

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND
REGULATORY REPORTS**

JUNE 30, 2008

ValienteHernandez
P.A.



**CERTIFIED PUBLIC
ACCOUNTANTS**

**AUDITORS AND
CONSULTANTS**

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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**FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND
REGULATORY REPORTS**

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS **ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION** **AND OTHER SUPPLEMENTARY INFORMATION**

To the Board of Directors
USF Charter School, Inc. Charter 6605 K-3,
a Charter School and Component Unit of
the School District of Hillsborough County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of USF Charter School, Inc. Charter 6605 K-3 ("the School"), a Charter School and Component Unit of the School District of Hillsborough County, as of June 30, 2008 and for the year then ended, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As disclosed in Note 9 of the financial statements, on July 29, 2008 a resolution was passed to transfer operations of the School to the School District of Hillsborough County. Subsequently, the operation and management of the School has been reverted to the School District of Hillsborough County.



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Florida Institute of CPAs

Offices located in: Tampa / Tallahassee

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreement 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 the audit.

The accompanying required supplementary information, such as management's discussion and analysis on pages 3 through 7 and schedule of revenues, expenditures and changes – budget and actual for the General and Special Revenue Fund on pages 27 and 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and as such, express no opinion on them.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School taken as a whole. The accompanying Schedule of Revenues, Expenditures and Changes Budget and Actual – Capital Project Fund (page 29) and the Combined Statement of Net Assets and Combined Statement of Activities (pages 30 and 31) are presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

USF Charter School, Inc. Charter 6605 K-3 ("the School"), a Charter School and component unit of the School District of Hillsborough County, has prepared the following Management Discussion and Analysis (MD&A) to provide the reader with highlights of various financial and non-financial events of the past year. In addition, the analysis will provide the reader with the following information:

- A brief discussion of the basic financial statements, including how they relate to each other and the significant differences in information they provide.
- Condensed current and prior year financial information and a comparative analysis to discuss the reason for significant changes and factors that significantly affected current year operations.
- A review and analysis of individual fund financial information, including the reasons for significant changes in fund balances or net assets.
- An analysis of significant variations between original and final budget amounts and the actual results.
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations.

Because the information contained in the MD&A is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the School's basic financial statements found on pages 8 through 26.

BASIC FINANCIAL STATEMENTS – AN OVERVIEW:

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to basic financial statements

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the School presented on the accrual basis of accounting.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

BASIC FINANCIAL STATEMENTS – AN OVERVIEW (continued):

The statement of net assets provides information about the government's financial position, its net assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating

The government-wide statements present the School's activities in one category:

Government activities - This represents most of the School's services including its educational programs, which are basic and exceptional education. Support functions such as transportation, plant operation, and administration are also included. The state's education finance program provides most of the resources that support these activities.

Over a period of time, changes in the School's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's capital assets. Particularly, during the fiscal year 2006, the School allocated part of its prepaid portion of the University of South Florida lease to Charter School 6627 Intermediate 4-5, thus reducing the School's prepaid lease account and creating a "due from" account from Charter School 6627.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Law establishes certain funds while others are created by grant agreements, such as federal grants. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the School's funds may be classified in one broad category:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the government funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

BASIC FINANCIAL STATEMENTS – AN OVERVIEW (continued):

This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Accordingly, the governmental fund statement provides a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation of governmental funds to governmental activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS:

The School's net assets as of June 30, 2008 and 2007 are as follows:

	Primary Government		
	Government Activities		
	2008	2007	Change
Current and other assets	\$ 930,480	\$ 1,055,598	\$ (125,118)
Capital assets	198,733	203,638	(4,905)
Total assets	<u>1,129,213</u>	<u>1,259,236</u>	<u>(130,023)</u>
Total liabilities	<u>37,869</u>	<u>232,668</u>	<u>(194,799)</u>
Net assets:			
Invested in capital assets net of related debt, if any	198,733	16,972	181,761
Restricted	341,151	379,057	(37,906)
Unrestricted	551,460	630,539	(79,079)
Total net assets	<u>\$ 1,091,344</u>	<u>\$ 1,026,568</u>	<u>\$ 64,776</u>

Management Comments

- Total assets decreased by \$130,023 due primarily to a decrease in cash due to paying off the notes payable (see Note 6).
- Total liabilities decreased by \$194,799 due primarily to the payment of a \$280,000 loan payable to the USF Foundation. This loan payment has been allocated as \$186,666 and \$93,334 to Charter 6605 K-3 and Charter 6627 Intermediate 4-5 respectively.
- Net assets increased by \$64,776 in fiscal year 2008.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued):

The School's changes in net assets for the years ended June 30, 2008 and 2007 are as follows:

