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DISCOVERY MIDDLE CHARTER SCHOOL, INC.

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2009

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**MARK ESCOFFERY P.A.**  
CERTIFIED PUBLIC ACCOUNTANT

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board Members of Discovery  
Middle Charter School, Inc.  
Coral Springs, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Discovery Middle Charter School, Inc. ("the School") a component unit of The School Board of Broward County as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 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*, I have also issued my report dated September 23, 2009, on my consideration of the School's internal control over financial reporting and my 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 my 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 my audit.

To the Board Members of Discovery  
Middle Charter School, Inc.  
Coral Springs, Florida  
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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprised the School's basic financial statements. The accompanying Supplementary Schedule of Expenditures, Budget and Actual – Governmental Fund (General Fund) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Mark E. Coffey, P.A.*

Palm Beach Gardens, Florida  
September 23, 2009

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

My discussion and analysis of Discovery Middle Charter School, Inc.'s ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2009.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements which begin on page 7.

For financial statement purposes the School is considered a component unit of The School Board of Broward County which is a primary government entity for financial reporting. The School has included separate statements for the Governmental Fund Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Assets and the Statement of Activities Report provide information on the activities of the School. The Fund Financial Statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

### **NON FINANCIAL HIGHLIGHTS**

The School's daily enrollment for fiscal year ended June 30, 2009 was 85 students. The School expects to have an enrollment of 100 students for the school year 2009-2010.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the School's financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when received.

*The Statement of Net Assets* presents information on all of the School's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

*The Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

#### ***Fund 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.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)**

*Fund Financial Statements (Cont'd.)*

*Governmental Funds* – All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's governmental activities and the basic services it provides.

*Notes to the Financial Statements*

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on Pages 12-16 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$4,046 at June 30, 2009.

**NET ASSETS**

	<b>JUNE 30, 2009</b>	<b>JUNE 30, 2008</b>
Current and Other Assets	\$ 47,453	\$ 1,277
Capital Assets	-	-
Total Assets	\$ 47,453	\$ 1,277
Other Liabilities	\$ 43,407	\$ 1,869
Total Liabilities	\$ 43,407	\$ 1,869
Investment in Capital Assets	\$ -	\$ -
Unrestricted	4,046	( 592 )
<b>Total Net Assets</b>	<b>\$ 4,046</b>	<b>\$ ( 592 )</b>

Revenues from governmental activities totaled \$476,083 for the year ended June 30, 2009. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 98.6% of total revenue.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)**

<u>Revenue Source</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>
State Sources	\$ 476,083	98.6	\$ 110,088	90.6
Local Sources	6,722	1.4	11,400	9.4
<b>TOTAL</b>	<b>\$ 482,805</b>	<b>100.0</b>	<b>\$ 121,488</b>	<b>100.0</b>

Local revenue sources are primarily Grants. Increases in levels of expenses for major functions of the School are shown in the following table:

<u>Expense</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>
Instruction	\$ 250,540	39.6	\$ 56,561	46.3
ESE Instructional	3,089	.5	-	-
Curriculum Development	-	-	75	-
Staff Development	1,091	.2	-	-
Board Services	2,655	.4	12,672	10.4
School Administration	31,226	4.9	10,203	8.4
Food Services	459	.1	5,504	4.5
Facilities Acquisition	211,451	33.4	20,033	16.4
Fiscal Services	-	-	4,599	3.8
Central Services	2,743	.4	-	-
Pupil Transportation	40,770	6.4	-	-
Technology Services	7,840	1.2	-	-
General Administration	24,049	3.8	5,504	4.5
Operation of Plant	53,648	8.5	11,556	9.5
Maintenance of Plant	3,606	.6	877	.7
<b>TOTAL</b>	<b>\$ 633,167</b>	<b>100.0</b>	<b>\$ 122,080</b>	<b>100.0</b>

**BUDGETARY HIGHLIGHTS**

Total revenue was lower than budget by \$207,450 primarily because loan proceeds of \$175,000 were included with budgeted amount for Local Sources.

School expenditures were less than budgeted by \$40,384 primarily because of instruction costs which reflected lower payroll and related costs. Fiscal Services were lower by \$54,600 because of reduced Management costs.

Total Fund balance of the General Fund was \$4,046 at June 30, 2009.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**DEBT ADMINISTRATION**

The School borrowed \$155,000 from its Management Company during the year to fund its operations.

