

APALACHICOLA BAY CHARTER SCHOOL, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

SKELTON, BRYANT, BRYANT & SCARBORO, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
TALLAHASSEE, FLORIDA

APALACHICOLA BAY CHARTER SCHOOL, INC.
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August 17, 2009

Board of Directors
Apalachicola Bay Charter School, Inc.
Apalachicola, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apalachicola Bay Charter School, Inc., a component unit of the Franklin County District School Board, 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 Apalachicola Bay Charter School, Inc., management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Apalachicola Bay Charter School, Inc. as of June 30, 2009 and the respective changes in financial position 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 August 17, 2009 on our consideration of the Apalachicola Bay Charter School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 important for assessing the results of our audit.

Apalachicola Bay Charter School, Inc.
August 17, 2009
Page Two

The management's discussion and analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist 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 express no opinion on it.

Skelton, Bryant, Bryant & Scarborough, P.A.
SKELTON, BRYANT, BRYANT & SCARBORO, P.A.
Certified Public Accountants

APALACHICOLA BAY CHARTER SCHOOL, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of The Apalachicola Bay Charter School, Inc. (the School) has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the School's financial activities; (c) identify changes in the School's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 9 through 25.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-2009 fiscal year are as follows:

- Operating revenues exceeded expenses by \$581,558 in the current year, and cumulative net assets at June 30, 2009 increased to \$1,607,218.
- In May 2009 the School purchased the Chapman Elementary School building (Chapman) for \$ 1 from the Franklin County School Board (the Sponsor). Chapman has been recorded at an estimated fair value of \$320,400 at the date of purchase in the accompanying financial statements. The building is undergoing renovation this summer, and will be the permanent location of the School beginning August 2009. The former school campus will become an auxiliary campus.
- In 2009 the Sponsor approved allocating a portion of its Capital Outlay Tax Levy to the School to be used to help pay for the renovation of Chapman. The School received \$216,649 from the Sponsor.

NON-FINANCIAL HIGHLIGHTS

- The School offers a K – 5th grade elementary school, and a 6th – 8th grade middle school. Average enrollment increased to 301 children this year from 268 last year.
- The School operates under two charters with the Sponsor, one for the elementary school and the other for the middle school. Both contracts were renewed this year for the five years ending June 30, 2014. Under the renewed charters, the School is beginning a pre-K program in August 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

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

**APALACHICOLA BAY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

School-Wide Financial Statements

The school-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 governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the School'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 its 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. This information should be evaluated in conjunction with other non-financial factors, such as changes in student enrollment.

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 legal agreements. 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 school-wide statements. All of the School's funds may be classified within one of two broad categories as discussed below.

Governmental Funds

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

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 school-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School's major funds are the General Fund and Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

**APALACHICOLA BAY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Funds (continued)

The School adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the school-wide statements because the resources are not available to support the School's own programs. In its fiduciary capacity, the School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The School uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the school-wide and fund financial statements.

SCHOOL-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the school-wide statements that compare the current year to the prior year.

Statement of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2009 and 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<i>Total Assets are comprised of the following elements:</i>		
Current Assets	\$ 753,528	609,140
Noncurrent Assets	<u>1,117,821</u>	<u>679,382</u>
Total Assets	\$ <u>1,871,349</u>	\$ <u>1,288,522</u>
<i>Total Liabilities are comprised of the following elements:</i>		
Current Liabilities	\$ 64,456	\$ 73,681
Noncurrent Liabilities	<u>199,675</u>	<u>189,181</u>
Total Liabilities	\$ <u>264,131</u>	\$ <u>262,862</u>

**APALACHICOLA BAY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Assets (continued)

Total Net Assets are comprised of the following elements:

Invested in Capital Assets	\$ 936,092	\$ 504,134
Restricted Assets	5,822	5,451
Unrestricted Assets	<u>665,304</u>	<u>516,075</u>
Total Net Assets	<u>\$ 1,607,218</u>	<u>\$ 1,025,660</u>

- The School's overall financial position improved by \$581,558 this year as noted on the next page showing operating revenues exceeding expenses. This explains the increase in unrestricted assets.
- Current assets at June 30, 2009 increased over the prior year due, in part, to increased enrollment which resulted in higher operating revenues from the State of Florida. Also, cash balances include the unspent portion of the Capital Outlay Tax Levy funds received from the Sponsor.
- Noncurrent assets at June 30, 2009 increased over the prior year due primarily the purchase and renovation of Chapman.