	Primary Government		
	Governmental Activities		
	2008	2007	Change
Revenues:			
Program revenues -			
Lunch money	\$ 2,578	\$ 3,340	\$ (762)
Title I	66,208	80,043	(13,835)
	<u>68,786</u>	<u>83,383</u>	<u>(14,597)</u>
General revenues -			
FEFP	877,186	825,599	51,587
Capital outlay	87,355	95,265	(7,910)
Other	28,563	43,860	(15,297)
	<u>993,104</u>	<u>964,724</u>	<u>28,380</u>
Total revenue	<u>1,061,890</u>	<u>1,048,107</u>	<u>13,783</u>
Program expenses:			
Charter school	<u>997,114</u>	<u>978,857</u>	<u>18,257</u>
Increase in net assets	<u>\$ 64,776</u>	<u>\$ 69,250</u>	<u>\$ (4,474)</u>

Management Comments

Total net assets increased this year by \$64,776. This was primarily due to state revenues exceeding expenditures.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS:

This section provides an analysis of the balances and transactions of individual funds, the reasons for significant changes in fund balances or fund net assets and whether there are any restrictions, commitments, or other limitations that could significantly affect the availability of fund resources for future use.

The General Fund balance decreased by \$103,293 as follows:

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (continued):

Income	\$ 908,329
Expenditures	<u>1,011,622</u>
Excess of revenues over expenditures	(103,293)
Balance, July 1, 2007	<u>328,999</u>
Balance, June 30, 2008	<u><u>\$ 225,706</u></u>

Income

As mentioned in the Government-wide Analysis, increasing income for the fiscal year ended June 30, 2008 was the result of an increase in FEFP funds.

Expenses

Expenditures for 2008 compared with 2007 increased by \$18,257 principally due to an increase in school administration expenditures.

Capital Assets and Long-Term Debt

- There was \$20,547 in additions to capital assets.
- Depreciation of furniture, fixtures, and capital assets was \$25,452.
- There is no long-term debt issued as of June 30, 2008.

BUDGET VARIANCE IN THE GENERAL FUND:

There was no significant variation between the final budget and actual amounts for revenues and expenditures.

SIGNIFICANT ECONOMIC FACTORS OR OTHER CONDITIONS:

In a meeting of the Board of Directors on July 16, 2007 it was decided that when application was made for the charter renewal a request would be made to merge the two charters into one. The USF Patel Charter School was notified that on May 20, 2008 the Hillsborough County School Board voted to renew the charter for a five year period, merging the two schools into a single school under site number 6605 beginning July 1, 2008. This event became moot when after considerable discussion, the Board of Directors of the USF Patel Charter School unanimously passed a resolution on July 29, 2008 to immediately commence collaborative negotiations with the Superintendent of the Hillsborough County School District (the School District) for the transfer of School operations. It was the consensus of the Board of Directors that such a transition would best protect the interests of the enrolled students and better allow for their needs. A transition was effected for the 2008-2009 school year. As a result, the operation and management of the USF Patel Charter School has become the exclusive responsibility of the School District. When the School District accepted responsibility for the USF Patel Charter School, employees of the USF Patel Charter School were required to reapply for their respective positions. The transfer of the USF Patel Charter School's net assets to the School District is in process.

BASIC FINANCIAL STATEMENTS

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 351,211
Prepaid lease (Notes 2 and 5)	341,151
Due from Charter 6627	227,683
Capital assets (Note 3)	198,733
Prepaid expenses and deposits	<u>10,435</u>
Total assets	<u>\$ 1,129,213</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Accounts payable	\$ 4,885
Accrued expenses	<u>32,984</u>
Total liabilities	<u>37,869</u>
Net assets:	
Invested in capital assets, net of related debt, if any	198,733
Restricted for -	
Amortization of prepaid lease (Note 2)	341,151
Unrestricted	<u>551,460</u>
Total net assets	<u>1,091,344</u>
Total liabilities and net assets	<u>\$ 1,129,213</u>

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

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue And Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions -				
Governmental activities:				
Instruction	\$ 558,841	\$ -	\$ 66,208	\$ (492,633)
Instructional staff training	7,310	-	-	(7,310)
Board	7,950	-	-	(7,950)
School administration	149,437	-	-	(149,437)
School district administrative fee	43,859	-	-	(43,859)
Fiscal services	11,208	-	-	(11,208)
Food services	10,538	2,578	-	(7,960)
Operation of plant	83,247	-	87,353	4,106
Facilities	52,342	-	-	(52,342)
Prepaid rent amortization expense	37,906	-	-	(37,906)
Interest payments	9,024	-	-	(9,024)
Unallocated depreciation expense	25,452	-	-	(25,452)
Total primary governmental activities	\$ 997,114	\$ 2,578	\$ 153,561	\$ (840,975)
General revenues:				
Grants/contributions not restricted to specific programs				894,220
Investment earnings				10,038
Miscellaneous				1,493
Total general revenues, extraordinary items, and transfers				905,751
Change in net assets				64,776
Net Assets - June 30, 2007				1,026,568
Net Assets - June 30, 2008				\$ 1,091,344

