



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

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

JUNE 30, 2010



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Altoona School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the School's revenues exceeded expenses by \$116,005, which is an improvement from the prior year when expenses exceeded revenues by \$62,050.
- The School had total net assets of \$320,980 as of June 30, 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general School services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet – governmental fund Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

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

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's net assets at June 30, 2010 and 2009 are summarized as follows – see table below.

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2010</u>	<u>2009</u>	
Current and other assets	\$ 180,711	\$ 190,996	-5%
Capital assets, net	235,699	77,795	203%
Total assets	<u>\$ 416,410</u>	<u>\$ 268,791</u>	<u>55%</u>
Current and other liabilities	\$ 95,430	\$ 63,816	50%
Total liabilities	<u>\$ 95,430</u>	<u>\$ 63,816</u>	<u>50%</u>
Net Assets:			
Invested in capital assets	\$ 235,699	\$ 77,795	203%
Restricted	-	35,208	-100%
Unrestricted	85,281	91,972	-7%
Total net assets	<u>\$ 320,980</u>	<u>\$ 204,975</u>	<u>57%</u>

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

Change in Net Assets

The School's total revenues increased by 42% to \$1,235,789, and the total cost of all programs and services increased by 20% to \$1,119,784 – see table below.

	Governmental Activities		Increase
	2010	2009	(Decrease)
Revenues:			
Federal sources	\$ 125,245	\$ 24,918	403%
State and local sources	1,069,109	794,932	34%
Contributions and other revenue	41,435	49,934	-17%
Total revenues	<u>1,235,789</u>	<u>869,784</u>	<u>42%</u>
Expenses:			
Instruction	678,163	574,701	18%
Pupil personnel services	6,907	-	100%
General administration	49,423	36,340	100%
School administration	179,783	138,316	30%
Facilities acquisition and construction	31,212	31,212	100%
Food services	20,125	3,765	435%
Pupil transportation	27,702	16,782	65%
Operation of plant	103,799	98,731	5%
Maintenance of plant	3,152	-	100%
Community services	19,518	31,987	-39%
Total expenses	<u>1,119,784</u>	<u>931,834</u>	<u>20%</u>
Change in net assets	<u>\$ 116,005</u>	<u>\$ (62,050)</u>	<u>287%</u>

Revenues from state and local sources constitute approximately 87% of total revenues. The increase in state and local revenues was due to an increase in funding from the Florida Education Finance Program ("FEFP"), the School's primary source of funding. FEFP funding increased due to the increase in full-time equivalent student enrollment from 112 students in 2009 to 150 students in 2010, as well as an increase in the base student allocation. The increase in federal sources is primarily due to increases in federal grants received in the current year.

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

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the fiscal year, its governmental funds reported a combined fund balance of \$85,281. The fluctuation in revenues and expenditures in the fund statements is due to the same reasons described above.

General and Special Revenue Funds Budgetary Highlights

Over the course of the fiscal year, the School revised its original budget to account for changes in student enrollment. For the year ended June 30, 2010, actual revenues were approximately \$199,000 above the budgeted amounts primarily due to the School anticipating fewer students. Expenditures were approximately \$206,000 above the budgeted amounts. School administration expenditures were over budget as the School under budgeted for salaries. Expenditures for capital outlay exceeded the budgeted amounts primarily due to the purchase of new portables and the renovation of the historic building.

Over the course of the fiscal year, the School revised its original budget to account for changes in federal revenues received. For the year ended June 30, 2010, actual special revenues and expenditures were approximately \$82,000 above the budgeted amounts primarily due to the school receiving a Community Development Block Grants during the fiscal year that was not budgeted.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2010, the School had invested \$348,578 in capital assets, consisting primarily of buildings, leasehold improvements and furniture and other equipment.

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

- Leasehold improvements - \$102,558
- Portable classrooms - \$59,310
- Computers - \$12,232

The fiscal 2011 budget includes approximately \$34,000 in spending for capital improvements. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2011:

- Student enrollment is expected to remain the same
- Projected decrease in capital outlay and administrative expenses

Estimated amounts available for appropriation in the general fund are approximately \$1,078,000, a decrease of 4% from the 2010 amount of \$1,124,656. Budgeted expenditures

are expected to decrease 12% to approximately \$1,039,000 as compared to the fiscal 2010 actual figures of \$1,161,347.

The School has added no major new programs to the fiscal 2011 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2011.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 42630 State Road 19, Altoona, Florida 32702.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2010, 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, the major fund and the aggregate remaining fund information of Altoona School, Inc. as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and budgetary comparison information on pages 23 – 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKHM, P.A.

