

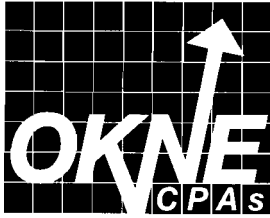
SEBASTIAN CHARTER JUNIOR HIGH, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2009

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O'Haire, Kmetz, Nuttall, Elwell & Co., chartered

Tax, Business and Financial Consultants
Independent Auditors' Report

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To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River 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 the School's 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 Controller 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, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009, on our consideration of Sebastian Charter Junior High, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 3 – 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America.. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

O'Haire, Kmetz, Nuttall, Elwell & Co., chartered
Certified Public Accountants

September 17, 2009

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

As management of Sebastian Charter Junior High, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2009. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$415,339 (net assets). Of this amount, \$26,614 (unrestricted net assets) may be used to meet the ongoing obligations of the School. The School's total net assets decreased by \$4,450 or 1% in comparison with prior year net assets.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$44,506, or 5% of total expenditures. The School's combined ending fund balances decreased by \$11,404 or 20% in comparison with the prior year balances. \$26,614 of the \$44,506 is available for spending at the School's discretion (unreserved fund balance). The remaining \$17,892 has been designated for capital projects.
- Investment in capital assets increased over the prior year by \$6,954 or 2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the School's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net assets*. Over time, increases and 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 School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 8 and 9 of this report.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

Governmental fund – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 10 - 12 of this report.

Notes to the financial statements – The notes 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 14 - 21 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$415,339, at June 30, 2009.

A portion of the School's net assets (89%) reflects its investment in capital assets, net of related debt (e.g. land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2009, of \$380,588 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S NET ASSETS

	2009	2008
Current assets	\$ 179,954	\$ 191,390
Capital assets, net	751,421	765,663
Total assets	931,375	957,053
Current liabilities	167,329	166,062
Long-term liabilities:	348,707	371,202
Total liabilities	516,036	537,264
Net assets:		
Invested in capital assets, net of related debt	370,833	363,879
Restricted for:		
Capital projects	17,892	15,879
Unrestricted	26,614	40,031
Total net assets	\$ 415,339	\$ 419,789

An additional portion of the School's net assets (6%) represents *unrestricted net assets* that are available to meet the financial obligations of the School. A final portion of the School's net assets (4%) is restricted for capital projects. At the end of the current fiscal year, the School is able to report positive balances in all three categories of net assets.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S CHANGE IN NET ASSETS

	2009	2008
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 51,858	\$ 24,218
Capital grants and contributions	79,236	60,343
General revenues:		
FTE non-specific revenues	832,650	844,295
Unrestricted investment earnings	2,013	5,280
Gifts, grants and bequests not restricted to specific programs	2,554	17,148
Total revenues	968,311	951,284
Expenses:		
Instruction	503,469	477,485
Instructional staff training	3,854	10,183
Board	4,284	-
School administration	267,771	281,863
Facilities acquisition and construction	7,797	-
Fiscal services	9,930	10,339
Food services	50,256	23,708
Transportation	12,531	8,993
Operation of plant	55,736	63,830
Maintenance of plant	12,632	15,668
Interest on long-term debt	27,653	27,241
Depreciation - unallocated	16,848	15,769
Total expenses	972,761	935,079
Change in net assets	(4,450)	16,205
Net assets, beginning of year	419,789	403,584
Net assets, end of year	\$ 415,339	\$ 419,789

Governmental activities – The School relies heavily on general revenues (i.e. FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 14% of total revenues. General revenues comprise 86% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a 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 combined ending fund balance of \$44,506, a decrease of \$11,404 over the previous fiscal year. The fund balance consists of *unreserved fund balance*, which is available for spending at the School's discretion, with a portion (\$17,892) primarily designated for capital projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2009, amounted to \$751,421 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, furniture and computer software. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 16, 19 and 20 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2009, of \$380,588 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1, 3 and 4 on pages 16, 19 and 20 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by the Indian River County School District.
- The Indian River County School District continues to retain 5% administrative costs on revenues.
- The Charter School's enrollment is expected to be 100% for the fiscal year ending 2009-2010.