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

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

	General Fund	Special Revenue Fund	Public Education Capital Outlay (PECO)	Total Governmental Funds
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 329,347	\$ (2,078)	\$ 23,942	\$ 351,211
Prepaid lease (Notes 2 and 5)	-	-	341,151	341,151
Due from other agencies	-	2,078	5,928	8,006
Due from Charter 6627	-	-	227,683	227,683
Due from other funds	-	-	65,772	65,772
	\$ 329,347	\$ -	\$ 664,476	\$ 993,823
Total assets	\$ 329,347	\$ -	\$ 664,476	\$ 993,823
 <u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 4,885	\$ -	\$ -	\$ 4,885
Due to other funds	65,772	-	-	65,772
Accrued expenses	32,984	-	-	32,984
	103,641	-	-	103,641
Total liabilities	103,641	-	-	103,641
 Fund balances (Note 6):				
Reserved	-	-	664,476	664,476
Unreserved	225,706	-	-	225,706
	225,706	-	664,476	890,182
Total fund balances	225,706	-	664,476	890,182
Total liabilities and fund balances	\$ 329,347	\$ -	\$ 664,476	\$ 993,823

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

USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds \$ 890,182

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

Capital assets and deposits on utilities used in governmental activities
are not financial resources and therefore are not reported in the funds. 201,162

Total net assets - governmental activities \$ 1,091,344

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	General	Other Federal Programs	Public Education Capital Outlay (PECO)	Total Governmental Funds
Revenues:				
Federal through state	\$ -	\$ 66,208	\$ -	\$ 66,208
State sources	894,220	-	87,353	981,573
Interest income	10,038	-	-	10,038
Lunch money	2,578	-	-	2,578
Other	1,493	-	-	1,493
Total revenues	<u>908,329</u>	<u>66,208</u>	<u>87,353</u>	<u>1,061,890</u>
Expenditures:				
Current:				
Instruction	495,816	63,025	-	558,841
Instructional staff training	6,133	1,177	-	7,310
Board	7,950	-	-	7,950
School administration	147,431	2,006	-	149,437
School district administration fee	43,859	-	-	43,859
Fiscal services	11,208	-	-	11,208
Food services	10,538	-	-	10,538
Operation of plant	83,247	-	-	83,247
Facilities	-	-	52,342	52,342
Prepaid lease amortization	-	-	37,906	37,906
Debt service:				
Interest and principal payments	195,690	-	-	195,690
Capital outlay	9,750	-	10,797	20,547
Total expenditures	<u>1,011,622</u>	<u>66,208</u>	<u>101,045</u>	<u>1,178,875</u>
(Excess) of expenditures over revenues	(103,293)	-	(13,692)	(116,985)
Fund balance, beginning of the year	328,999	-	678,168	1,007,167
Fund balance, end of the year	<u>\$ 225,706</u>	<u>\$ -</u>	<u>\$ 664,476</u>	<u>\$ 890,182</u>

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

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ (116,985)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay additions and depreciation expense that exceeded capital outlay additions in the current period. (4,905)

Governmental funds report the payment of debt as an expenditure. This is the amount that was recorded as a reduction in the balance sheet on the government wide statements: 186,666

Change in net assets of governmental activities \$ 64,776

NOTES TO BASIC FINANCIAL STATEMENTS

USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

USF Charter School, Inc., a/k/a USF Patel Charter School, (herein referred to as “USF Patel”) was organized by the University of South Florida (herein referred to as “USF”) for the purpose of identifying and implementing educational approaches designed to meet the needs of young children at risk of academic failure. This school was among the first charter schools established by a public university. At inception, Charter 6605 was granted for lower grades; subsequently, Charter 6627 was granted for grades 4 and 5. The mission of USF/Patel is to prepare students, in partnership with parents, to read, write, and speak with clarity and precision and to develop competencies in mathematics and other subject areas important to life-long learning.

USF Patel incorporates diverse teaching and instructional methods, comprehensive curriculum, on-going assessment of student progress and parental outreach to accomplish its mission. USF Patel reported, on average, an enrollment of 208.5 unweighted full-time students for the 2007-2008 fiscal year, of which Charter 6605 accounted for 139.0. During fiscal year 2007-2008, Charter 6627 accounted for 69.5 full-time equivalent students in its overall enrollment.

The accounting policies of USF Patel, a component unit of the School District of Hillsborough County (herein referred to as “the District”), conform to accounting principles generally accepted in the United States of America as applicable to government units. Below is a summary of the more significant policies.

Reporting Entity

USF Patel, a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes (FS), the Florida Not For Profit Corporation Act, and Chapter 1002, FS, Students and Parental Rights and Educational Choices, operates under two charters approved by its sponsor, the District. The reporting entity consists of one such charter, Charter 6605 Grades K – 3 (herein referred to as “the School”).

The School’s governing body is the not-for-profit corporation’s Board of Directors. The number of directors shall be not less than three or more than eleven and can be changed by the Board so long as there are never fewer than three. For State of Florida reporting purposes, the School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board of the Financial Accounting Foundation (GASB), the recognized authority for governmental accounting in the United States of America, Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for 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 general purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The School is funded through a variety of sources, including the U.S. Department of Education, the Florida Department of Education through the District, and USF.

