



**LIFE SKILLS CENTER LEON COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF
LEON COUNTY, FLORIDA**

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

JUNE 30, 2009



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**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The discussion and analysis of the Life Skills Center Leon County, Inc.'s (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$122,306 (net assets). This is a great increase from the prior year, when assets of the School exceeded its liabilities by \$43,099.

Revenues from state and local sources decreased 2% (\$31,992), while revenues from other sources decreased 25% (\$65,244) for a net decrease in revenues of 5%. Expenses decreased 8% (\$152,257). The change is primarily due to a decrease in expenses related to personnel and staff training services which were not required.

Using this Financial Report

This report consists of three parts - the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include two kinds of statements that present different views of the School:

The first two statements - the Statement of Net Assets and Statement of Activities, are government-wide financial statements that provide information about the School's overall financial status.

The remaining statements - the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance, are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

Government-wide Financial Statements

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)**

The two government-wide financial statements report the School's net assets and how they have changed. Net assets - the difference between the School's assets and liabilities - are one way to measure the School's financial position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating.

Net Assets

Table 1 provides a comparative summary of the School's net assets for fiscal years 2009 and 2008

(Table 1)
Net Assets

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Assets			
Current Assets	\$ 53,849	\$ 65,105	\$ (11,256)
Accounts Receivable	-	100,578	(100,578)
Capital Assets, Net	<u>70,957</u>	<u>2,812</u>	<u>68,145</u>
Total Assets	<u>\$ 124,806</u>	<u>\$ 168,495</u>	<u>\$ (43,689)</u>
Liabilities			
Current Liabilities	<u>\$ 2,500</u>	<u>\$ 125,396</u>	<u>(122,896)</u>
Net Assets			
Invested in Capital Assets	\$ 70,957	\$ 2,812	\$ 68,145
Unrestricted	<u>51,349</u>	<u>40,287</u>	<u>11,062</u>
Total Net Assets	<u>\$ 122,306</u>	<u>\$ 43,099</u>	<u>\$ 79,207</u>

The decreases in Accounts Receivable and Current Liabilities are directly related to the timing of receipt of payments for federal start-up grant funds and the corresponding payables at year end. Net capital assets increased as a result of capital asset additions in excess of depreciation in the current year.

LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

Change in Net Assets

Table 2 shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2009 and 2008.

(Table 2)
Change in Net Assets

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Revenues			
State and Local Sources	\$ 1,632,740	\$ 1,664,732	\$ (31,992)
Operating Grants and Contributions	148,750	100,578	48,172
Other Revenue	47,994	161,410	(113,416)
Total Revenues	<u>1,829,484</u>	<u>1,926,720</u>	<u>(97,236)</u>
Expenses			
Instruction	608,518	592,197	16,321
Pupil Personnel Services	89,568	131,679	(42,111)
Instructional Staff Training Services	79,849	122,094	(42,245)
Board	31,511	24,122	7,389
School Administration	475,718	461,389	14,329
Operation of Plant	439,377	533,852	(94,475)
Maintenance of Plant	25,736	37,201	(11,465)
Total Expenses	<u>1,750,277</u>	<u>1,902,534</u>	<u>(152,257)</u>
Change in Net Assets	<u>\$ 79,207</u>	<u>\$ 24,186</u>	<u>\$ 55,021</u>

Total revenues decreased primarily due to a decrease in contributions of working capital required by the management company. See Note 7 in the Notes to the Basic Financial Statements. The prior year was the School's second year of operations and additional expenses were incurred as part of establishing the School. In particular, pupil personnel services, decreased due to a decrease in personnel services and instructional staff training decreased due to extensive training in the prior year. The overall decrease in operation of plant is due primarily to a decrease in facilities construction and related expense.

Certain reclassifications were made in the 2008 amounts to conform to their classifications in fiscal year 2009.

LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009
(continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts, which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year the School's governmental funds reported a combined ending unreserved fund balance of \$51,349.