All of these factors were considered in preparing the School's budget for the 2009-2010 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dr. Martha McAdams, Principal, Sebastian Charter Junior High, Inc., 782 Wave Street, Sebastian, Florida 32958.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 28,324	\$ -	\$ 28,324
Due from local sources	133,738	-	133,738
Accrued interest receivable	17,892	-	17,892
Capital assets, net	751,421	-	751,421
Total Assets	931,375	-	931,375
Liabilities			
Payroll tax payable	1,710	-	1,710
Deferred revenue	133,738	-	133,738
Long-term liabilities:			
Due within one year:			
Note payable	29,540	-	29,540
Obligation under capital leases	2,341	-	2,341
Due in more than one year:			
Note payable	339,261	-	339,261
Obligation under capital leases	9,446	-	9,446
Total Liabilities	516,036	-	516,036
Net Assets			
Invested in capital assets, net of related debt	370,833	-	370,833
Restricted for:			
Capital projects	17,892	-	17,892
Unrestricted	26,614	-	26,614
Total Net Assets	\$ 415,339	\$ -	\$ 415,339

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities

Year ended June 30, 2009

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 503,469	\$ -	\$ 1,602	\$ 4,651	\$ (497,216)	\$ -	\$ (497,216)
Instructional staff training	3,854	-	-	-	(3,854)	-	(3,854)
Board	4,284	-	-	-	(4,284)	-	(4,284)
School administration	267,771	-	-	26,983	(240,788)	-	(240,788)
Facilities acquisition and construction	7,797	-	-	-	(7,797)	-	(7,797)
Fiscal services	9,930	-	-	-	(9,930)	-	(9,930)
Food services	50,256	-	50,256	-	-	-	-
Transportation	12,531	-	-	-	(12,531)	-	(12,531)
Operation of plant	55,736	-	-	10,634	(45,102)	-	(45,102)
Maintenance of plant	12,632	-	-	9,315	(3,317)	-	(3,317)
Interest on long-term debt	27,653	-	-	27,653	-	-	-
Depreciation - unallocated *	16,848	-	-	-	(16,848)	-	(16,848)
Total governmental activities	\$ 972,761	\$ -	\$ 51,858	\$ 79,236	(841,667)	-	(841,667)
General Revenues:							
Local revenue:							
Florida Education Finance Program					661,966	-	661,966
Discretionary lottery funds					3,013	-	3,013
Instructional materials					11,402	-	11,402
Class size					125,291	-	125,291
School recognition					11,138	-	11,138
Gifts, grants and bequests not restricted to specific programs					2,554	-	2,554
Other miscellaneous local sources					19,840	-	19,840
Interest earned					2,013	-	2,013
Total general revenues and special items					837,217	-	837,217
Change in net assets					(4,450)	-	(4,450)
Net Assets, beginning					419,789	-	419,789
Net Assets, ending					\$ 415,339	\$ -	\$ 415,339

This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.



Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2009

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 28,324	\$ -	\$ -	\$ 28,324
Due from local sources	-	133,738	-	133,738
Accrued interest receivable	-	17,892	-	17,892
Total Assets	\$ 28,324	\$ 151,630	\$ -	\$ 179,954
Liabilities and Fund Balances				
Liabilities:				
Payroll tax payable	\$ 1,710	\$ -	\$ -	\$ 1,710
Deferred revenue	-	133,738	-	133,738
Total Liabilities	1,710	133,738	-	135,448
Fund balances:				
Unreserved	26,614	17,892	-	44,506
Total Liabilities and Fund Balances	\$ 28,324	\$ 151,630	\$ -	

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 in the funds.	751,421
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(380,588)
Net assets of governmental activities	<u>\$ 415,339</u>