The key elements of the increase in the School's net assets for the fiscal years ended June 30, 2009 and 2008 are as follows:

	Operating Results for the Fiscal Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Program Revenues:		
Operating Grants and Contributions	\$ 55,461	\$ 47,828
Capital Grants and Contributions	387,282	176,859
General Revenues:		
Grants and Contributions Not Restricted to Specific Programs	2,026,520	1,910,909
Investment Earnings	8,565	13,979
Special Items:		
Donated land – Chapman	320,400	-
Donated labor – Building renovations	17,255	-
Loss on disposal of equipment	<u>-</u>	<u>(9,738)</u>
Total Revenues	<u>2,815,483</u>	<u>2,139,837</u>

**APALACHICOLA BAY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Net Assets (continued)

Functions/Program Expenses:		
Instruction and Instruction		
Related Services	1,525,364	1,307,599
General Administration – Board	7,389	4,376
School Administration	293,846	308,779
Community Services	22,553	4,145
Facilities Acquisition and Construction	13,319	-
Fiscal Services	53,103	48,212
Food Services	41,058	30,159
Information Services	34,746	30,718
Pupil Transportation Services	57,181	63,584
Operation of Plant	141,581	152,086
Maintenance of Plant	29,287	52,071
Interest on Long-Term Debt	<u>14,498</u>	<u>18,730</u>
Total Functions/Program Expenses	<u>2,233,925</u>	<u>2,020,459</u>
Increase in Net Assets	\$ <u>581,558</u>	\$ <u>119,378</u>

- General Revenues rose in the current year by \$115,611 due to receipt of more State funding for current operations. The higher enrollment in the current year more than offset a decline in State funding per child.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

This section provides an analysis of the balances and transactions of the individual funds. The analysis addresses the reasons for significant changes in fund balances and the effect of the availability of fund resources for future use.

- **General Fund.** An overall increase in the general revenues is noted for the 2008-2009 School year due to increased enrollment.
- **Capital Projects Fund.** Capital outlay monies have been utilized for debt service, portables lease, and fixed asset acquisitions.
- **Other Governmental Fund.** This category consists of all funds that have been determined to be non-major funds according to Governmental Accounting Standards Board Statement No. 34. These funds may move in and out of this non-major status depending on the dollar value of activities in any one year. Examples of funds contained in this group are the Special Revenue - Other Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Operations in the General Fund were positive this year, and a year ago, with the fund balance at June 30, 2009 increasing to \$539,879. In the current year, actual operating revenues were over budget by \$2,011 and actual operating expenses were under budget by \$97,017. The total actual revenues exceeded total actual expenses by \$27,986 for the year. See page 26 for further detail.

**APALACHICOLA BAY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

For detailed information on the School's investment in capital assets and related long-term debt obligations, refer to Notes 2 and 5 of the accompanying financial statements.

SIGNIFICANT ECONOMIC FACTORS

- **Student Enrollment and Funding** - Revenues from the State for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (the Department) under the provisions of Section 236.081, Florida Statutes. In accordance with this law, the School determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department establishes a per-student funding formula each year, and the School receives revenues based on its actual student attendance during the year.
- **Capital Outlay Funding** – In addition to the operating funds discussed under student enrollment, the School annually receives funding for eligible capital outlay projects, including debt service, from State revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Apalachicola Bay Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Apalachicola Bay Charter School, Inc., 98 12th Street, Apalachicola, Florida.

