



**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
LAKE COUNTY, FLORIDA**

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

JUNE 30, 2009



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Altoona School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2009, the School's expenses exceeded revenues by \$62,050, which is a decrease from the prior year when revenues exceeded expenses by \$90,043 (as restated).
- The School maintained a positive total net assets of \$204,975 as of June 30, 2009.

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 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 contents of each of the statements.

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet – general fund Statement of revenues, expenditures and changes in fund balances – general fund
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 health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial 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 funds, 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 currently has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's net assets at June 30, 2008 and 2009 are summarized as follows – see table below.

	<u>Governmental Activities</u>		
	2008		Increase
	(as restated)	2009	(Decrease)
Current and other assets	\$ 238,747	\$190,996	-20%
Capital assets, net	74,752	77,795	4%
Total assets	313,499	268,791	-14%
Current and other liabilities	47,174	63,816	35%
Total liabilities	47,174	63,816	35%
Net Assets:			
Invested in capital assets	75,452	77,795	3%
Restricted	5,208	35,208	576%
Unrestricted	186,365	91,972	-51%
Total net assets	\$ 267,025	\$204,975	-23%

Current assets decreased primarily due to a decrease in cash, which was produced by the current year operating deficit and timing of cash receipts and disbursements. Net capital assets increased due to capital asset purchases, primarily for furniture, fixtures and equipment, which exceeded current year depreciation expense. The increase in current and other liabilities increased due to the timing of payments to local vendors at year end. The fluctuation in total net assets from the prior fiscal year was due to the current year excess of expenses over revenues.

Change in Net Assets

The School's total revenues decreased by 4% to \$869,784, and the total cost of all programs and services increased by 14% to \$931,834 – see table below.

	Governmental Activities		Increase (Decrease)
	2008 (restated)	2009	
Revenues:			
Federal sources passed through local school district	\$ 24,514	\$ 24,918	2%
State and local sources	831,073	794,932	-4%
Contributions and other revenue	52,418	49,934	-5%
Total revenues	<u>908,005</u>	<u>869,784</u>	<u>-4%</u>
Expenses:			
Instruction and instruction-related services	551,059	574,701	4%
School administration	128,181	174,656	36%
Food services	4,146	3,765	-9%
Pupil transportation	12,528	16,782	34%
Operation and maintenance of plant	122,048	129,943	6%
Community services	-	31,987	100%
Total expenses	<u>817,962</u>	<u>931,834</u>	<u>14%</u>
Change in net assets	<u>\$ 90,043</u>	<u>\$ (62,050)</u>	<u>-169%</u>

Revenues from state and local sources constitute approximately 91% of total revenues. The decrease in state and local revenues was due to a decrease in funding from the Florida Education Finance Program ("FEFP"), the School's primary source of funding. FEFP funding decreased due to the decrease in full-time equivalent student enrollment from 118 students in 2008 to 112 students in 2009, as well as a decrease in the base student allocation. The decrease in contributions and other revenue is primarily due to decreases in student lunches and extended care fees, which decreased as a result of the decrease in students.

Instruction and instruction-related expenses increased primarily as a result of the increase in salaries. The increase in school administration expenses is primarily due to an increase in administrative salaries. Food services expenses decreased due to a decrease in student population. Pupil transportation expenses increased due to an overall increase in transportation demands and costs. The increase in operation and maintenance of plant is primarily due to an increase in utility costs and salaries.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$127,180. The fluctuation in revenues and expenditures in the fund statements is due to the same reasons described above.

General Fund Budgetary Highlights

Over the course of the fiscal year, the School revised its original budget to account for changes in student enrollment. For the year ended June 30, 2009, actual revenues were approximately \$65,000 below the budgeted amounts primarily due to the School anticipating a greater number of students during the fiscal year. Expenditures were approximately \$53,000 above the budgeted amounts. Instruction expenditures were over budget as the School under budgeted for salaries.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2009, the School had invested \$153,912 in capital assets, consisting primarily of furniture and other equipment.