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year ended June 30, 2009

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal through local	\$ -	\$ 79,236	\$ 1,602	\$ 80,838
Interest	-	2,013	-	2,013
Local	835,204	-	50,256	885,460
Total Revenues	835,204	81,249	51,858	968,311
Expenditures				
Current - Education:				
Instruction	490,493	-	1,602	492,095
Instructional staff training	3,854	-	-	3,854
Board	4,284	-	-	4,284
School administration	265,747	-	-	265,747
Facilities acquisition and construction	7,797	-	-	7,797
Fiscal services	9,930	-	-	9,930
Food services	-	-	50,256	50,256
Transportation	12,532	-	-	12,532
Operation of plant	55,736	-	-	55,736
Maintenance of plant	12,632	-	-	12,632
Debt service	25,807	35,245	-	61,052
Fixed Capital Outlay:				
Facilities acquisition and construction	16,704	-	-	16,704
Total Expenditures	905,516	35,245	51,858	992,619
Excess (Deficit) of Revenues over Expenditures	(70,312)	46,004	-	(24,308)
Other Financing Sources (Uses)				
Transfers in	43,991	-	-	43,991
Transfers out	-	(43,991)	-	(43,991)
Capital lease	12,904	-	-	12,904
Net Other Financing Sources (Uses)	56,895	(43,991)	-	12,904
Net Change in Fund Balances	(13,417)	2,013	-	(11,404)
Fund Balance, beginning of year	40,031	15,879	-	55,910
Fund Balance, end of year	\$ 26,614	\$ 17,892	\$ -	\$ 44,506

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - governmental funds	\$ (11,404)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$30,946) exceeds capital outlays (\$16,704) in the period.	(14,242)
Repayment of note payable and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	34,100
Asset purchased on capital lease, is other source of income in the governmental fund but not a revenue source in statement of activity.	(12,904)
<hr/> Change in net assets of governmental activities	<hr/> \$ (4,450)

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 777,266	\$ 779,217	\$ 835,204	\$ 55,987
Total Revenues	777,266	779,217	835,204	55,987
Expenditures				
Current - Education:				
Instruction	492,228	492,228	490,493	1,735
Instructional staff training	2,200	2,200	3,854	(1,654)
Board	3,922	3,922	4,284	(362)
School administration	252,673	255,187	265,747	(10,560)
Facilities acquisition and construction	-	-	7,797	(7,797)
Fiscal services	10,000	10,000	9,930	70
Transportation	11,250	11,250	12,532	(1,282)
Operation of plant	46,800	46,800	55,736	(8,936)
Maintenance of plant	12,000	12,000	12,632	(632)
Debt service	55,777	55,777	25,807	29,970
Fixed Capital Outlay:				
Facilities acquisition and construction	11,500	11,500	16,704	(5,204)
Total Expenditures	898,350	900,864	905,516	(4,652)
Other Financing Sources				
Transfers in	-	-	43,991	43,991
Capital Lease	-	-	12,904	12,904
Total Other Finances Sources	-	-	56,895	56,895
Net Change in Fund Balance	(121,084)	(121,647)	(13,417)	\$ 108,230
Fund Balance, beginning of year	40,031	40,031	40,031	
Fund Balance, end of year	\$ (81,053)	\$ (81,616)	\$ 26,614	

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Sebastian Charter Junior High, Inc., (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

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 Indian River County District School Board. The current charter is effective until June 30, 2012. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Sebastian Charter Junior High, Inc. is considered a component unit of the Indian River County District School Board.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are 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 School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - Used to account for all acquisitions or construction of capital facilities.

Basis of Accounting

Basis of accounting refers to when revenues and 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Sebastian Charter Junior High, Inc.
 A Charter School and Component Unit of the
 Indian River County District School Board
 Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. 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 not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and fixed equipment	50 years
Improvements other than buildings	40 years
Computers and software	5 years
Property under capital leases	4-5 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.



Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for current operations are received primarily from the Indian River County District School Board 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), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE 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 received Federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Up to two sick days and one personal day may be rolled over each year.

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 costs, such as depreciation and amortization, are not recognized in governmental funds.

Restricted Assets

Restricted assets is interest earned on amounts set aside for capital projects, whose use is limited by legal requirements.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the 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 may differ from those estimates.