Budgetary Highlights

The School prepares an annual budget in June based on the expected funded enrollment figure for the following school year. The budget is revised once the School's final full-time equivalent enrollment is determined based on the required count dates.

The School's final general fund budget estimated a \$61,892 carryover to the following year. Actual results produced a carryover in the general fund of \$51,349.

Over the course of the year, the School revised its budget. With the adjustments, actual revenues were approximately \$178,000 under final budget amounts. This was due to a larger budgeted capital contribution from the management company for the fiscal year. See Note 7 in the Notes to the Basic Financial Statements. Total expenses were approximately \$168,000 under final budget, which was a result of higher expected instruction costs.

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**
(continued)

Capital Assets

At the end of fiscal year 2009 the School had \$70,957 invested in computer software, furniture and equipment. Table 3 shows comparative balances of capital assets for fiscal years 2009 and 2008.

(Table 3)
Capital Assets
(Net of Depreciation)

	2009	2008	Increase (Decrease)
Computer Software	\$ 53,951	\$ 2,812	\$ 51,139
Furniture & Equipment	17,006	-	17,006
	\$ 70,957	\$ 2,812	\$ 68,145

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

Current Financial Issues

As explained more fully in Note 7 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which include facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. The Company agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Leon County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of expenses by WHLS in excess of these revenues do not represent a loan or future obligation of the School to WHLS.

For fiscal year 2009, the School's third year of operation, the Company provided approximately \$48,000 of additional support to the School. These costs were incurred solely by the Company on behalf of the School and its operations. The School projects that it will not require this level of additional support from the company during fiscal year 2010.

Contacting the School's Financial Management

This financial report is designed to provide our readers with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Trudy Crowetz, Financial Manager for the Life Skills Center Leon County, Inc., 324 N. Adams St., Tallahassee, Florida 32301.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Life Skills Center of Leon County, Inc.,
a Charter School and Component Unit of the District
School Board of Leon County, Florida

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2009 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages 1 - 5 and the budgetary comparison schedules on pages 21 - 22 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
August 13, 2009

**LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 53,849
Capital Assets:	
Furniture, Fixtures and Equipment	20,313
Less Accumulated Depreciation	(3,307)
Computer Software	71,639
Less Accumulated Amortization	<u>(17,688)</u>
Total Assets	<u>\$ 124,806</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 2,500</u>
Total Liabilities	<u>2,500</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	70,957
Unrestricted Net Assets	<u>51,349</u>
Total Net Assets	<u>122,306</u>
Total Liabilities and Net Assets	<u>\$ 124,806</u>

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

FUNCTIONS	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Governmental Activities
Governmental Activities:			
Instruction	\$ 608,518	\$ -	\$ (608,518)
Pupil Personnel Services	89,568	-	(89,568)
Instructional Staff Training Services	79,849	-	(79,849)
Board	31,511	-	(31,511)
School Administration	475,718	-	(475,718)
Operation of Plant	439,377	-	(439,377)
Maintenance of Plant	25,736	-	(25,736)
	Total Governmental Activities	\$ -	(1,750,277)
 General Revenues:			
FEFP			1,632,740
Federal Start Up Grant			148,750
Other Revenue			47,994
			Total General Revenues and Special Items
			1,829,484
			 Change in Net Assets
			79,207
			 Net Assets-Beginning
			43,099
			 Net Assets-Ending
			\$ 122,306

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2009**

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 53,849
Total Assets	<u>\$ 53,849</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 2,500
Total Liabilities	<u>2,500</u>
FUND BALANCE	
Unreserved	51,349
Total Fund Balance	<u>51,349</u>
Total Liabilities and Fund Balance	<u>\$ 53,849</u>

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total fund balance - governmental fund	\$ 51,349
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