This year's major capital asset additions included the following:

- Leasehold improvements - \$15,460
- Furniture, fixtures, and equipment - \$3,829

The fiscal 2010 budget includes approximately \$34,000 in spending for capital improvements. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2010:

- Projected increase in student population
- Projected salary increases

Estimated amounts available for appropriation in the general fund are approximately \$795,000, an increase of 1% from the approximate 2009 amount of \$784,000. This increase is primarily attributable to an expected increase in student enrollment.

Budgeted expenditures are expected to decrease 10% to approximately \$765,000 as compared to the fiscal 2009 actual figure of approximately \$848,000. The largest incremental decrease in spending is for instructional salaries.

The School has added no major new programs to the fiscal 2010 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2010.

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 School's administrative offices at 42630 State Road 19, Altoona, Florida 32702.



Report of Independent Auditor's on Basic Financial Statements and Supplementary Information

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 1 – 7 and the budgetary comparison schedule – general fund on page 24 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
September 29, 2009

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 156,215
Restricted cash	30,000
Other current assets	4,781
Capital assets:	
Leasehold improvements	88,197
Furniture, fixtures and equipment	65,715
Less accumulated depreciation	<u>(76,117)</u>
Total capital assets, net	<u>77,795</u>
Total assets	<u><u>\$ 268,791</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 63,816</u>
Total liabilities	<u>63,816</u>
NET ASSETS	
Invested in capital assets	77,795
Restricted for:	
Retirement benefits	30,000
Capital projects	5,208
Unrestricted	<u>91,972</u>
Total net assets	<u>204,975</u>
Total liabilities and net assets	<u><u>\$ 268,791</u></u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 562,302	\$ -	\$ 24,918	\$ -	\$ (537,384)	\$ (537,384)
Pupil personnel services	12,399	-	-	-	(12,399)	(12,399)
School administration	174,656	-	-	-	(174,656)	(174,656)
Food services	3,765	-	-	-	(3,765)	(3,765)
Pupil transportation	16,782	-	-	-	(16,782)	(16,782)
Operation of plant	97,782	-	-	-	(97,782)	(97,782)
Maintenance of plant	32,161	-	-	-	(32,161)	(32,161)
Community services	31,987	-	-	-	(31,987)	(31,987)
Total primary government	<u>\$ 931,834</u>	<u>\$ -</u>	<u>\$ 24,918</u>	<u>\$ -</u>	<u>(906,916)</u>	<u>(906,916)</u>
General revenues:						
State and local sources					794,932	794,932
Contributions and other revenue					49,934	49,934
Total general revenues					<u>844,866</u>	<u>844,866</u>
Change in net assets					<u>(62,050)</u>	<u>(62,050)</u>
Net assets at beginning of year, as previously reported					287,215	287,215
Prior period adjustment (see Note 2)					<u>(20,190)</u>	<u>(20,190)</u>
Net assets at beginning of year, as restated					<u>267,025</u>	<u>267,025</u>
Net assets at end of year					<u><u>\$ 204,975</u></u>	<u><u>\$ 204,975</u></u>

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 151,007	\$ 5,208	\$ 156,215
Restricted cash	30,000	-	30,000
Other current assets	4,781	-	4,781
Total assets	\$ 185,788	\$ 5,208	\$ 190,996
 LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenditures	\$ 63,816	\$ -	\$ 63,816
Total liabilities	63,816	-	63,816
Fund balance:			
Reserved for:			
Retirement benefits	30,000	-	30,000
Capital projects	-	5,208	5,208
Unreserved:			
Undesignated	91,972	-	91,972
Total fund balance	121,972	5,208	127,180
Total liabilities and fund balance	\$ 185,788	\$ 5,208	\$ 190,996

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

Total fund balance - governmental funds	\$ 127,180
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$153,913, and the accumulated depreciation is \$76,117.