Note 2 – Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 186,218	\$ -	\$ -	\$ 186,218
Total capital assets not being depreciated	186,218	-	-	186,218
Other capital assets:				
Improvements other than buildings	37,187	-	-	37,187
Buildings and fixed equipment	598,871	-	-	598,871
Furniture, fixtures and equipment	58,447	1,399	-	59,846
Property under capital leases	22,834	12,904	(22,834)	12,904
Computer software	13,089	2,401	-	15,490
Total other capital assets at historical cost	730,428	16,704	(22,834)	724,298
Less accumulated depreciation for:				
Improvements other than buildings	(4,764)	(2,188)	-	(6,952)
Buildings and fixed equipment	(81,920)	(14,661)	-	(96,581)
Furniture, fixtures and equipment	(31,192)	(9,964)	-	(41,156)
Property under capital leases	(20,740)	(3,600)	22,834	(1,506)
Computer software	(12,367)	(533)	-	(12,900)
Total accumulated depreciation	(150,983)	(30,946) *	22,834	(159,095)
Other capital assets, net	579,445	(14,242)	-	565,203
Governmental activities capital assets, net	\$ 765,663	\$ (14,242)	\$ -	\$ 751,421

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 2 – Capital Assets (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 11,374
School administration	2,724
Unallocated	16,848
	\$ 30,946

Note 3 – Obligation under Capital Leases

The class and amount of property acquired under capital leases are as follows:

Copiers	\$ 12,904
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Future minimum capital lease payments and the present value of the minimum lease payments are as follows:

Fiscal year ending June 30, 2009	Amount
2010	\$ 3,012
2011	3,012
2012	3,012
2013	3,012
2014	1,506
Total minimum lease payments	13,554
Less amount representing interest	(1,767)
	\$ 11,787

The imputed interest rate is 6.79 percent.

Note 4 – Long-Term Liabilities

In July 2003, the School refinanced the mortgage note payable on their land and building with a local financial institution. The School borrowed \$505,000 against the existing real property and the addition of a modular complex which was installed in August 2003. The agreement requires monthly payments of \$4,399 including interest at 6.5%, and matures in November 2019.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 4 – Long-Term Liabilities (continued)

Amounts needed for the repayment of the mortgage at June 30, 2009, are as follows:

Fiscal year ending June 30	Principal	Interest	Total
2010	\$ 29,540	\$ 23,249	\$ 52,789
2011	31,519	21,270	52,789
2012	33,630	19,159	52,789
2013	35,882	16,907	52,789
2014-2019	238,230	45,310	283,543
	\$ 368,801	\$ 125,895	\$ 494,699

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2008	Additions	Reductions	Principal Outstanding June 30, 2009	Amount Due in One Year
Note payable	\$ 398,888	\$ -	\$ 30,087	\$ 368,801	\$ 29,540
Obligation under capital leases	2,896	12,904	4,013	11,787	2,341
	\$ 401,784	\$ 12,904	\$ 34,100	\$ 380,588	\$ 31,881

Note 5 – Deferred Revenue

During prior fiscal years the School received Capital Outlay awards which are to be used toward capital purchases or improvements. At June 30, 2009, the School had Capital Outlay deferred revenue of \$133,738.

Note 6 – 401(k) Plan

The School initiated a 401(k) plan on August 22, 2006, that covers all employees who have attained twenty one years of age and satisfied a one-year service requirement. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee's contribution up to a limit of 3% of the employee's compensation for the fiscal year. For the year ended June 30, 2009, the School contributed \$11,364 to the plan.

Sebastian Charter Junior High, Inc.

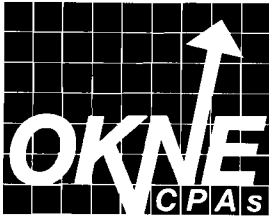
A Charter School and Component Unit of the
Indian River County District School Board

Notes to Basic Financial Statements (continued)

Note 7– Risk Management Programs

During the year ended June 30, 2009, employees of the School were covered by purchased health insurance. The School contributes monthly for each employee to the plan and employees, at their option, authorize payroll withholdings to pay contributions for dependents.