Winter Park, Florida
September 29, 2010

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

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 177,052
Other current assets	3,659
Capital assets:	
Buildings	59,310
Leasehold improvements	190,755
Furniture, fixtures and equipment	98,513
Less accumulated depreciation	<u>(112,879)</u>
Total capital assets, net	<u>235,699</u>
Total assets	<u><u>\$ 416,410</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 95,430</u>
Total liabilities	<u>95,430</u>
NET ASSETS	
Invested in capital assets	235,699
Unrestricted	<u>85,281</u>
Total net assets	<u>320,980</u>
Total liabilities and net assets	<u><u>\$ 416,410</u></u>

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

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Total
			Grants and Contributions	Grants and Contributions		
Governmental activities:						
Instruction	\$ 678,163	\$ -	\$ 37,053	\$ -	\$ (641,110)	\$ (641,110)
Pupil personnel services	6,907	-	-	-	(6,907)	(6,907)
General administration	49,423	-	-	-	(49,423)	(49,423)
School administration	179,783	-	-	-	(179,783)	(179,783)
Facilities acquisition and construction	31,212	-	-	-	(31,212)	(31,212)
Food services	20,125	-	-	-	(20,125)	(20,125)
Pupil transportation	27,702	-	-	-	(27,702)	(27,702)
Operation of plant	103,799	-	-	-	(103,799)	(103,799)
Maintenance of plant	3,152	-	-	-	(3,152)	(3,152)
Community services	19,518	-	-	-	(19,518)	(19,518)
Total primary government	\$ 1,119,784	\$ -	\$ 37,053	\$ -	(1,082,731)	(1,082,731)
General revenues:						
Federal sources					88,192	88,192
State and local sources					1,069,109	1,069,109
Contributions and other revenue					41,435	41,435
Total general revenues					1,198,736	1,198,736
Change in net assets					116,005	116,005
Net assets at beginning of year					204,975	204,975
Net assets at end of year					\$ 320,980	\$ 320,980

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

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

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2010

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 177,052
Other current assets	<u>3,659</u>
Total assets	<u><u>\$ 180,711</u></u>
 LIABILITIES AND FUND BALANCE	
Accounts payable and accrued expenditures	<u>\$ 95,430</u>
Total liabilities	<u>95,430</u>
Fund balance:	
Unreserved:	
Undesignated	<u>85,281</u>
Total fund balance	<u>85,281</u>
Total liabilities and fund balance	<u><u>\$ 180,711</u></u>

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

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

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

JUNE 30, 2010

Total fund balance - governmental funds	\$ 85,281
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$348,578, and the accumulated depreciation is \$112,879.

235,699

Total net assets - governmental activities

\$ 320,980

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

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

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

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal sources	\$ -	\$ 125,245	\$ -	\$ 125,245
State and local sources	995,029	-	74,080	1,069,109
Contributions and other revenue	41,435	-	-	41,435
Total revenues	1,036,464	125,245	74,080	1,235,789
EXPENDITURES				
Current:				
Instruction	614,887	37,053	-	651,940
Pupil personnel services	6,907	-	-	6,907
General administration	49,423	-	-	49,423
School administration	173,411	-	-	173,411
Facilities acquisition and construction	-	-	31,212	31,212
Food services	19,254	-	-	19,254
Pupil transportation	26,820	-	-	26,820
Operation of plant	101,385	-	-	101,385
Maintenance of plant	3,152	-	-	3,152
Community services	19,518	-	-	19,518
Capital outlay	58,398	88,192	48,076	194,666
Total expenditures	1,073,155	125,245	79,288	1,277,688
Net changes in fund balances	(36,691)	-	(5,208)	(41,899)
Fund balances at beginning of year	121,972	-	5,208	127,180
Fund balances at end of year	<u>\$ 85,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,281</u>

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

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

**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, 2010

Net change in fund balances - total governmental funds	\$ (41,899)
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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 \$194,666 exceed depreciation expense \$36,762 in the current period.

157,904

Change in net assets of governmental activities

\$ 116,005

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2014 and may be renewed in increments of five or fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

Recently adopted accounting pronouncements

During fiscal year 2010, the School adopted changes issued by the Financial Accounting Standards Board ("FASB") related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 29, 2010, which is the date the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

During fiscal year 2010, the School adopted guidance issued by the GASB that incorporates accounting and financial reporting guidance previously contained in the American Institute of Certified Public Accountants (“AICPA”) auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. This guidance did not have a material impact on the financial statements of the School.

Basis of presentation

The School’s financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

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

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School’s basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (“FEFP”) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

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

Governmental Funds:

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

For purposes of these statements, the general and special revenue funds constitute major funds. The capital project fund is considered nonmajor and is presented as the other governmental fund.