Allocation of Common Expenses

The School has specific revenues which are principally determined by a capitation arrangement (see “Revenue Sources” below and Note 4). Expenditures for capital outlays and those expenses that are specifically attributable to Grades K – 3 are recorded by the School. Expenses that affect both the School and Charter 6627 are allocated 2/3 to the School and 1/3 to Charter 6627 since the School operates four grades (K through 3) and Charter 6627 operates two grades (4 and 5). Expenses that are subject to allocation include, but are not limited to:

- Operations of plant
- Salaries and related expenses for the Principal, Office Manager, Art Instructor, Physical Education Instructor, ESE Instructor, and Custodian
- Maintenance of plant
- Rent—including amortization of the prepaid amount

The process of the allocation of common expenses takes place when the expenses are recorded based on a methodical and non-discriminatory basis.

Basis of Presentation

The School's basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and as prescribed by GASB, funds are reported on the modified accrual basis of accounting.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the School, presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating.

The government-wide statements present the School's activities in one category:

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental activities - This represents most of the School's services including its educational programs: basic and exceptional education. Support functions such as transportation and administration are also included. The state's education finance program provides most of the resources that support these activities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by grant agreements, such as federal grants. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types, which is in contrast to the entity-wide perspective contained in the government-wide statements. The School considers all of its funds to be major funds

All of the School's funds may be classified in one broad category:

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities. The School considers revenues collected within 60 days from year end to be available for revenue recognition in the governmental fund financial statements.

Budgets and Budgetary Accounting

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

Revenue Sources

The general operating authority of the School is contained in Section 1002.33 (formerly Section 228.056), FS. As previously mentioned, the School operates under a charter sponsored by the

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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

District. The current term of Charter 6605 expires June 30, 2009, and may be renewed in increments of three years by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Subsequent to June 30, 2008 the USF Patel Charter School Board of Directors voted unanimously to transition the operation of the School to the District (as described in Note 9).

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), FS, (formerly Section 228.056(14)), the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62 (formerly Section 236.081), FS, the District reports the number of full-time equivalent (FTE) 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 FEFP and the actual weighted FTE reported by the School during the designated FTE survey periods.

The basic amount of funding through the FEFP under Section 1011.62 (formerly Section 236.081), FS, is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. For the 2007-2008 school year the School reported 139.0 unweighted FTE and 146.432 weighted FT.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010, FS, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years after the completion of an FTE audit.

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e) FS, and Rule 6A-6.0341 1, FAC)

The School receives 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 that eligible expenditures have been incurred.

The School also receives state awards for capital outlay expenditures. The state grant award is based on an application submitted and approved by the state. Since a claim to the grant proceeds

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

is based upon incurring eligible expenditures, activity is recorded in the Public Education Capital Outlay (PECO) Fund.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted assets are available.

Under the terms of the various grants, any property, furnishings and equipment purchased with the District funds must be returned to the District if the contract for the School is terminated. If the charter expires and is not renewed or is terminated, any unencumbered funds from the School will revert to the District.

Cash and Cash Equivalents

All cash and cash investments are entirely collateralized by the financial institutions in which funds are held on deposit.

Cash and cash equivalents include demand deposits with banks and all highly liquid investments with maturities of one year or less. Cash equivalents are recorded at amortized cost, which approximates market value. The pooled amounts of cash and cash equivalents as of June 30, 2008 were \$86,316 and \$280,638 respectively, of which \$89,152 and \$262,059 pertain to the school.

On November 29, 2007 the Florida State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset backed commercial paper that was subject to subprime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the state Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, or had any significant credit and liquidity risk, which was approximately \$2 billion, or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B. Participants currently have unrestricted access to Pool A, but may not withdraw funds from Pool B until the SBA transfers them to Pool A. The School has \$243,715 in Pool A and \$18,344 in Pool B.

Amounts Due From or To Other Government Entities

The amounts due from primary governments, if any, represent amounts due from the District. Management has determined that the receivables are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2008.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Deposits and Investments

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

Investments consist of amounts placed in the Florida State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value.

General Capital Assets and Depreciation

Expenditures for general capital assets acquired for general purposes of the School are reported in the Governmental Funds that financed the acquisition; whereas, the general capital assets so acquired are capitalized (recorded) at cost in the Statement of Net Assets. Expenditures for repairs and maintenance are expensed in the period incurred. Expenditures for furniture, fixtures or equipment that significantly add to the productive capacity of the School are capitalized. Donated assets, if any, are recorded at fair market value at the date of donation. The depreciation of general capital assets is not recorded in the School's Governmental Funds. Depreciation is recorded as an expense in the Statement of Activities. Depreciation is provided over estimated useful lives (five to 10 years for furniture, fixtures and equipment) utilizing the straight-line method.

