current:	
Instructional services	1,599,159
Rent	706,342
Instructional support services	292,081
Operations and maintenance	210,357
Administration	566,306
Transportation	34,547
Food services	88,801
Other	101,377
Capital outlay	<u>87,028</u>
Total expenditures	<u>3,685,998</u>
Excess of revenues over expenditures	<u>498,008</u>
Net change in fund balance	498,008
Fund balances – beginning	<u>693,995</u>
Fund balances – ending	<u><u>\$ 1,192,003</u></u>

The accompanying notes are an integral part of these financial statements.

**OAKLAND AVENUE CHARTER SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

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

Net change in fund balance – total governmental funds (page12)	\$ 498,008
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Accounts receivables that will not be collected in 60 days and, therefore excluded from revenue for governmental funds.	29,000
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Governmental funds record accounts receivable to be received within 60 days, but the prior year recorded \$52,635 for account receivables that were not received until this fiscal year for governmental purposes.	(52,635)
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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 capital outlays exceeded depreciation in the current period.	<u>47,430</u>
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Change in net assets of governmental activities	<u>\$ 521,803</u>
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**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oakland Avenue Charter School (the "School") is organized pursuant to Chapter 617, Florida Statutes and Section 1002.33, Florida Statutes. The School is included in the financial operations of the Town of Oakland, Florida (the "Town"), which is the charter holder of the School. The governing body of the School is the Town of Oakland Commission's School Advisory Council consisting of seven members (the "Commission"). The financial information presented is that of the School only. The School is presented in the Town's basic financial statements as a separate special revenue fund. A copy of the basic financial statements may be obtained from the Town.

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, Florida (the "School Board"). The current charter is effective until June 30, 2016, and may be renewed every fifteen years with an anticipated term, including renewals, of at least twenty-five years. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In the case of termination or non-renewal, the School may be dissolved and any unencumbered property and improvements purchased with those funds shall revert back to full ownership of the School Board. In addition, School property purchased with Town funds and/or grants from private organizations shall remain property of the Town. The Town is also responsible for all debts of the School. During the term of the charter, the District may also terminate the charter if good cause is shown.

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

Basis of Presentation

The financial statements of the School have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented. 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.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide financial statements of the School are generally divided into three categories:

- 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.
- Business-type activities – in certain instances, the School may charge fees to help it cover the cost of certain services it provides. The School currently has no business-type activities.
- Component units – there currently are no component units included within the reporting entity of the School.

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, expenditures and other financial sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. A general fund used to account for all financial resources not required to be accounted for in another fund is the only fund used in these financial statements and it is considered a major fund.

Basis of Accounting

The Schools’ 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.

The Schools’ 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 fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues, if applicable, of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

Budgetary Basis Accounting

Budgets are presented on the cash basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Deposits

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and are collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Receivables

All receivables are considered to be collectible. No allowance for uncollectible is recorded.

Capital Assets and Depreciation

Capital assets, which include improvements other than building and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Improvements other than building	5-50
Machinery and equipment	3-10

During the fiscal year ended June 30, 2008, the School was awarded approximately \$440,015 from the Orange County School Board to be used for any lawful capital outlay expenditure. In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Orange County School Board upon the non-renewal or termination of the charter agreement.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

There was no accrual for compensated absences at June 30, 2008, because the amounts were minimal and because the School does not operate with a year-round staff and teachers and seasonal employees are paid any accrued benefits at June 30 of each year.

Equity Classifications

Equity for government-wide financial statements is classified as net assets and displayed in three components:

- a. **Invested in capital assets** – Consists of capital assets, which are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net assets** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. When both restricted and unrestricted resources are available for use, it is the School’s policy to use unrestricted resources first, and then restricted resources, as they are needed for their intended purposes. The School had did not have restricted assets at June 30, 2008.
- c. **Unrestricted net assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Revenue Sources