APALACHICOLA BAY CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	428,431
Certificates of deposit		299,045
Due from other agencies		25,172
Due from other funds		880
Capital assets, net		1,116,956
Loan costs, net		865
TOTAL ASSETS		<u><u>1,871,349</u></u>
<u>LIABILITIES</u>		
Accounts payable		9,059
Salaries, benefits, and payroll taxes payable		55,397
Noncurrent liabilities:		
Portion due within one year:		
Liability for compensated absences		8,973
Mortgage payable		52,453
Note payable		12,794
Portion due after one year:		
Liability for compensated absences		8,973
Mortgage payable		69,374
Note payable		47,108
TOTAL LIABILITIES		<u><u>264,131</u></u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt		936,092
Restricted for:		
School-based activities		5,822
Unrestricted		665,304
TOTAL NET ASSETS	\$	<u><u>1,607,218</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

APALACHICOLA BAY CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Expenses			
<u>FUNCTIONS/PROGRAMS</u>			
Governmental activities:			
Instruction and instruction related services	\$ (1,525,364)	\$ 55,461	\$ -
General administration - Board	(7,389)	-	-
School administration	(293,846)	-	-
Community services	(22,553)	-	-
Facilities acquisition and construction	(13,319)	-	326,028
Fiscal services	(53,103)	-	-
Food services	(41,058)	-	-
Information services	(34,746)	-	-
Pupil transportation services	(57,181)	-	-
Operation of plant	(141,581)	-	37,173
Maintenance of plant	(29,287)	-	9,583
Interest on long-term debt	(14,498)	-	14,498
Total governmental activities	\$ <u>(2,233,925)</u>	\$ <u>55,461</u>	\$ <u>387,282</u>
GENERAL REVENUES:			
Grants and contributions not restricted to specific purposes			2,026,520
Investment earnings			8,565
SPECIAL ITEMS:			
Donated land - Chapman			320,400
Donated labor - building renovations			17,255
Total general revenues and special items			<u>2,372,740</u>
CHANGE IN NET ASSETS			581,558
NET ASSETS - BEGINNING OF YEAR			<u>1,025,660</u>
NET ASSETS - END OF YEAR			<u>\$ 1,607,218</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

APALACHICOLA BAY CHARTER SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects- Public Education Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash & cash equivalents	\$ 295,043	\$ 133,388	\$ -	\$ 428,431
Certificates of deposit	299,045	-	-	299,045
Due from other agencies	-	19,428	5,744	25,172
Due from other funds	3,891	-	-	3,891
	<u>597,979</u>	<u>152,816</u>	<u>5,744</u>	<u>756,539</u>
TOTAL ASSETS	\$	\$	\$	\$
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 2,703	\$ 6,356	\$ -	\$ 9,059
Salaries, benefits, and payroll taxes payable	55,397	-	-	55,397
Due to other funds	-	-	3,011	3,011
	<u>58,100</u>	<u>6,356</u>	<u>3,011</u>	<u>67,467</u>
TOTAL LIABILITIES	58,100	6,356	3,011	67,467
<u>FUND BALANCES</u>				
Reserved for:				
Educational programs	3,089	-	2,733	5,822
Chapman renovation	-	146,460	-	146,460
Unreserved	536,790	-	-	536,790
	<u>539,879</u>	<u>146,460</u>	<u>2,733</u>	<u>689,072</u>
TOTAL FUND BALANCES	539,879	146,460	2,733	689,072
TOTAL LIABILITIES AND FUND BALANCES	\$	\$	\$	\$
	<u>597,979</u>	<u>152,816</u>	<u>5,744</u>	<u>756,539</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

APALACHICOLA BAY CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS \$ 689,072

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 governmental funds. The cost of the assets is \$1,530,643 and the accumulated depreciation is \$ (413,687). 1,116,956

Loan costs are not financial resources and therefore are not reported as assets in the governmental funds. 865

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Liability for compensated absences	\$	17,946	
Mortgage payable		121,827	
Note payable		<u>59,902</u>	<u>(199,675)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,607,218