Income Taxes

The School is a not-for-profit organization exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these basic financial statements. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

Interfund Balances

The School pools all of its available cash in a general fund account and utilizes interfund receivables and payables to record the activity in all other funds. All interfund balances are expected to be repaid within one year of the financial statement date.

Use of Estimates

The preparation of basic 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Concentration of Revenue Sources

Almost 99% of the School's revenue is derived from grants from the federal government passed through the State of Florida Department of Education (which is renewed annually) and state and local funds passed through the District (which is renewable every five years). As mentioned in Note 9, the School ceased to operate as a charter school in August 2008. Consequently the School's operations and program services as reflected in the accompanying financial statements was discontinued.

NOTE 2 – PREPAID LEASE:

The presentation of a prepaid lease in the accompanying financial statements represents the unamortized portion of prepaid rent paid to USF as consideration for occupancy of the School's premises at 11801 Bull Run Drive, Tampa, Hillsborough County, Florida. This prepaid item, originally \$796,017, is being amortized over 168 months from the effective date of the rental lease period, July 1, 2003. Total rent is described in Note 5; the following is a summary of the unamortized lease amount.

	Charter 6605 Grades K - 3	Charter 6627 Grades 4 - 5	Total
Unamortized balance at June 30, 2007	\$ 379,057	\$ 189,528	\$ 568,585
Amortization, fiscal year ended June 30, 2007	37,906	18,953	56,859
Unamortized balance at June 30, 2008	\$ 341,151	\$ 170,575	\$ 511,726

See Note 9, Subsequent Events.

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**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 – CAPITAL ASSETS:

The following table shows the activity in the capital assets category during the fiscal year ended June 30, 2008:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, not being depreciated:					
Construction in progress	\$ 6,444	\$ 10,797	\$ -	\$ (17,241)	\$ -
Total capital assets, not being depreciated	<u>6,444</u>	<u>10,797</u>	<u>-</u>	<u>(17,241)</u>	<u>-</u>
Capital assets, being depreciated:					
Furniture and fixtures	192,788	9,750	107,605	-	94,933
Leasehold improvements	253,333	-	-	17,241	270,574
Total capital assets	446,121	9,750	107,605	17,241	365,507
Less: Accumulated depreciation	248,927	25,452	107,605	-	166,774
Tot capital assets, being depreciated net	<u>197,194</u>	<u>(15,702)</u>	<u>-</u>	<u>17,241</u>	<u>198,733</u>
Governmental activities capital assets, net	<u>\$ 203,638</u>	<u>\$ (4,905)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,733</u>

Depreciation expense is \$25,452 for the year ended June 30, 2008.

Substantially all capital assets will be transferred to the District during the fiscal year commencing July 1, 2008.

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**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 – SCHEDULE OF FEDERAL, STATE AND LOCAL REVENUE SOURCES:

The following is a schedule of intergovernmental revenue sources and amounts:

	<u>General Fund</u>	<u>Federal Programs and Capital Outlay</u>	<u>Total</u>
Federal sources passed through School District of Hillsborough County:			
Title I	\$ -	\$ 66,208	\$ 66,208
Total federal sources	<u>\$ -</u>	<u>\$ 66,208</u>	<u>\$ 66,208</u>
State and local sources passed through School District of Hillsborough County:			
Florida Education Finance Program (FEFP)	\$ 688,440	\$ -	\$ 688,440
Instruction materials	13,097	-	13,097
SAI categorical	32,175	-	32,175
Staff development		-	-
Other state	17,034	-	17,034
Class size reduction	143,475	-	143,475
Interest	10,038	-	10,038
Other local	4,068	-	4,068
Capital outlay	-	87,353	87,353
Total state and local sources	<u>908,327</u>	<u>87,353</u>	<u>995,680</u>
Total governmental revenue sources	<u>\$ 908,327</u>	<u>\$ 153,561</u>	<u>\$ 1,061,888</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – OPERATING LEASES:

Real Estate:

The School, as Lessee, has entered into a lease agreement, signed August 2005, with USF, as Lessor, retroactive to July 1, 2003, for the occupancy of its facilities at 11801 Bull Run Drive, Tampa, Florida under the following conditions:

- Term of lease – 14 years from July 1, 2003 to June 30, 2017 (168 months)
- Prepaid lease – \$796,017 to be amortized over the life of the lease (168 months)
- Additional cash payments-
 - Rent for the period July 1, 2003 to June 30, 2005, \$113,740
 - Rent for the period July 1, 2005 to August 31, 2005, \$15,287
 - Rent for the period September 1, 2005 and June 30, 2017, \$6,421 per month
- Any extension of the said lease, beginning July 1, 2017, will be at fair market value.