Revenues for current operations are received primarily from the District School Board of Orange County, Florida pursuant to the funding provisions included in the School’s charter. In accordance with the 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 School Board. Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (“FEFP”). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee (approximately \$156,900 for the fiscal year ended June 30, 2008) from the School, which is reflected as a school administration expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School may receive federal, state or private 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 awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. The School received a \$6,000 award for the fiscal year ended June 30, 2008.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollments during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, the unspent portion is reflected as restricted/reserved fund balance in the accompanying statements of net assets and balance sheet – governmental fund. During fiscal year ended June 30, 2008, the School recorded restricted assets of \$0 on a government-wide basis and for governmental funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 2. CAPITAL ASSETS

The following is a summary of changes:

Description	Governmental Funds Capital Assets June 30, 2007	Additions	Deletions	Governmental Funds Capital Assets June 30, 2008
Capital assets depreciated:				
Furniture, fixtures and equip.	\$ 115,502	\$ 78,295	\$ -	\$ 193,797
Audio visual equipment	3,987	8,733	-	12,720
Improvements other than bldg.	12,247	-	-	12,247
Information technology equipment/software	<u>94,381</u>	<u>-</u>	<u>-</u>	<u>94,381</u>
Total assets depreciated	<u>226,117</u>	<u>\$ 87,028</u>	<u>\$ -</u>	<u>313,145</u>
Less: accumulated depreciation				
Furniture, fixtures and equip.	34,126	18,387	-	52,513
Audio visual equipment	2,280	820	-	3,100
Improvements other than bldg.	4,382	1,722	-	6,104
Information technology equipment/software	<u>35,060</u>	<u>18,669</u>	<u>-</u>	<u>53,729</u>
Total accumulated deprec.	<u>75,848</u>	<u>\$ 39,598</u>	<u>\$ -</u>	<u>115,446</u>
 Total governmental activities capital assets, net	 <u>\$ 150,269</u>			 <u>\$ 197,699</u>

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 3. REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
School District of Orange County, Florida:	
FTE generated funds	\$ 2,294,302
ESE guaranteed allocation	92,499
Discretionary lottery	25,547
Discretionary millage	203,365
Discretionary equalization .25 mils	-
Compression adjustment .51 , mils	16,409
Safe schools	15,216
Instructional materials	53,990
SAI	135,299
Class size reduction	525,612
Instructional technology	-
Teacher training	-
Transportation	-
Total	<u>\$ 3,362,239</u>

The administration fee paid to the School Board during the year ended June 30, 2008, totaled approximately \$156,900, which is reflected as a school administration expenditure in the accompanying statement of activities and in fiscal services on the accompanying statement of revenues, expenditures and changes in fund balances – governmental funds.

NOTE 4. RISK MANAGEMENT

Workers' compensation coverage, health and hospitalization, general liability, professionally liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

The Town of Oakland advanced approximately \$225,000 to the School for pre-opening expenses. During the year ended June 30, 2008, the School repaid this amount to the Town.

The School may from time to time participate in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 4. RISK MANAGEMENT (continued)

Credit risk on bank deposits is the risk that in the event of bank failure, the School's deposits may not be returned. As of June 30, 2008, \$935,094 of the School's bank balance of \$1,035,094 was exposed to credit risk. The balance was uninsured and 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.

The School has invoiced the District for approximately \$29,000 for school lunch money, which is recorded in the receivables due the School on the accompanying financial statements. To date, the School has not collected the lunch money and negotiations continue, however, management of the School believes they will be successful in collecting the money.

In the normal course of conducting operations, the School may become party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on financial operations. As of June 30, 2008, management of the School knows of no legal actions or proceedings pending against the School.

The School pays rent for their campus to the Town based on the total debt service requirements of the debt issued by the Town to purchase the land and construct the School. The School's FTE revenue and certain other revenue from the District are first paid to the trustee of the debt who deducts the debt service payments from the revenue prior to forwarding it to the School. Since the debt is the obligation of the Town the payments are treated as rental expense for the School. For the fiscal year ended June 30, 2008, rent expense was \$706,345, of which approximately \$440,000 was reimbursed through capital outlay funds.