APALACHICOLA BAY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>				
Intergovernmental:				
Florida education finance program	\$ 2,020,320	\$ -	\$ -	\$ 2,020,320
Capital outlay funds	-	387,282	-	387,282
Federal through local	-	-	42,315	42,315
State through local	13,146	-	-	13,146
Local	6,200	-	-	6,200
Interest income	8,565	-	-	8,565
	<u>2,048,231</u>	<u>387,282</u>	<u>42,315</u>	<u>2,477,828</u>
TOTAL REVENUES				
<u>EXPENDITURES:</u>				
Current:				
Instruction and instruction related services	1,412,130	-	38,598	1,450,728
General administration - Board	7,389	-	-	7,389
School administration	280,204	-	-	280,204
Community services	22,553	-	-	22,553
Fiscal services	53,103	-	-	53,103
Food services	41,058	-	-	41,058
Information services	34,746	-	-	34,746
Pupil transportation services	39,905	-	3,172	43,077
Operation of plant	104,408	37,173	-	141,581
Maintenance of plant	19,749	9,538	-	29,287
Debt service:				
Principal	-	63,406	-	63,406
Interest	-	13,887	-	13,887
Capital outlay	5,000	208,083	-	213,083
	<u>2,020,245</u>	<u>332,087</u>	<u>41,770</u>	<u>2,394,102</u>
TOTAL EXPENDITURES				
EXCESS OF				
REVENUES OVER EXPENDITURES				
	<u>27,986</u>	<u>55,195</u>	<u>545</u>	<u>83,726</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Proceeds of loans	-	69,887	-	69,887
Transfer in	-	18,605	-	18,605
Transfer out	(18,605)	-	-	(18,605)
	<u>(18,605)</u>	<u>88,492</u>	<u>-</u>	<u>69,887</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>(18,605)</u>	<u>88,492</u>	<u>-</u>	<u>69,887</u>
NET CHANGE IN FUND BALANCES				
	9,381	143,687	545	153,613
FUND BALANCES -				
BEGINNING OF YEAR				
	<u>530,498</u>	<u>2,773</u>	<u>2,188</u>	<u>535,459</u>
FUND BALANCES - END OF YEAR				
	<u>\$ 539,879</u>	<u>\$ 146,460</u>	<u>\$ 2,733</u>	<u>\$ 689,072</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**APALACHICOLA BAY CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE
SCHOOL-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 153,613

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE**

Capital outlays to purchase or build/renovate capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of activities and allocated over their estimated useful lives as annual depreciation expenses. This is the amount by which capital outlay exceeds depreciation in the period.

Capital outlay	\$	199,764	
Depreciation expense		<u>(98,370)</u>	101,394

Donated assets are not a financial resource in governmental funds, but are a source of revenues in governmental activities. 337,655

Amortization of loan costs is not an expenditure in governmental funds. However, for governmental activities, those costs are allocated over the life of the loan as annual amortization expense in the statement of activities. (610)

The accrual of compensated absences is not an expenditure in governmental funds, as no amounts were actually paid. However, for governmental activities, the cost of compensated absences is measured by the amounts earned during the year. This amount reflects the net adjustment to the compensated absences accrual at June 30, 2009. (4,013)

Loan proceeds were received during the year to purchase a new bus. The loan proceeds are reported in the governmental funds as a source of financing, However , the loan proceeds are not revenues in the statement of activities, but rather constitute long - term liabilities in the statement of net assets. (69,887)

Repayment of mortgage and note principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 63,406

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 581,558**

APALACHICOLA BAY CHARTER SCHOOL, INC.
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>18,513</u>
LIABILITIES	
Due to other funds	<u>880</u>
NET ASSETS	
Assets held in trust for student activities	\$ <u><u>17,633</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Apalachicola Bay Charter School, Inc., conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

Reporting Entity – Apalachicola Bay Charter School, Inc., (the School), was created on July 1, 2001, to operate as a charter school under Florida Statute 228.056. As required by Florida Statute 228.056, the School operates as a nonprofit organization. The School is approved for nonprofit status under Section 501(c)(3) of the Internal Revenue Code.