As previously explained, effective July 1, 2005, USF Patel operated under two charters, Charter 6605, which covers the operation of Grades K – 3 and represents the continuing operation of the entity from inception through June 30, 2005. As of July 1, 2005, USF Patel allocated the prepaid lease outstanding (\$682,301) among the two charters proportionally to the number of grades operated by each. Charter 6605 K – 3 was allocated 2/3 of that amount, or \$454,867. During fiscal year ended June 30, 2008, Charter 6605 K – 3 was charged 2/3 of the rent, consisting of amortization of the prepaid rent of \$ 37,905 and cash of \$51,369, for a total of \$89,274. Future rents as agreed to in the lease agreement are as follows:

For the fiscal years ended June 30,	Amortization of Prepaid Rent		Cash Portion		Total
	Charter 6605	Charter 6627	Charter 6605	Charter 6627	
	Grades K - 3	Grades 4 - 5	Grades K - 3	Grades 4 - 5	
2009	\$ 37,905	\$ 18,953	\$ 51,369	\$ 25,685	\$ 133,912
2010	37,905	18,953	51,369	25,685	133,912
2011	37,905	18,953	51,369	25,685	133,912
2012	37,905	18,953	51,369	25,685	133,912
2013	37,905	18,953	51,369	25,685	133,912
Thereafter	151,629	75,810	205,480	102,736	535,655
Totals	\$ 341,154	\$ 170,575	\$ 462,325	\$ 231,161	\$ 1,205,215

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 – OPERATING LEASES (continued):

Tangible Personal Property:

As of June 30, 2008, the USF Patel has a non-cancelable operating lease agreement for two copiers at the rate of \$665 per month with less than four months remaining on it. In August 2004, the School entered into a lease agreement with Lanier Worldwide beginning October 2004 for two copiers replacing those previously leased from Zeno Leasing. The total lease expense amounted to \$11,283 for the year ended June 30, 2008, of which \$6,669 has been allocated to the School.

NOTE 6 – DUE TO THE USF FOUNDATION, INC.:

During the fiscal year ended June 30, 2007 the School. recognized an outstanding loan balance of \$280,000 on an original loan of \$380,000 dated June 2004. The promissory note was an interest only note with an interest rate of 4.5%, due June 2009. The loan represented funds borrowed from the USF Foundation, Inc. and used in improvements to the School's facilities. The loan balance was paid off in its entirety during the school year ending June 30 2008. This was decided by the Board of Directors based on the fact that funds were available that were earning less than the 4.5% payable on the note.

NOTE 7 – PENSION PLAN AND COMPENSATED ABSENCES:

USF Patel adopted a defined contribution Savings Incentive Match Plan for Employees (SIMPLE) retirement program during 2000. All employees earning \$5,000 or more during any year are eligible to participate in the program. Contributions to the plan by USF Patel for the year ended June 30, 2008 were \$6,232, of which \$1,764 was allocated to the School (Charter 6605 K – 3), computed at 3% on wages paid to each participating employee or 100% match of employee contributions (whichever was lower). USF Patel (therefore, the School) has no liability for the administration or payment of benefits of the plan and, accordingly, the present value of the related vested benefits is not reflected in these financial statements. The rate of contribution is set annually by USF Patel's Board of Directors.

An accrual for compensated absences has not been made in these financial statements because the School does not have a policy to pay accrued leave to employees when they terminate employment. The amount of any other accrual for compensated absences is not considered material at June 30, 2008.

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 – RELATED PARTY TRANSACTIONS:

USF Patel was created as a Direct Support Organization (DSO) of USF pursuant to Section 1004.8, FS. USF Patel's governing board, comprised of USF academic officers in the roles of Chairperson, Vice Chairperson, Secretary, and Treasurer, has reporting responsibilities to the USF Board of Trustees.

During the fiscal year ended June 30, 2008, USF was paid \$133,912 for current rent, of which the School's share was \$88,531, based on the terms of a lease, with an effective date of July 1, 2003, for the premises utilized by all grades K through 5. The terms of said lease were negotiated on behalf of the School by Board members that are employed by USF. These terms, including annual rent of \$5.82 per square foot, are deemed by management to have been negotiated in an arms-length manner.

NOTE 9 – SUBSEQUENT EVENTS:

During the July 29, 2008 meeting, the Board of Directors of USF Patel unanimously passed a resolution to immediately commence collaborative negotiations with the Superintendent of the Hillsborough County School District concerning the future operations of the School. The purpose of the resolution was to reach an appropriate agreement regarding the transition of the operations of USF Patel to the District commencing with the 2008-2009 school year. It was the consensus of the Board of Directors that such a transition would protect the interests of the enrolled students and better allow for their needs. On August 5, 2008, the School Board of Hillsborough County approved a lease agreement with the USF Board of Trustees to rent the educational facility used by USF Patel. The lease agreement provides that the District will pay \$5,000 per month over a fifteen year term. At the option of the parties involved the lease is renewable. As a result of the lease agreement the operation and management of the School fell under the exclusive responsibility and control of the District. Employees of USF Patel were required to reapply for their respective positions with the District. Efforts are underway to finalize the transfer of USF Patel's net assets to the School District.