**PROSPECTS FOR THE FUTURE**

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- . The Administration believes that the School will achieve a high rating from the Department of Education.
- .. The Administration believes that the School will continue to be successful and contribute to the educational requirements of Broward County.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Governmental Fund Balance Sheet (General Fund) Statement of Net Assets**  
**June 30, 2009**

	Governmental Funds	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash	\$510		\$510
Accounts receivable	32,453		\$32,453
Deposits	12,000		12,000
Prepayments	2,490		2,490
<b>Total Assets</b>	<b>\$47,453</b>		<b>\$47,453</b>
<b>LIABILITIES</b>			
Accrued salaries payable	\$43,407		\$43,407
Note Payable		155,000	155,000
<b>Total Liabilities</b>	<b>43,407</b>	<b>155,000</b>	<b>198,407</b>
<b>FUND BALANCE/NET ASSETS</b>			
Undesignated	4,046		
<b>Total Liabilities and Fund Balance</b>	<b>\$47,453</b>		
<b>Net Assets</b>			
Investment in capital assets			
Unrestricted deficit			(150,954)
<b>Total Net Assets</b>			<b>(\$150,954)</b>

The accompanying notes are an integral part of this statement

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Reconciliation of the Governmental Fund (General Fund)**  
**Balance Sheet To The Statement of Net Assets**  
**June 30, 2009**

Fund Balance- Governmental Funds	\$4,046
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	
Less accumulated depreciation	_____

Some expenses reported in the Statement of net Assets do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds

Note Payable	(155,000)
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Net Assets of Governmental activities	<u><u>(\$150,954)</u></u>
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The accompanying notes are an integral part of this statement

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Statement of Governmental Fund (General Fund) Revenues, Expenditures and**  
**Changes in Fund Balance/Statement of Activities**  
**Year ended June 30, 2009**

	<u>Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>			
State sources	\$476,083		\$476,083
Local sources	6,722		6,722
<b>TOTAL REVENUES</b>	<b>482,805</b>		<b>482,805</b>
<b>EXPENDITURES/EXPENSES</b>			
Instruction	250,540		250,540
ESE Instructional	3,089		3,089
Staff development	1,091		1,091
Board Services	2,655		2,655
School Administration	31,226		31,226
General Administration	24,049		24,049
Fiscal Services			0
Facilities Acquisition	211,451		211,451
Food services	459		459
Pupil transportation	40,770		40,770
Central services	2,743		2,743
Operation of Plant	53,648		53,648
Plant Maintenance	3,606		3,606
Technology services	7,840		7,840
Capital Outlay			
<b>TOTAL EXPENSES</b>	<b>633,167</b>		<b>633,167</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	(150,362)		(150,362)
<b>Proceeds from note payable</b>	155,000		
	4,638		(150,362)
<b>Fund Balance/Net Assets</b>			
<b>Beginning of Year</b>	(592)	-	(592)
<b>End of Year</b>	<b>\$4,046</b>	<b>\$ -</b>	<b>(\$150,954)</b>

The accompanying notes are an integral part of this statement

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**of Governmental Fund (General Fund) To The**  
**Statement of Activities**  
**June 30, 2009**

Net Changes in Fund Balances- Governmental Funds	\$4,638
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	
Less current year depreciation	_____
	_____

Some expenses reported in the Statement of net Assets do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental Funds

Note Payable	(155,000)
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Change in Net Assets of Governmental Activities	<u><u>(\$150,362)</u></u>
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The accompanying notes are an integral part of this statement

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance-Budget (GAAP Basis) and Actual**  
**All Governmental Fund (General Fund) Type**  
**Year Ended June 30, 2009**

	Governmental Funds		
	Budget	Actual	Variance
<b>REVENUES:</b>			
State sources	\$514,436	\$476,083	(\$38,353)
Local sources	175,819	6,722	(169,097)
<b>TOTAL REVENUES</b>	690,255	482,805	(207,450)
<b>EXPENDITURES:</b>			
Instruction	286,545	250,540	(36,005)
ESE Instructional	409	3,089	2,680
Staff development	3,503	1,091	(2,412)
Board Services	5,508	2,655	(2,853)
School Administration	24,441	31,226	6,785
General Administration	9,341	24,049	14,708
Fiscal Services	54,696		(54,696)
Facilities Acquisition	195,725	211,451	15,726
Food services	434	459	25
Pupil transportation	18,135	40,770	22,635
Central services	7,050	2,743	(4,307)
Operation of Plant	59,862	53,648	(6,214)
Plant Maintenance	1,749	3,606	1,857
Technology services	6,243	7,840	1,597
Reserve	16,614		(16,614)
Capital Outlay			
<b>TOTAL EXPENSES</b>	690,255	633,167	(40,474)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>		(150,362)	
<b>Proceeds from note payable</b>		155,000	
<b>Net Changes in Fund Balance</b>		4,638	(\$209,047)
<b>Fund Balance, beginning of year</b>		(592)	
<b>Fund balance, end of year</b>		\$4,046	

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR**  
**ENDED JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Discovery Middle charter School, Inc. (“the School”) was established as a nonprofit organization in May 2007 under the laws of the State of Florida and is the reporting entity.