General liability, professional liability, property, and workers' compensation coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.



O'Haire, Kmetz, Nuttall, Elwell & Co., chartered

Tax, Business and Financial Consultants

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MICHAEL L. KMETZ, CPA, PFS
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BRIAN J. ELWELL, CPA

PATRICK K. GRAHAM, CPA
HARVEY L. HERRST, CPA
TERESA M. LASOTA, CPA

Independent Auditors' 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 of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

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. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Procedures and Practices

Established accounting procedures and practices provide guidance for employees in carrying out their duties and responsibilities and in conducting the day-to-day operations of the School. The School has procedures and practices manuals in place. We recognize that the School has limited staff and that the areas to be covered by established practices are much more limited than in a larger organization. Accordingly, we have discussed with school personnel specific areas in which developing and documenting accounting procedures and practices may enhance the effectiveness and efficiency of the School's internal control over operations. Such accounting procedures and practices may be beneficial to address such matters as accounting and record keeping, budget preparation and amendment, accountability and control of fixed assets, and the acquisition of goods and services.

To the Board of Directors
Sebastian Charter Junior High, Inc.

The effective implementation of these enhanced procedures and practices could specifically provide for additional financial and record keeping controls, including the following:

- Employee duties were not always adequately separated between the authorization, custody and record keeping processes for assets such as cash in bank accounts and purchased goods and services. We recognize that the size of the School limits the extent of separation of employee duties and we recommend the Board continue its high degree of involvement in the financial process.
- The School lacks the skills and competencies to either prepare or adequately review the financial statements, including footnote disclosures. We recommend the Board recruit a member capable or preparing the financial statements, including footnote disclosures.

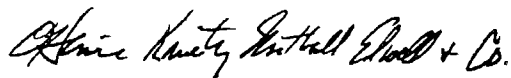
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of 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. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, and pass-through entities and it not intended to be and should not be used by anyone other than these specified parties.



O'Haire, Kmetz, Nuttall, Elwell & Co., chartered
Certified Public Accountants

September 17, 2009



O'Haire, Kmetz, Nuttall, Elwell & Co., chartered

Tax, Business and Financial Consultants

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TERESA M. LASOTA, CPA

Independent Auditors' Management Letter

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

We have audited the basic financial statements of Sebastian Charter Junior High, Inc., (the School) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 that report, if any, which are dated September 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 report.

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken..

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 statement amounts 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, 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.

To the Board of Directors
Sebastian Charter Junior High, Inc.

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 Sebastian Charter Junior High, 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 Sebastian Charter Junior High, 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. It is management's responsibility to monitor Sebastian Charter Junior High, 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 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 the board of directors, management, the Florida Auditor General, Indian River County School District, and the Office of School Choice, and is not intended to be and should not be used by anyone other than these specified parties.



O'Haire, Kmetz, Nuttall, Elwell & Co., chartered
Certified Public Accountants

September 17, 2009

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Sebastian Charter Junior High

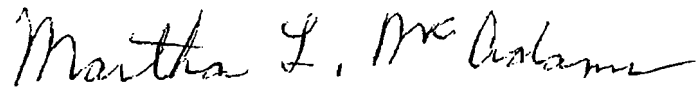
September 18, 2009

To Whom It May Concern:

This letter is in response to the Independent Auditor's 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. Sebastian Charter Junior High staff continues to follow the outlined procedures and policies for fiscal management. The Board of Directors is given information regarding the finances and reports will continue to be shared with members so that they can have a high degree of involvement in the financial process.

The noted recommendation of the Board recruiting a member with a financial background who would be capable of reviewing the financial statements, including footnote disclosures such that any omissions or errors would be identified is currently being addressed. The Board had a member with extensive training in financial accounting that served in the office of treasurer, however that member has resigned. The Board is in the process of recruiting a new member that will be able to review the financial statements, including footnote disclosures on a monthly basis.

Sincerely,



Martha L. McAdams, Ph.D.
Principal/Executive Director

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