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REQUIRED SUPPLEMENTARY INFORMATION

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended (Final) Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental -				
State through local	\$ 819,943	\$ 894,220	\$ 894,220	\$ -
Contributions and grants			-	-
Interest income	15,000	10,038	10,038	-
Lunch money		2,578	2,578	-
Field trips			-	-
Miscellaneous	11,069	1,491	1,493	2
Total revenues	846,012	908,327	908,329	2
Expenditures:				
Current -				
Instruction	534,432	495,816	495,816	-
Instructional staff training	-	6,133	6,133	-
Board	8,000	7,950	7,950	-
School administration	186,458	157,352	157,181	171
School district administration fee	-	43,859	43,859	-
Fiscal services	18,000	11,208	11,208	-
Food services	14,000	10,538	10,538	-
Pupil transportation services	1,000		-	-
Operation of plant	76,922	83,246	83,247	(1)
Debt service -				
Interest and principal payments	16,808	195,690	195,690	-
Total expenditures	855,620	1,011,792	1,011,622	170
(Excess) deficiency of expenditures over (under) revenues	\$ (9,608)	\$ (103,465)	\$ (103,293)	\$ (168)
Fund balance, beginning of the year			328,999	
Fund balance, end of the year			\$ 225,706	

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Amended (Final) Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental -				
Federal through state	\$ 65,000	\$ 66,208	\$ 66,208	\$ -
State through local	-	-	-	-
Contributions and grants	-	-	-	-
Interest income	-	-	-	-
Lunch money	-	-	-	-
Field trips	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>65,000</u>	<u>66,208</u>	<u>66,208</u>	<u>-</u>
Expenditures:				
Current -				
Instruction	65,000	63,025	63,025	-
Instructional staff training	-	1,177	1,177	-
School administration	-	2,006	2,006	-
Capital outlay	-	-	-	-
Total expenditures	<u>65,000</u>	<u>66,208</u>	<u>66,208</u>	<u>-</u>
(Excess) deficiency of expenditures over (under) revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of the year			<u>-</u>	
Fund balance, end of the year			<u>\$ -</u>	

OTHER SUPPLEMENTARY INFORMATION

**USF CHARTER SCHOOL, INC. CHARTER 6605 K-3
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
BUDGET AND ACTUAL – CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Capital Projects		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Amended (Final) Budget		
Revenues:				
Intergovernmental -				
Federal through state	\$ -	\$ -	\$ -	\$ -
State through local	72,000	87,353	87,353	-
Contributions and grants	-	-	-	-
Interest income	-	-	-	-
Lunch money	-	-	-	-
Field trips	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>72,000</u>	<u>87,353</u>	<u>87,353</u>	<u>-</u>
Expenditures:				
Current -				
Instruction	-	-	-	-
Board	-	-	-	-
School administration	-	-	-	-
School district administration fee	-	-	-	-
Fiscal services	-	-	-	-
Food services	-	-	-	-
Pupil transportation services	-	-	-	-
Operation of plant	15,000	11,512	10,797	715
Maintenance of plant	-	-	-	-
Facilities	51,626	89,532	90,248	(716)
Central services	-	-	-	-
Year book and dance	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>66,626</u>	<u>101,044</u>	<u>101,045</u>	<u>(1)</u>
(Excess) deficiency of expenditures over (under) revenues	<u>\$ 5,374</u>	<u>\$ (13,691)</u>	<u>\$ (13,692)</u>	<u>\$ (1)</u>
Fund balance, beginning of the year			<u>678,168</u>	
Fund balance, end of the year			<u>\$ 664,476</u>	

See Independent Auditors' Report on Basic Financial Statements and Supplementary Information.

**USF CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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**COMBINED STATEMENT OF NET ASSETS
FOR CHARTER 6605 K – 3 AND CHARTER 6627 4 – 5
AS OF JUNE 30, 2008**

<u>ASSETS</u>	<u>Primary Government</u>
Cash and cash equivalents	\$ 367,003
Amounts due from other agencies	3,599
Prepaid lease (Notes 2 and 5)	511,727
Capital assets (Note 3)	366,210
Due from Charter 6627	227,683
Prepaid expenses and deposits	10,435
Total assets	<u>\$ 1,486,657</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Accounts payable	\$ 7,273
Accrued expenses	47,455
Due to Charter 6605	227,683
Total liabilities	<u>282,411</u>
Net assets:	
Invested in capital assets, net of related debt, if any	366,210
Restricted for -	
Amortization of prepaid lease (Note 2)	511,727
Unrestricted	326,309
Total net assets	<u>1,204,246</u>
Total liabilities and net assets	<u>\$ 1,486,657</u>

See Independent Auditors' Report on Basic Financial Statements and Supplementary Information.