The School presently maintains two contracts with the Franklin County, District School Board (the Sponsor) to provide an educational program for elementary and middle school students in grades pre - kindergarten through eight. The School receives a majority of its funding through the Sponsor based on a formula of student attendance, which is identical to that of other Franklin County public schools. The current elementary and middle school charters are effective until June 30, 2014. Each may be renewed for an additional five-year period or an additional fifteen-year period, based on academic performance, by mutual consent of the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter based on grounds specified in each charter. With just cause, the Sponsor is required to notify the School in writing, at least 90 days prior to the charter's expiration. During the term of each charter, the Sponsor may also terminate a charter if good cause is shown. The Apalachicola Bay Charter School, Inc. is considered a component unit of the Franklin County District School Board.

Basis of Presentation – Although the School is a nonprofit corporation, these financial statements are presented using the governmental reporting model. This treatment is required by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board, due to the nature of the School and the potential for unilateral dissolution by the Franklin County School Board.

The School's basic financial statements consist of school-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

School-wide Financial Statements – The statement of net assets and the statement of activities display information about the School as a whole. These statements include the financial activities of the School, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

School-wide Financial Statements (continued) – revenues, are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements – During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting – The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School's major governmental funds:

General Fund – The General Fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for educational capital outlay needs including new construction, renovation and remodeling projects, and major maintenance projects.

Additionally, the School reports the following fiduciary fund type:

Agency Funds – Agency Funds are used to account for the resources of the School's internal funds, which are used to administer moneys collected in connection with School student athletic, class and club activities.

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus

School-wide Financial Statements – The school-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the school-wide statements and the statements for governmental funds.

Basis of Accounting – Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

Cash and Cash Equivalents – The School’s cash and cash equivalents are considered to be cash on hand and demand deposits with original maturities of three months or less from the date of acquisition.

Certificates of Deposit – The School owns a number of certificates of deposit with maturities greater than three months, but not more than one year. There is no significant difference between cost and market value.

Capital Assets – General capital assets result from expenditures in the governmental fund. These assets are reported in the government-wide statement of net assets but are not reported in the governmental fund financial statements.

Capital assets are defined by the School as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. Capital assets are capitalized at historical cost or estimated historical cost and updated for additions and retirements during the year. Donated assets are recorded at fair value at the date of donation. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are expensed.

All reported capital assets except land and land improvements are depreciated. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Improvements other than buildings	15 – 30 years
Buildings and fixed equipment	15 – 50 years
Furniture and equipment	5 years
Library books	3 – 5 years
Motor vehicles	5 – 10 years
Computer software	5 years

Accumulated Compensated Absences – The School’s employees accumulate ten days of sick leave per service period year, and three days of annual leave per service period year. Unused annual and sick leave, up to five days, may be carried over to the next year up to a maximum total of twenty days. Unused annual and sick leave are not paid upon employee termination. All vacation and sick leave is accrued when incurred in the school-wide financial statements.

State Revenue Sources - Revenues from State sources for current operations are received primarily from the Franklin County District School Board (the Sponsor) 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),

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

State Revenue Sources - (continued) Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Sponsor. Under the provisions of Section 1011.62, Florida Statutes, the Sponsor reports the number of FTE students and related data to the Florida Department of Education (the Department) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the Department under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

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

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

A schedule of revenue from State sources for the current year is presented in a subsequent note.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budgets – The School is required by the contract with the Sponsor to adopt annual budgets for the General Fund, Special Revenue Fund, and Capital Projects Fund. Each budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets may be amended by the School's board of directors. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the required supplemental information represents both the original budget and final authorized amounts. Unused appropriations for all annually budgeted funds lapse at the end of the year.

A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as Required Supplementary Information.