The School operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with The School Board of Broward County, Florida. Under the Contract the School provides an education to children, from Grades six through eight, who reside in Broward County, in and around the City of Coral Springs. For financial statement purposes the School is considered a component unit of The School Board of Broward County which is a primary government entity for financial reporting.

The School Board of Broward County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract is effective through June 30, 2012. The Contract requires The School Board to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

**Basic Financial Statements**

The School’s basic financial statements are the Statements of Net Assets and the Statement of Activities. All the activities of the School are classified as governmental type activities. There are no business type activities of the School. All of the School’s governmental fund type activities are included in the general fund. There are no other major or non major funds. In the Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Basic Financial Statements (cont'd.)**

Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

**Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

**Accrual**

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

**Measurement Focus**

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments that subject the School to concentrations of credit risk include cash. While the School attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The School has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories under Florida law.

**Contributed Services and Facilities**

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services.

**Budgetary Basis of Accounting**

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

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$750 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computer Equipment and Software	5 Years
Leasehold Improvements	5-10 Years

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 2 – CAPITAL ASSETS**

There was no capital assets activity for the year ended June 30, 2009

There was no depreciation expense during the year ended June 30, 2009.

**NOTE 3 – LONG TERM LIABILITIES**

Long term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Note Payable	\$ -	\$155,000	\$ -	\$155,000	\$41,338

**Debt Maturity**

Debt service requirements on Note Payable at June 30, 2009 were as follows:

Year Ended June 30,	Principal	Interest
2010	\$ 41,338	\$ 8,181
2011	43,675	5,644
2012	46,369	2,950
2013	23,618	413
	<u>\$ 155,000</u>	<u>\$ 17,188</u>

**NOTE 4 – CONTRACTS**

The School has a contract with a company to manage the operations of the School and to provide employee leasing services. The term of the contract is for 5 years and expires on June 30, 2013. Under the terms of the Contract the Company was to receive 12% of revenues of the School. No fees were paid under this Contract for the year ended June 30, 2009.

The Management Company loaned the School \$155,000 during the year ended June 30, 2009. Monthly payments of principal and interest beginning on July 1, 2009 are \$4,110. The loan bears interest of 6% and matures on June 30, 2013. (See NOTE 3).

**NOTE 5 – RELATED PARTY TRANSACTIONS**

The School and another Charter School, Broward Community Charter School West (“BCW”), Inc., which operates out of the same location, have the same governing board. The School reimbursed BCW approximately \$17,000 for shared expenses for the year ended June 30, 2009.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

**Lease Agreement**

The School shares its administrative and classroom facilities with another Charter School that operates out of the same location. Annual rental expenses were approximately \$211,000 for the year ended June 30, 2009.

**Risk Management**

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto and workers compensation. A review of the last two year reveals that settled claims have not exceeded insurance coverage.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted back to the State due to errors in their FTE count would not be material to the financial position of the School.

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2009**

	Governmental Fund		
	Amended and Final Budget	Actual	Variance
<b>Instructional</b>			
Salaries	\$207,193	\$189,859	(\$17,334)
Payroll Taxes	19,226	17,679	(1,547)
Group Insurance	40,575	35,011	(5,564)
Workers Compensation	1,235		(1,235)
Instructional materials	15,044	7,927	(7,117)
Purchased Services	3,272	64	(3,208)
<b>Total Instructional</b>	<u>\$286,545</u>	<u>\$250,540</u>	<u>(\$36,005)</u>
<b>ESE Instructional</b>			
Contracted Services	<u>\$409</u>	<u>\$3,089</u>	<u>\$2,680</u>
<b>Staff Development</b>			
Professional & technical	\$1,165	\$821	(\$344)
Materials & Supplies	2,338	270	(2,068)
	<u>\$3,503</u>	<u>\$1,091</u>	<u>(\$2,412)</u>
<b>Board Services</b>			
Professional	<u>\$5,508</u>	<u>\$2,655</u>	<u>(\$2,853)</u>
<b>School Administration</b>			
Salaries	\$12,667	\$18,456	\$5,789
Payroll taxes	1,281	1,756	475
Retirement	232		(232)
Workers Compensation	116		(116)
Professional & technical	2,498	2,498	
Office Expenses	7,522	8,516	994
Travel	125		(125)
<b>Total School Administration</b>	<u>\$24,441</u>	<u>\$31,226</u>	<u>\$6,785</u>