**OAKLAND AVENUE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

NOTE 4. RISK MANAGEMENT (continued)

The approximate minimum future rentals to be paid to the Town are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2009	652,718
2010	654,030
2011	649,821
2012	647,555
2013-2017	3,256,544
2018-2022	3,253,751
2023-2027	3,256,627
2028-2032	3,156,627
2033-2034	<u>754,373</u>
	<u>\$ 16,282,046</u>

At the end of the term of the charter, including renewals, if any, possession of the School facilities will revert to the Town who will be liable for future payments.

REQUIRED SUPPLEMENTARY INFORMATION

**OAKLAND AVENUE CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget- Positive <u>(Negative)</u>
Revenues:				
State and local sources	\$ 3,534,535	\$ 3,333,239	\$ 3,795,187	\$ 461,948
Other revenue	61,000	363,386	137,143	(226,243)
Capital outlay	<u>200,000</u>	<u>251,676</u>	<u>251,676</u>	<u>-</u>
Total revenue	<u>3,795,535</u>	<u>3,948,301</u>	<u>4,184,006</u>	<u>235,705</u>
Expenditures:				
Current:				
Instruction, instruction-related services and other	2,161,505	1,845,063	1,992,623	147,560
School administration	505,105	631,033	566,306	(64,727)
Pupil transportation services	72,824	34,547	34,547	-
Operation and maintenance of plant	243,660	216,179	212,556	(3,623)
Food service	101,333	87,720	88,801	1,081
Rent	711,108	704,137	704,137	-
Capital outlay	<u>-</u>	<u>88,523</u>	<u>87,028</u>	<u>(1,495)</u>
Total expenditures	<u>3,795,535</u>	<u>3,607,202</u>	<u>3,685,998</u>	<u>78,796</u>
Net changes in fund balance	-	341,099	498,008	156,909
Fund balance at beginning of year	<u>693,995</u>	<u>693,995</u>	<u>693,995</u>	<u>-</u>
Fund balance at end of year	<u>\$ 693,995</u>	<u>\$ 1,035,094</u>	<u>\$ 1,192,003</u>	<u>\$ 156,909</u>

**OAKLAND AVENUE CHARTER SCHOOL
 NOTES TO BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The School’s budget is prepared on the cash basis of accounting. The amount reported as “net change in fund balance” on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. The amount differs from the “net change in fund balance” reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds on page 12. That statement is prepared on 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 collected within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the change in fund balance per budgetary basis to the change in fund balance per the modified accrual basis.

Net change in fund balance, budgetary basis	\$ 341,099
Receivables at June 30, 2008	242,603
Payables at June 30, 2008	<u>(85,694)</u>
Net change in fund balance, modified accrual basis	<u>\$ 498,008</u>

**INDEPENDENT AUDITORS' 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***

School Advisory Council and
the Town Commission
Oakland, Florida

We have audited the basic financial statements of the Oakland Avenue Charter School, as of and for the year ended June 30, 2008, 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 Oakland Avenue Charter 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 Oakland Avenue Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Oakland Avenue Charter School's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 Oakland Avenue Charter 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 Oakland Avenue Charter School's financial statements that is more than inconsequential will not be prevented or detected by the Oakland Avenue Charter 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 Oakland Avenue Charter School's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oakland Avenue Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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, the Town Commission, School Advisory Council, the Orange County District School Board, the Auditor General of the State of Florida, and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Florida law, this report is a matter of public record and its distribution is not limited.

September 25, 2008

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

MANAGEMENT LETTER

Honorable School Advisory Council and
Town Commission

We have audited the financial statements of the Oakland Avenue Charter School as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated September 25, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards; and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over financial reporting, which is dated September 25, 2008.

Additionally, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- Section 10.856(2)(b)2., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in preceding annual financial audit reports. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Oakland Avenue Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires that we provide the name or official title of the school. The official name of the charter school is the Oakland Avenue Charter School.
- Section 10.854(1)(e)7., Rules of the Auditor General, requires that a statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.855(10). We applied the financial condition assessment procedures pursuant to Rule 10.855(10) and 218.39(5), Florida Statutes and found no deteriorating conditions.

This report is intended solely for information and use by the Town Commission, School Advisory Council, management of the School and others within the Oakland Avenue Charter School and is not intended to be and should not be used by anyone other than these specified parties.

September 25, 2008