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, were as follows:

	Balance <u>July 1, 2008</u>	Additions	Disposals & Adjustments	Balance <u>June 30, 2009</u>
Nondepreciable capital assets:				
Land	\$ 140,000	\$ 320,400	\$ -	\$ 460,400
Land improvements-nondepreciable	24,569	-	-	24,569
Construction in progress	<u>-</u>	<u>86,364</u>	<u>-</u>	<u>86,364</u>
Total nondepreciable	<u>164,569</u>	<u>406,764</u>	<u>-</u>	<u>571,333</u>
Depreciable capital assets:				
Building and improvements	231,445	35,469	-	266,914
Improvements other than building	183,016	-	-	183,016
Motor vehicles	57,500	89,643	-	147,143
Library books	12,842	-	-	12,842
Furniture, fixtures and equipment	274,203	5,543	-	279,746
Computer Software	<u>69,650</u>	<u>-</u>	<u>-</u>	<u>69,650</u>
Total at cost	<u>828,656</u>	<u>130,655</u>	<u>-</u>	<u>959,311</u>
Less accumulated depreciation and amortization:				
Building and improvements	(59,804)	(13,406)	-	(73,210)
Improvements other than building	(54,628)	(12,214)	-	(66,842)
Motor vehicles	(33,542)	(14,104)	-	(47,646)
Library books	(12,842)	-	-	(12,842)
Furniture, fixtures and equipment	(112,532)	(44,900)	-	(157,432)
Computer software	<u>(41,970)</u>	<u>(13,746)</u>	<u>-</u>	<u>(55,716)</u>
Total accumulated depreciation and amortization	<u>(315,318)</u>	<u>(98,370)</u>	<u>-</u>	<u>(413,688)</u>
Depreciable capital assets, net of accumulated depreciation	<u>513,338</u>	<u>32,285</u>	<u>-</u>	<u>545,623</u>
Government Activities Capital Assets, Net	<u>\$ 677,907</u>	<u>\$ 439,049</u>	<u>\$ -</u>	<u>\$ 1,116,956</u>

Depreciation and amortization for the fiscal year ended June 30, 2009, were charged to governmental functions as follows:

Instruction and instruction related services	\$ 70,623
School administration	13,643
Pupil transportation services	<u>14,104</u>
	<u>\$ 98,370</u>

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3: ACCOUNTS PAYABLE

Accounts payable is comprised of normal monthly expenditures.

NOTE 4: INTERFUND TRANSFERS

The following is a summary of interfund transfers reported in the governmental fund financial statements:

Funds:	Interfund	
	Transfers In	Transfers Out
	Major Funds:	
General	\$ -	\$ 18,605
Capital Projects:		
Public Education Capital Outlay	18,605	-
Total	\$ 18,605	\$ 18,605

The transfers are used to move unrestricted revenues to finance various programs that must be accounted for in other funds.

NOTE 5: LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations for the School for the year ending June 30, 2009:

Mortgage payable - On December 23, 2002, the School obtained a mortgage payable to a local bank in the amount of \$397,000. Monthly payments of \$ 5,283.32, including principal and interest, are required beginning January 23, 2003 through December 23, 2010. Interest is calculated at prime plus 2%, with a minimum applicable annual interest rate of 6.25%, and a maximum interest rate of 10.25%. The current interest rate is 6.25%. The mortgage is secured by real estate and a school bus.

Note payable - On August 5, 2008, the School obtained a note payable to an equipment finance company in the amount of \$69,887. Monthly payments of \$1,389.37, including principal and interest, are required beginning September 25, 2009 for a period of sixty months. Interest is calculated at 7.167%. The note is secured by a school bus.

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5: LONG-TERM OBLIGATIONS (continued)

	<u>Balance</u> <u>July 1, 2008</u>		<u>Additions</u>		<u>Retirements</u> <u>& Payments</u>		<u>Balance</u> <u>June 30, 2009</u>		<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Mortgage payable- Apalachicola State Bank \$	175,248	\$	-	\$	(53,421)	\$	121,827	\$	52,453
Note payable- TCF Equipment Finance	-		69,887		(9,985)		59,902		12,794
Total Long-term Liabilities	<u>\$ 175,248</u>	\$	<u>69,887</u>	\$	<u>(63,406)</u>	\$	<u>181,729</u>	\$	<u>65,247</u>

The debt requirements for outstanding long-term debt at June 30, 2009 are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2010	\$	65,247	\$	14,825	\$	80,072
2011		83,115		6,327		89,442
2012		14,759		1,913		16,672
2013		15,853		819		16,672
2014		2,755		24		2,779

NOTE 6: OPERATING LEASE COMMITMENT

The school leases four modular buildings under non-cancelable four and five year leases. The current leases expire during the fiscal year ended June 30, 2012. Portable lease expense for the year ended June 30, 2009 was \$37,173 (June 30, 2008 - \$33,622).