USF CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
SCHOOL DISTRICT OF HILLSBOROUGH COUNTY
COMBINED STATEMENT OF ACTIVITIES
FOR CHARTER 6605 K - 3 AND CHARTER 6627 4 - 5
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS	Expenses	Charges for Services	Governmental Activities
Governmental activities:		Operating Grants and Contributions	Total
Instruction	\$ 845,084	\$ -	\$ (722,182)
Instructional staff training	9,349	-	(9,349)
Board	13,250	-	(13,250)
School administration	228,756	-	(228,756)
School district administrative fee	65,137	-	(65,137)
Fiscal services	22,208	-	(22,208)
Food services	15,737	5,717	(10,020)
Operation of plant	135,244	-	(4,214)
Facilities	78,051	-	(78,051)
Prepaid rent amortization expense	56,859	-	(56,859)
Interest payments	16,248	-	(16,248)
Unallocated depreciation expense	61,715	-	(61,715)
Total governmental activities	1,547,638	5,717	(1,287,989)
General revenues:			
Grants/contributions not restricted to specific programs			1,331,336
Investment earnings			14,955
Miscellaneous			2,140
Total general revenues, extraordinary items, and transfers			1,348,431
Change in net assets			60,442
Net Assets - June 30, 2007			1,143,804
Net Assets - June 30, 2008			\$ 1,204,246

REGULATORY REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER BASIC 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
USF Charter School, Inc. Charter 6605 K-3,
a Charter School and Component Unit of
the School District of Hillsborough County, Florida

We have audited the basic financial statements of the USF Charter School, Inc., a/k/a USF Patel Charter School, Charter 6605 K – 3 (herein referred to as “the School”), a Charter School and component unit of the School District of Hillsborough County, Florida, as of June 30, 2008 and for the year then ended and have issued our report thereon dated September 29, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operations 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 consequential 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 result 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 weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, 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 that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of USF Charter School, Inc. Charter 6605 K-3, management, federal awarding agencies, state funding agencies, and the School District of Hillsborough County, Florida, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 29, 2008

“MANAGEMENT LETTER”
BASED ON RULE 10.854(1)(d) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
USF Charter School, Inc. Charter 6605 K-3,
a Charter School and Component Unit of
the School District of Hillsborough County, Florida

We have audited the basic financial statements of USF Charter School, Inc., a/k/a USF Patel Charter School, Charter 6605 K-3 (“the School”), a Charter School and Component Unit of the School District of Hillsborough County, Florida, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008.

We have also issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an audit of the Basic Financial Statements performed in accordance with *Government Auditing Standards* dated September 29, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General (the Rules), which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

Management cooperated fully with our audit team and we had no disagreements concerning accounting or auditing procedures. We were provided access to all records, documents and other supporting data that we requested, and no restrictions were imposed on the method or extent of our work.

AUDITOR GENERAL REQUIRED COMMENTS/DISCLOSURES:

This letter must be prepared and included as a part of each financial audit report pursuant to Section 218.39(4), Florida Statutes, and Rule 10.856(2). The Management Letter shall include, but not be limited to:

The Rules of the Auditor General (Section 10.854(1)(e)1.) require a statement as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings reported in the preceding annual financial report.

The Rules of the Auditor General (Section 10.854(1)(e)2.) require a statement as to whether or not the Academy has met one or more of the conditions described in Section 218.503(1), FS, and identification of the specific condition(s) met. Section 218.503(2), FS, states that a local governmental entity, including charter schools, shall notify the Governor and the Legislative Auditing Committee when one or more of the conditions specified in Section 218.503(1), FS, have occurred or will occur if action is not taken to assist the local governmental entity.

Management of the School has determined that the School is not in a state of financial emergency under Section 218.503(1), Florida Statutes in that none of the conditions described in the statute are present.

The Rules of the Auditor General (Section 10.854(1)(e)3.) require recommendations to improve the School's financial management, which includes its present financial accounting procedures and internal controls. No new recommendations were made in this year's or last year's audit report and all recommendations made in prior years have been addressed.

The Rules of the Auditor General (Section 10.854(1)(e)4.,5.) require inclusion in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors, including the following:

- a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred, were discovered within the scope of the financial audit and may or may not have materially affected the financial statements.
- b. Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- c. Deficiencies in internal control that are not significant deficiencies, including, but not limited to the following:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failure to properly record financial transactions
 - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor

Our consideration of the internal control structure would not necessarily disclose all matters that might be deficiencies in internal control following *Government Auditing Standards*. We did not discover any violations of laws, rules, regulations, contracts, or grant agreements or abuse or improper expenditures, as identified above.

The Rules of the Auditor General (Section 10.854(1)(e)6.) also require that the name or official title for the charter school be disclosed in the management letter, unless disclosed in the notes to basic financial statements. The name of the School is disclosed in the report and in the notes to

basic financial statements. The School did not include any component units. The School's basic financial statements are included in the financial statements of the School District of Hillsborough County as a component unit.

The Rules of the Auditor General (Section 10.854(1)(e)7.) require a statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.855(10). We applied such procedures and determined that no deteriorating financial conditions existed pursuant to Section 218.39(5), FS.

This "Management Letter" is intended solely for the information and use of the Board of Directors, management, the School District of Hillsborough County and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

We would like to thank the staff and management for their support and assistance during our engagement and we look forward to continuing our working relationship in the future.

Valiente Hernandez P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Tampa, Florida
September 29, 2008