Basis of accounting

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

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

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

Budgetary basis accounting

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

Cash and cash equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits and certificates of deposit with financial institutions.

Capital assets and depreciation

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

	<u>Years</u>
Buildings	15
Leasehold improvements	3 - 5
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 2.

Revenue sources

Revenues for current operations are received primarily from the District School Board of Lake County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

The School has 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 expenses/expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds, respectively to the extent that they remain unexpended.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings	\$ -	\$ 59,310	\$ -	\$ 59,310
Leasehold improvements	88,197	102,558	-	190,755
Furniture, fixtures and equipment	65,715	32,798	-	98,513
Total capital assets at historical cost	<u>153,912</u>	<u>194,666</u>	<u>-</u>	<u>348,578</u>
Less accumulated depreciation for:				
Buildings	-	(1,553)	-	(1,553)
Leasehold improvements	(33,878)	(18,109)	-	(51,987)
Furniture, fixtures and equipment	(42,239)	(17,100)	-	(59,339)
Total accumulated depreciation	<u>(76,117)</u>	<u>(36,762)</u>	<u>-</u>	<u>(112,879)</u>
Governmental activities capital assets, net	<u>\$ 77,795</u>	<u>\$ 157,904</u>	<u>\$ -</u>	<u>\$ 235,699</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 26,223
School administration	6,372
Food services	871
Pupil transportation	882
Operation of plant	<u>2,414</u>
Total governmental activities depreciation expense	<u>\$ 36,762</u>

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Lake County, Florida:	
Florida Education Finance Program	\$ 568,057
Class size reduction	188,404
Capital outlay	74,580
Discretionary local effort	55,021
State fiscal stabilization allocation	50,141
Supplemental academic instruction	34,812
ESE guaranteed allocation	32,811
Transportation	32,204
Instructional materials	12,001
Discretionary millage funds	11,417
Merit award allocation	4,620
Safe schools	3,184
Teacher lead program	1,447
Discretionary lottery funds	<u>410</u>
Total	<u>\$ 1,069,109</u>

The administration fee paid to the School Board during the year ended June 30, 2010 totaled approximately \$49,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

4 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2010 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Lease commitments

The School has entered into an agreement to lease their facilities from the School Board, the School's sponsor. The lease term is five years and terminates on June 30, 2014. The lease requires regular monthly payments of \$2,601 and requires the School to pay for certain other operating expenses. The remaining minimum rental commitment as of June 30, 2010 under this lease is summarized as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2011	\$ 31,212
2012	31,212
2013	31,212
2014	31,212
	<u>\$ 124,848</u>

Rent and other operating expenses/expenditures for fiscal 2010 was approximately \$31,000.

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 778,312	\$ 910,063	\$ 995,029	\$ 84,966
Contributions and other revenue	15,556	15,556	41,435	25,879
Total revenues	<u>793,868</u>	<u>925,619</u>	<u>1,036,464</u>	<u>110,845</u>
EXPENDITURES				
Current:				
Instruction	473,176	578,300	614,887	(36,587)
Pupil personnel services	6,000	6,000	6,907	(907)
Instructional media	1,000	1,000	-	1,000
General administration	38,916	45,503	49,423	(3,920)
School administration	129,329	141,329	173,411	(32,082)
Food services	6,942	4,062	19,254	(15,192)
Pupil transportation	22,178	22,179	26,820	(4,641)
Operation of plant	73,061	73,061	101,385	(28,324)
Maintenance of plant	-	-	3,152	(3,152)
Community services	13,299	13,812	19,518	(5,706)
Capital outlay	-	70,000	58,398	11,602
Total expenditures	<u>763,901</u>	<u>955,246</u>	<u>1,073,155</u>	<u>(117,909)</u>
Net changes in fund balance	29,967	(29,627)	(36,691)	(7,064)
Fund balance at beginning of year	<u>121,972</u>	<u>121,972</u>	<u>121,972</u>	<u>-</u>
Fund balance at end of year	<u>\$ 151,939</u>	<u>\$ 92,345</u>	<u>\$ 85,281</u>	<u>\$ (7,064)</u>

See report of independent auditors.

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 40,000	\$ 43,512	\$ 125,245	\$ 81,733
Total revenues	40,000	43,512	125,245	81,733
EXPENDITURES				
Current:				
Instruction	40,000	43,512	37,053	6,459
Capital outlay	-	-	88,192	(88,192)
Total expenditures	40,000	43,512	125,245	(81,733)
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -



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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), a charter school and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 29, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described as follows:

2010-01 Board Meeting Notice: Florida Statutes, Section 286.011, requires that reasonable notice of all board meetings must be provided to the general public. During our audit procedures, we noted that adequate notice was not provided for some board meetings held during the school year. We recommend that the School implement a policy to ensure that reasonable notice is provided to the general public for all board meetings held during the year.