Future minimum rental payments are as follows:

<u>Year ended June 30,</u>		
2010	\$	32,500
2011		18,318
2012		<u>13,008</u>
	\$	<u>63,826</u>

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7: SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's state revenues for the 2008-2009 fiscal year:

<u>Source</u>	
Florida Education Finance Program	\$ 1,131,671
ESE Guaranteed	42,831
Supplemental Academic Instruction	77,357
Safe Schools	23,118
Discretionary Mileage	442,139
Discretionary Lottery	6,637
Instructional Materials Allocation	30,614
Teachers Lead	4,050
Student Transportation	14,775
Class Size Reduction	288,359
Less: Florida Department of Education mandated reduction	<u>(41,231)</u>
Total	<u>\$ 2,020,320</u>

NOTE 8: DEFINED CONTRIBUTION PLAN

The School is a single employer that contributes to the Apalachicola Bay Charter School, Inc. 401(K) Profit Sharing Plan (Plan), which is a defined contribution plan. There are two components to the Plan.

The 401(K) component of this Plan covers all eligible School employees. Eligible employees may elect to contribute up to 5% of gross salaries and the School will match up to 5% of the employee's salary with immediate vesting. At June 30, 2009, there were 40 plan members participating in the 401(K) component.

The profit sharing component of this plan covers the Schools' full time teachers, principal and business manager, whereby the School contributes 5% of the employee's salary each year to the Plan. At June 30, 2009, there were 28 plan members participating in the profit sharing component.

School contributions to the Plan for the fiscal years ended June 30, 2007 through 2009 were \$31,647, \$87,471 and \$106,488 respectively.

NOTE 9: DEPOSIT CONCENTRATIONS

The School has deposits at various financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each institution. As of June 30, 2009, the School had no uninsured bank balances. The uninsured bank balances at June 30, 2008 were \$444,169.

APALACHICOLA BAY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10: RISK MANAGEMENT

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage has been consistent with previous years.

NOTE 11: RELATED PARTIES

The School is considered a component unit of Franklin County District School Board (the Sponsor).

On May 20, 2009, the Sponsor sold the Chapman Elementary School building and land (Chapman) to the School for \$1. The warranty deed includes a reversion clause. In the event the School is dissolved, or the property is used for other than a classroom facility, the Chapman property would be deeded back to the Sponsor. The School is prohibited from mortgaging or encumbering the property without the written consent of the Sponsor.

The School has determined the fair market value of the land to be \$320,400, based on a valuation by the Franklin County Tax Assessor. The building is 30 years old, has not been well maintained, and the value is considered to be the renovation costs incurred by the School. The School anticipates investing \$300,000 to \$500,000 to renovate Chapman over the next several years.

The Sponsor plans to provide the School with 5% of the available Sponsor capital outlay property tax revenues for each of the next three years, future circumstances permitting, to assist in the Chapman renovations. The School received \$216,649 during this fiscal year.

In May, the Sponsor initiated a land lease with the School for the 2.67 acres of vacant land surrounding Chapman. The term of the lease is for a period of fifty years, and the School has an option to renew the lease for an additional fifty years. The cumulative annual rent for the entire term of the lease is \$50. The School has determined the fair value of the land lease at \$9,000 per year.

The Sponsor retains the right to cancel the lease and remove any property added by the School, and reimburse the School for the fair market value of any permanent improvements made to the property.

NOTE 12: DONATED LABOR

The Bay City Work Camp provided nine inmates to assist in the Chapman renovations. The inmates began working May 11, 2009 for a period of 34 days, and 238 hours. These donated hours were valued at minimum wage, for a total of \$17,255.