70,957

Total net assets - governmental activities

\$ 122,306

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

LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
State and Local Sources	\$ 1,632,740	\$ -	\$ 1,632,740
Federal Through State	-	148,750	148,750
Other Revenue	47,994	-	47,994
Total Revenues	<u>1,680,734</u>	<u>148,750</u>	<u>1,829,484</u>
EXPENDITURES			
Instruction	540,604	50,857	591,461
Pupil Personnel Services	89,568	-	89,568
Instructional Staff Training Services	79,849	-	79,849
Board	31,511	-	31,511
School Administration	463,027	12,691	475,718
Operation of Plant	439,377	-	439,377
Maintenance of Plant	25,736	-	25,736
Capital Outlay	-	85,202	85,202
Total Expenditures	<u>1,669,672</u>	<u>148,750</u>	<u>1,818,422</u>
Net Changes in Fund Balances	11,062	-	11,062
Fund Balance, July 1, 2008	<u>40,287</u>	<u>-</u>	<u>40,287</u>
Fund Balance, June 30, 2009	<u>\$ 51,349</u>	<u>\$ -</u>	<u>\$ 51,349</u>

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Net changes in fund balances - governmental funds	\$	11,062
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$85,202) exceeded depreciation expense (\$17,057) in the current period.

68,145

Change in net assets of governmental activities	\$	<u>79,207</u>
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The accompanying notes to financial statements are an integral part of this statement.

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Life Skills Center Leon County, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes.

The School contracts with WHLS of Florida, LLC (WHLS) for most of its functions. See Note 7.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Leon County (the District). The current charter is effective until June 30, 2011 and may be renewed for up to an additional five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter. In this case, the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if any good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District. The School is considered a component unit of the District and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governments.

The School operates under a self-appointing, seven-member Board of Directors (the Board). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the District, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION

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

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund - to account for the proceeds of federal grant funds received in connection with the Federal Charter School Start Up Grant.

For the purposes of these statements, all of the School's funds described above are considered major funds.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

C. 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.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Assets, investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents.

E. REVENUE SOURCES

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives a 5% administrative fee from the School. Amounts awarded under FEFP for the 2009 school year totaled \$1,632,740.

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUE SOURCES (Continued)

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

F. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of \$5,000.

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation of \$70,957. Depreciation is computed by the straight-line method over three years for Computer Software and related Furniture & Equipment.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 7).

G. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets consist of capital assets, net of accumulated depreciation and unrestricted net assets.

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

3. CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School's deposit policy for custodial credit risk is to spread its deposits among various institutions to the extent possible in order to limit its exposure to any one institution. As of June 30, 2009, none of the School's bank balance of approximately \$54,000 was exposed to custodial credit risk. This balance was collateralized by securities held by the pledging bank's trust department, but not in the School's name. The School has not historically experienced losses on such accounts.

4. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2009, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Computer Software	\$ 6,750	\$ 64,889	\$ -	\$ 71,639
Furniture, Fixtures and Equipment	<u>-</u>	<u>20,313</u>	<u>-</u>	<u>20,313</u>
Total Capital Assets Being Depreciated	<u>6,750</u>	<u>85,202</u>	<u>-</u>	<u>91,952</u>
Less Accumulated Depreciation:				
Computer Software	(3,938)	(13,750)	-	(17,688)
Furniture, Fixtures and Equipment	<u>-</u>	<u>(3,307)</u>	<u>-</u>	<u>(3,307)</u>
Total Accumulated Depreciation	<u>(3,938)</u>	<u>(17,057)</u>	<u>-</u>	<u>(20,995)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 2,812</u>	<u>\$ 68,145</u>	<u>\$ -</u>	<u>\$ 70,957</u>

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
Instruction	<u>\$ 17,057</u>
Total governmental activities depreciation expense	<u>\$ 17,057</u>

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)**

5. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2009, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,216,833
Class Size Reduction	256,360
Discretionary Local Effort	91,638
Instructional Materials	26,497
Discretionary Millage	22,570
Discretionary Lottery	10,502
Safe School	<u>8,340</u>
Total State and Local Revenues	<u><u>\$ 1,632,740</u></u>

6. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with WHLS, WHLS has contracted with an insurance company for property and general liability insurance (see Note 7).