2010-02 Board Governance Training: Florida Statutes, Section 1002.33(9)(j) states that all board members should complete their required governance training within 90 days of joining the board. During our audit procedures, we noted that one board member had not completed the governance training within the required timeframe. The training was subsequently completed in August 2010. We recommend that the School ensure that all board members complete the required training on a timely basis and submit the necessary documentation to the School Board and Department of Education.

2010-03: Insufficient Insurance Coverage: The charter contract with the District School Board of Lake County, Florida, requires that the School obtain insurance for workers compensation with minimal coverage of \$2,000,000 in the aggregate, inclusive of any amounts provided by an umbrella or excess policy. As of June 30, 2010, the School's workers compensation policy had an aggregate coverage amount of \$1,000,000, and there was no umbrella or excess policy. We recommend that the School obtain the required level of coverage and review all insurance policies on an annual basis to determine that the coverage is in compliance with the charter contract.

The School's response to the finding identified in our audit is included in the written statement of explanation or rebuttal on page 30. We did not audit the School's response and, accordingly, we express no opinion on it.

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

BKHM, P.A.

Winter Park, Florida
September 29, 2010

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



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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Altoona School, Inc. (the "School"), as of and for the year ended June 30, 2010, and have issued our report thereon dated September 29, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated September 29, 2010, 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 provisions of contracts or grant agreements, or abuse that have 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.



- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the School. The name of the School is Altoona School, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2010, 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
September 29, 2010



Home of the Eagles

Altoona School, Inc.

42630 State Road 19
Altoona, Fl. 32702
Phone: 352-669-3444
Fax: 352-669-3407



Eagles SOAR!

Principal – Jerry Hatfield

Administrative Assistant – Walter Schmidt

September 29, 2010

BKHM, PA
1560 Orange Avenue
Suite 600
Winter Park, Florida 32789

Re: Response to Compliance Issues from Audit for Fiscal Year ending June 30, 2010

Issue: 2010-01 Board Meeting Notice: Missing Notices of Board Meetings.

Response: We do not have proof that the notices for the meetings held in July, August and September 2009 were published. Although it has always been the policy of the school to publish notice of the meetings, the ones for these meetings cannot be found.

Resolution: The notices from the local newspaper will be copied and kept in folders at the school and at the accountant's office. In addition, a copy of the flyers going home with the students will be kept in a file as well as saved in the computer. This issue should not occur again.

Issue: 2010-02 Board Governance Training: One board member did not complete the training timely.

Response: This issue has been addressed with the board and the importance of compliance has been stressed.

Resolution: New board members will not be allowed to participate until the training is completed. The training will be offered at the school for each new board member to ensure completion. The board will consider withdrawing the invitation to a new member if the training is not completed within the time required by Florida Statutes.

Issue: 2010-03 Insufficient Insurance Coverage: Minimal coverage of \$2,000,000 in the aggregate for workers compensation insurance.

Response: Upon receiving notice of this issue, we checked with our insurance agent to make sure that we obtained the correct coverage. The insurance agent explained that Workers Compensation Insurance is NOT written with limits of "per occurrence" and "annual aggregate" as described in the charter contract. With this description of limits, Altoona School could never comply because part two of the standard workers compensation policy is NOT written with these described limits.

Resolution: The charter contract needs to be amended to have the proper wording for limits that are commercially available exclusive of any Umbrella limits. The suggested wording, per the insurance agent, is as follows:

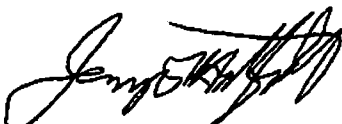
"The minimum amount of coverage for those coverages customarily insured under Part Two of the standard Workers' Compensation Policy (inclusive of any amounts provided by any umbrella or excess policy) shall be one million (\$1,000,000) dollars each accident, one million (\$1,000,000) dollars disease policy limit, and one million (\$1,000,000) dollars disease each employee limit."

The insurance agent further stated that Altoona School is meeting the limit that is commercially available. Also, Altoona School is carrying a \$1,000,000 Umbrella Limit. As his copy of the contract states, the Part Two of the Workers' Compensation policy limits are inclusive of any Umbrella limits.

We will amend the charter contract to contain the correct wording as stated above.

With this response, we feel that the issues have been addressed and that the proper resolutions have been made. We will follow through with these resolutions in our continuing effort to be in compliance with the Florida Statutes.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jerry D. Hatfield". The signature is stylized and cursive.

Jerry D. Hatfield
Principal