77,795

Total net assets - governmental activities

\$ 204,975

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

ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 24,918	\$ 24,918
State and local sources	733,595	61,337	-	794,932
Contributions and other revenue	49,934	-	-	49,934
Total revenues	783,529	61,337	24,918	869,784
EXPENDITURES				
Current:				
Instruction	524,944	-	24,918	549,862
Pupil personnel services	12,399	-	-	12,399
School administration	170,150	-	-	170,150
Food services	3,765	-	-	3,765
Pupil transportation	16,782	-	-	16,782
Operation of plant	55,734	42,048	-	97,782
Maintenance of plant	32,161	-	-	32,161
Community services	31,987	-	-	31,987
Capital outlay	-	19,289	-	19,289
Total expenditures	847,922	61,337	24,918	934,177
Net changes in fund balances	(64,393)	-	-	(64,393)
Fund balances at beginning of year, as previously reported	206,555	5,208	-	211,763
Prior period adjustment (see Note 2)	(20,190)	-	-	(20,190)
Fund balances at beginning of year, as restated	186,365	5,208	-	191,573
Fund balances at end of year	\$ 121,972	\$ 5,208	\$ -	\$ 127,180

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (64,393)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$19,289 exceed depreciation \$16,946 in the current period.

2,343

Change in net assets of governmental activities \$ (62,050)

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Altoona School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of five members.

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 Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2014 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. 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 this case, the School Board 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 School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a government entity under the *Audit and Accounting Guide - State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

The government-wide financial statements of the School 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.

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 financing 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. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general fund and capital projects fund constitutes major funds. All other governmental funds are nonmajor and are presented in the aggregate.

Basis of accounting

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

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

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary basis 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, purchased services and capital outlay).

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. The School's cash consists primarily of demand deposits and certificates of deposit with financial institutions.

Restricted cash in the statement of net assets and the balance sheet – governmental funds includes \$30,000 to be used for retirement benefits. These funds may only be used for the payment of retirement benefits.

Capital assets and depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Leasehold improvements	3 - 5
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 3.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Revenue sources

Revenues for current operations are received primarily from the District School Board of Lake County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with 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 the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the 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 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 from the School, which is reflected as a fiscal expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

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

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 enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds, respectively.

Restricted/reserved fund balance

Restricted/reserved fund balance in the capital projects fund as of June 30, 2009 represents the unspent portion of capital outlay funds in the amount of \$5,208, which may only be used for lawful capital outlay expenditures.

Compensated absences

It is the School's policy to permit employees to accumulate earned but unused vacation and sick time benefits. Sick benefits must be used during employment, however, vacation time benefits are reported as accrued liabilities to the extent earned and not yet expired.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 PRIOR PERIOD ADJUSTMENT

The balance of unrestricted net assets at June 30, 2008 has been restated from the amount previously reported to reflect a retroactive charge of \$20,190 for accrued payroll expenses/expenditures. Of this amount, \$840 is applicable to fiscal 2008.

3 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 72,737	\$ 15,460		\$ 88,197
Furniture, fixtures and equipment	<u>61,886</u>	<u>3,829</u>	<u>-</u>	<u>65,715</u>
Total capital assets at historical cost	<u>134,623</u>	<u>19,289</u>	<u>-</u>	<u>153,912</u>
Less accumulated depreciation for:				
Leasehold improvements	(37,932)	(4,307)		(42,239)
Furniture, fixtures and equipment	<u>(21,239)</u>	<u>(12,639)</u>	<u>-</u>	<u>(33,878)</u>
Total accumulated depreciation	<u>(59,171)</u>	<u>(16,946)</u>	<u>-</u>	<u>(76,117)</u>
Governmental activities capital assets, net	<u>\$ 75,452</u>	<u>\$ 2,343</u>	<u>\$ -</u>	<u>\$ 77,795</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 12,830
School administration	<u>4,116</u>
Total governmental activities depreciation expense	<u>\$ 16,946</u>