**DISCOVERY MIDDLE CHARTER SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2009**

	Governmental Fund		
	Amended and Final Budget	Actual	Variance
<b>Facilities Acquisition</b>			
Facility lease	\$195,725	\$211,451	\$15,726
<b>General Administration</b>			
District Admin fees	\$9,341	\$24,049	\$14,708
<b>Fiscal Services</b>			
Professional & Technical	\$54,696		(\$54,696)
<b>Food services</b>			
Supplies	\$434	\$459	\$25
<b>Central services</b>			
Professional & Technical	\$7,050	\$2,743	(\$4,307)
<b>Pupil transportation</b>			
Purchased services	\$18,135	\$40,770	\$22,635
<b>Operation of Plant</b>			
Salaries	\$3,242		(\$3,242)
Payroll taxes	289		(289)
Workers Compensation	49		(49)
Repairs & maintenance	9,118	6,792	(2,326)
Insurance	21,819	20,967	(852)
Communication	2,681	3,340	659
Utilities	19,042	20,667	1,625
Supplies	3,622	1,882	(1,740)
<b>Total Operation of Plant</b>	<b>\$59,862</b>	<b>\$53,648</b>	<b>(\$6,214)</b>
<b>Plant Maintenance</b>			
Repairs and Maintenance	\$1,749	\$3,606	\$1,857
<b>Technology services</b>			
Professional & Technical	\$6,243	\$7,840	\$1,597

# **Mark Escoffery, P.A.**

## **Certified Public Accountant**

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### **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**

To the Board Members of Discovery  
Middle Charter School, Inc.  
Coral Springs, Florida

I have audited the financial statements of Discovery Middle Charter School, Inc., ("the School") (a non-profit organization) as of and for the year ended June 30, 2009, and have issued my report thereon dated September 23, 2009. I conducted my 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 my audit, I considered the School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, I 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

**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 (Continued)**

To the Board Members of Discovery  
Middle Charter School, Inc.  
Coral Springs, Florida  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 the Board Members, Management, others within the School pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mark E. Coffey, P.A.*

Palm Beach Gardens, Florida  
September 23, 2009

# Mark Escoffery, P.A.

## Certified Public Accountant

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

Tel (561) 627-1404  
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### MANAGEMENT LETTER

To the Board Members of Discovery  
Middle Charter School, Inc.  
Coral Springs, Florida

I have audited the financial statements of Discovery Middle Charter School, Inc., ("the School") as of and for the year ended June 30, 2009, and have issued my report thereon dated September 23, 2009.

I have issued my Independent Auditor's Report on compliance and on internal control over financial reporting dated September 23, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

I conducted my 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 of America. Additionally, my audit was conducted in accordance with the Provision of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* Section 10.854(1)(d)1 require that I comment as to whether or not recommendations made in the preceding annual financial report have been followed. There were no recommendations made in the prior year.

The *Rules of the Auditor General* 10.854(1)(d)2 require that I comment on whether the School has met any of the conditions described in Section 218.503(1), Florida Statutes. The School has met one of the conditions described in Section 218.503(1), Florida Statutes.

The *Rules of the Auditor General* Section 10.854(1)(d)5 require that I state whether there were any findings or recommendations made for the current year. There are no findings and recommendations made for the current year.

The *Rules of the Auditor General* Section 10.855(10) require that I state whether the scope of the audit included the use of financial condition assessment procedures to determine whether deteriorating financial conditions exist pursuant to Section 218.39(5) Florida Statutes. The scope of the audit included the use of financial condition assessment procedures and there was a deteriorating financial condition existing pursuant to Section 218.39(5) Florida Statutes.

**MANAGEMENT LETTER**  
**(Continued)**

**FLORIDA STATUTES**

The *Rules of the Auditor General* Section 10.854(1)(d)2 require that I comment on whether the School has met any of the conditions described in Section 218.503(1), Florida Statutes. The School has met one of the conditions described in section 218.503(1), Florida Statutes. As of June 30, 2009 the School had a deficit net asset balance of \$150,954. The School had \$510 in cash balances and total liabilities of approximately \$92,000 due to be paid within twelve months.

**OTHER CURRENT YEAR COMMENTS**

My report did not disclose any additional items that would be required to be reported under Chapter 10.854(1)(d) *Rules of the Auditor General*.

This report is intended solely for the information and use of the School's Board Members, Management, pass-through entities and the State of Florida Office of the Auditor General and is not intended and should not be used by anyone other than these specified parties.

*Wanda EscOFFER, P.A.*

Palm Beach Gardens, Florida  
September 23, 2009