Director and Officer - Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

7. AGREEMENT WITH WHLS

The School entered into a five-year Management Agreement (Agreement) with WHLS, which is an educational consulting and management company. The Agreement's term coincides with the School's charter agreement and will renew for additional, successive one (1) year term unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable to the School's Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(Continued)

7. AGREEMENT WITH WHLS (Continued)

terms and conditions attached to the grants, if any.” The continuing fee is paid to WHLS based on the previous month’s qualified gross revenues less any fees the School is required to remit to the District. The continuing fee paid to WHLS for the year ended June 30, 2009 was \$1,502,121. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

During the year ended June 30, 2009, WHLS expended \$47,994 more than the continuing fee required by the Agreement. Per the Agreement, no other amounts are required other than the continuing fee as calculated above. All amounts expended by WHLS in excess of the continuing fee are not required to be repaid, and, consequently, are recorded as “Other Revenue” to the School in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

8. CONTINGENCES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts that may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**LIFE SKILLS CENTER LEON COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$ 1,518,000	\$ 1,536,815	\$ 1,632,740	\$ 95,925
Other Revenue	-	322,090	47,994	(274,096)
Total Revenues	<u>1,518,000</u>	<u>1,858,905</u>	<u>1,680,734</u>	<u>(178,171)</u>
EXPENDITURES				
Instruction	425,000	709,600	540,604	168,996
Pupil Personnel Services	75,000	86,400	89,568	(3,168)
Instructional Staff Training Services	12,000	83,400	79,849	3,551
Board	18,000	24,500	31,511	(7,011)
School Administration	443,900	467,100	463,027	4,073
Operation of Plant	426,600	440,100	439,377	723
Maintenance of Plant	38,600	26,200	25,736	464
Total Expenditures	<u>1,439,100</u>	<u>1,837,300</u>	<u>1,669,672</u>	<u>167,628</u>
Net Changes in Fund Balances	78,900	21,605	11,062	(10,543)
Fund Balance, July 1, 2008	<u>40,287</u>	<u>40,287</u>	<u>40,287</u>	-
Fund Balance, June 30, 2009	<u>\$ 119,187</u>	<u>\$ 61,892</u>	<u>\$ 51,349</u>	<u>\$ (10,543)</u>

See report of independent auditors.

**LIFE SKILLS CENTER LEON COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES			
Federal Through State	\$ 128,750	\$ 148,750	\$ 20,000
Total Revenues	<u>128,750</u>	<u>148,750</u>	<u>20,000</u>
EXPENDITURES			
Instruction	60,500	50,857	9,643
Instructional Staff Training Services	20,750	-	20,750
School Administration	18,500	12,691	5,809
Facilities Acquisiton and Construction	29,000	-	29,000
Capital Outlay	<u>-</u>	<u>85,202</u>	<u>(85,202)</u>
Total Expenditures	<u>128,750</u>	<u>148,750</u>	<u>(20,000)</u>
Net Changes in Fund Balances	-	-	-
Fund Balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.



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

To the Board of Directors of Life Skills Center Leon County, Inc.,
a Charter School and Component Unit of the District
School Board of Leon County, Florida

We have audited the financial statements of the governmental activities and each major fund of Life Skills Center Leon County, Inc. (the "School"), a charter school and component unit of the District School Board of Leon County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



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

Compliance and Other Matters

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

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

BKHM, P.A.

Winter Park, Florida
August 13, 2009

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



To the Board of Directors of Life Skills Center of Leon County, Inc.,
a Charter School and Component Unit of the District
School Board of Leon County, Florida

We have audited the financial statements of the governmental activities and each major fund of Life Skills Center Leon County, Inc. (the "School"), as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated August 13, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 13, 2009, should be considered in conjunction with this management letter.

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

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year.
- 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 Life Skills Center Leon County, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

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

BKHM, P.A.

Winter Park, Florida
August 13, 2009