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 449,387
Class size reduction	125,142
Capital outlay	61,337
ESE guaranteed allocation	30,064
Discretionary local effort	29,768
Supplemental academic instruction	27,819
Transportation	23,296
Discretionary millage funds	18,296
Merit award allocation	12,364
Instructional materials	10,824
Discretionary lottery funds	2,683
Safe schools	2,483
Teacher lead program	<u>1,469</u>
Total	<u><u>\$ 794,932</u></u>

The administration fee paid to the School Board during the year ended June 30, 2009 totaled approximately \$36,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional 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 historically exceeded commercial coverage.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

6 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates 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 and the collectibility of any related receivable as of June 30, 2009 may be impaired.

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.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes 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 the accompanying financial statements.

Lease commitments

The School has entered into an agreement to lease their facilities from the School Board, the School's sponsor. The lease term is five years and terminates on June 30, 2014. The lease requires regular monthly payments of \$2,601 and requires the School to pay for certain other operating expenses. Aggregate remaining minimum rental commitments as of June 30, 2009 under this lease is summarized as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2010	\$ 31,212
2011	31,212
2012	31,212
2013	31,212
2014	31,212
	<u>\$ 156,060</u>

Rent and other operating expense for fiscal 2009 was approximately \$31,000.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 Subsequent Event

In September 2009, the School purchased three portables for approximately \$24,000, which were capitalized in the statement of net assets and recorded as an expenditure in the statement of revenues, expenditures and changes in fund balances – governmental funds for the fiscal year ending June 30, 2010.

**ALTOONA SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 751,000	\$ 767,227	\$ 733,595	\$ (33,632)
Contributions and other revenue	<u>65,400</u>	<u>81,400</u>	<u>49,934</u>	<u>(31,466)</u>
Total revenues	<u>816,400</u>	<u>848,627</u>	<u>783,529</u>	<u>(65,098)</u>
EXPENDITURES				
Current:				
Instruction	449,959	487,481	524,944	(37,463)
Pupil personnel services	10,850	11,755	12,399	(644)
School administration	148,900	161,316	170,150	(8,834)
Food services	3,295	3,570	3,765	(195)
Pupil transportation	14,686	15,911	16,782	(871)
Operation of plant	48,773	52,840	55,734	(2,894)
Maintenance of plant	28,144	30,491	32,161	(1,670)
Community services	<u>27,992</u>	<u>30,326</u>	<u>31,987</u>	<u>(1,661)</u>
Total expenditures	<u>732,599</u>	<u>793,690</u>	<u>847,922</u>	<u>(54,232)</u>
Net changes in fund balance	83,801	54,937	(64,393)	(119,330)
Fund balance at beginning of year, as restated (see Note 2)	<u>186,365</u>	<u>186,365</u>	<u>186,365</u>	<u>-</u>
Fund balance at end of year	<u>\$ 270,166</u>	<u>\$ 241,302</u>	<u>\$ 121,972</u>	<u>\$ (119,330)</u>

See report of independent auditors.



**Report of Independent Auditor's on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Altoona School, Inc., a Charter School
and Component Unit of the District School Board of Lake County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

BKHM, P.A.

Winter Park, Florida
September 29, 2009

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



To the Board of Directors of
Altoona School, Inc.,

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated September 29, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.
- 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. 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have



occurred, and (2) 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 annual financial statements); (b) failures to properly record financial transactions; and (c) 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 any such findings.

- Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the School. The name of the School is Altoona School, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Status of Prior Year Findings and Recommendations

Prior year management letter recommendation 1: Revise procedures to record and allocate expenses to the proper function. During our current year audit procedures, we noted that the School has revised its procedures to ensure all expenses are reported in the appropriate functions.

Prior year management letter recommendation 2: Revise procedures to include the appropriate recording of year-end accounts payable balances. During our current year audit procedures, we noted that the School has revised its procedures to include the appropriate recording of year-end accounts payable balances in order to ensure that expenses/expenditures are reflected in the appropriate accounting period.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 29, 2009