NOTE 13: SUBSEQUENT EVENTS

We have evaluated whether there were any subsequent events to be reported through the financial statement issuance date, August 19, 2009. There were no subsequent events to be reported.

APALACHICOLA BAY CHARTER SCHOOL, INC.
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(GAAP BASIS)</u>	<u>WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<u>REVENUES:</u>				
Intergovernmental:				
Florida education finance program	\$ 2,098,170	\$ 2,020,320	\$ 2,020,320	\$ -
State through local	13,600	13,200	13,146	(54)
Local	-	4,000	6,200	2,200
Interest income	8,700	8,700	8,565	(135)
	<u>2,120,470</u>	<u>2,046,220</u>	<u>2,048,231</u>	<u>2,011</u>
<u>EXPENDITURES:</u>				
Current:				
Instruction and instruction related services	1,555,788	1,451,947	1,412,130	39,817
General administration - Board	7,770	7,718	7,389	329
School administration	314,087	304,054	280,204	23,850
Community services	5,000	21,533	22,553	(1,020)
Fiscal services	54,203	54,203	53,103	1,100
Food services	40,467	45,207	41,058	4,149
Information services	33,022	33,022	34,746	(1,724)
Pupil transportation services	50,154	52,154	39,905	12,249
Operation of plant	129,924	117,424	104,408	13,016
Maintenance of plant	26,000	25,000	19,749	5,251
Capital Outlay	5,000	5,000	5,000	-
	<u>2,221,415</u>	<u>2,117,262</u>	<u>2,020,245</u>	<u>97,017</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(100,945)</u>	<u>(71,042)</u>	<u>27,986</u>	<u>99,028</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	-	-	(18,605)	(18,605)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(18,605)</u>	<u>(18,605)</u>
NET CHANGE IN FUND BALANCES	(100,945)	(71,042)	9,381	80,423
FUND BALANCES - BEGINNING OF YEAR	<u>530,498</u>	<u>530,498</u>	<u>530,498</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 429,553</u>	<u>\$ 459,456</u>	<u>\$ 539,879</u>	<u>\$ 80,423</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SKELTON, BRYANT, BRYANT & SCARBORO, P.A.

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August 17, 2009

Board of Directors
Apalachicola Bay Charter School, Inc.
Apalachicola, Florida

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apalachicola Bay Charter School, Inc., as of and for the year ended June 30, 2009, which collectively comprise Apalachicola Bay Charter School Inc.'s basic financial statements and have issued our report thereon dated August 17, 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 Apalachicola Bay Charter School, Inc.'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 Apalachicola Bay Charter School, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Apalachicola Bay Charter School, Inc.'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 Apalachicola Bay Charter School, Inc.'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 Apalachicola Bay Charter School, Inc.'s financial statements that is more than inconsequential will not be prevented or detected Apalachicola Bay Charter School, Inc.'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 Apalachicola Bay Charter School, Inc.'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 Apalachicola Bay Charter School, Inc.'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, the Franklin County School Board and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



SKELTON, BRYANT, BRYANT & SCARBORO, P.A.
Certified Public Accountants

SKELTON, BRYANT, BRYANT & SCARBORO, P.A.

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August 17, 2009

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PUBLIC ACCOUNTANTS

Board of Directors
Apalachicola Bay Charter School, Inc.
98 12th Street
Apalachicola, FL 32320

MANAGEMENT LETTER

We have audited the financial statements of Apalachicola Bay Charter School, Inc., as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated August 17, 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 on Compliance and Other Matters. Disclosures in those reports, which are dated August 17, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of 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. There were no recommendations made in the preceding 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 official title of the School is Apalachicola Bay Charter 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(s) met. In connection with our audit, we determined that the Apalachicola Bay Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(3) 7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures at the fiscal year end, June 30, 2009. It is management's responsibility to monitor the Apalachicola Bay Charter School, Inc.'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 same.

Pursuant to Chapter 119, Florida Statutes, this management letter is 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 Franklin County District School Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Skelton, Bryant, Bryant & Scarborough, P.A.

SKELTON, BRYANT, BRYANT & SCARBORO, P.A.
Certified Public Accountants