



INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Annual Financial Report

June 30, 2011

(With Independent Auditors' Report Thereon)

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(A Component Unit of the Indian River County District School Board)

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Independent Auditors' Report

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., a component unit of the Indian River County District School Board, as of and for the year ended June 30, 2011, 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, each major fund, and the aggregate remaining fund information of the Indian River Charter High School, Inc., as of June 30, 2011, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the School adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2011 on our consideration of the Indian River Charter High School, Inc.'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 and the budgetary comparison information on pages 3 through 9 and on pages 26 and 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing 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 principally 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.

MORGAN, JACOBY, THURN, BOYLE & ASSOCIATES, P.A.

September 15, 2011

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Management's Discussion and Analysis

This section of the Indian River Charter High School, Inc.'s (the School) annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the School's basic financial statements, which immediately follow this section.

Financial Highlights

The composition of the School's financial condition improved as a result of the School's continuing growth, sound management and expansion.

The School's net assets increased by \$313,845 or 6.1%. In comparison, the prior year experienced an increase of \$1,382,534. The change reflected in the past two years is primarily due to a special transfer of \$1,080,000 in the prior year from the local tax funds held by the Indian River County School District for additional capital outlay. Six hundred thirty five students were enrolled in the 2009-2010 school year and enrollment remained the same for the 2010-2011 school year. The funds per student (FTE) decreased 6.1% from the prior year, but were offset by new funding of \$308,349 available from the federal government under the America Recovery and Reinvestment Act. The School also remained aware of the current economic trends and maintained expenses, which increased \$162,163 or 3.9% from the prior year.

At year end, the School accumulated a surplus of unrestricted net assets of \$1,719,373, which was an increase of \$63,497 for this fiscal year.

In addition to the above financial highlights, the School also achieved the following nonfinancial results:

- The School enrolled more students in dual enrollment classes at Indian River State College than any other high school in the county during the 2010-2011 school year.
- For the 2010-2011 school year, the School's 10th grade mathematics and reading scores were the highest in the district. 85% of the School's 10th grade students passed FCAT mathematics and 61% of 10th grade students passed FCAT reading.
- The School is categorized as the only pending "A" high school in Indian River County. The School earned 504 FCAT points in 2010-2011, giving us necessary points to maintain the "A" rating awarded by the State of Florida in the 2010-2011 school year. This is 23 points higher than any other school in the district, making the School the highest performing high school in the district with regard to FCAT.
- Students from the School earned an average 21.1 composite score on the ACT, which is higher than both the district and national averages. On the individual English, Mathematics, Reading and Science subsections, students again scored higher than the state average. In the areas of English, Math and Social Science, the percentage of the School's students deemed by the ACT to be prepared for college-level coursework is higher than the national average.

(Continued)

- The School’s Visual and Performing Arts programs (VAPA) was recognized with a variety of regional and state-wide accolades including:
 - All Visual and Performing Arts departments combined efforts to produce the School’s annual musical “Fame,” in partnership with the Vero Beach Theatre Guild for performance space. The production was a huge success and earned \$20,136 in revenue which will be utilized to finance this year’s production of “Cinderella”.
 - The Drama department presented in conjunction with the School’s Ballet program, their own creative version of “Romeo and Juliet” combining the words of Shakespeare with the music of Prokofiev. The Drama program presented its first Summer Stock program “The Fantasticks”. The cast combined both current students and alumni focusing on the talent of School students. Along with this production, a student-written play, “This is not a Drill” was featured and performed for the community.
 - The VAPA Chorus and a full orchestra of School students in conjunction with local professionals presented two classic Masses; Schubert’s “Mass in G” and Louis Vierne’s “Messe Solennelle.” In addition, they continue to do numerous concerts for organizations within the community throughout the school year.
 - The School’s Jazz Ensembles continued to expand its performance venues by providing music for Rotary Club functions, the Ft. Pierce Jazz and Blues Society, Indian River County Chamber of Commerce, the Educational Foundation, and Boy’s and Girl’s Club. Two Students received prestigious scholarship awards for their musical abilities.
 - The Visual Arts program, expanding upon the Fall Semester Show, produced the first annual Children’s Art Fair attended by approximately 1,000 local elementary students. One student’s art received best of show in the Vero Beach Museum’s Art Show. Three students received art scholarships while thirteen percent of the graduating class will continue their post-secondary education focusing on the visual arts.
 - The School’s Dance Team competed in the Orlando, Florida “I Love Dance” Competition winning 1st place in their category and 2nd place overall.

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 School-Wide financial statements that provide both short-term and long-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 School-Wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-term and long-term financial information about activities that are operated like businesses. The School currently has no proprietary funds.
- Fiduciary funds statements provide information about the financial relationships in which the School acts solely as agent for the benefit of others.

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The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year.

School-Wide Statements

The School-Wide 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 School-Wide 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 position is improving or deteriorating.
- To assess the overall health of the School, consideration needs to be given to additional nonfinancial factors such as the grade assessed under the State of Florida's school grading system and the number of full-time equivalents of students attending the School.

In the School-Wide financial statements, the School's activities are divided into two categories:

- Governmental activities – The School's basic services are included here, such as regular and special education, transportation, and administration. Intergovernmental revenues from the Indian River County School Board (initially funded by property taxes) finance most of these activities.
- Business-type activities – These activities charge fees to help cover the costs of services provided. The School currently has no activities that would be classified as business-type.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (like Federal grants).

(Continued)

There are three kinds of funds:

- Governmental funds – The School’s basic services are included in governmental funds, which generally focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 School-Wide statements, we provide additional information with the governmental funds statements that explains the relationship or differences between them.
- Proprietary funds – Services for which a fee is charged are generally reported in proprietary funds. Proprietary funds are reported in the same way as the School-Wide financial statements. The School currently has no funds that would be considered proprietary funds.
- Fiduciary funds – The School is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds and scholarship funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the School-Wide financial statements because the School cannot use these assets to finance its operations.

Financial Analysis of the School as a Whole

Net assets of the School’s governmental assets consisted of the following as of June 30, 2011 and 2010:

	Net Assets – Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 2,626,141	3,330,722
Capital assets, net	<u>5,440,515</u>	<u>4,538,881</u>
Total assets	<u>8,066,656</u>	<u>7,869,603</u>
Current liabilities	388,715	211,271
Long-term debt	<u>2,235,585</u>	<u>2,529,821</u>
Total liabilities	<u>2,624,300</u>	<u>2,741,092</u>
Net assets:		
Invested in capital assets	3,249,823	2,060,620
Restricted	473,160	1,412,015
Unrestricted	<u>1,719,373</u>	<u>1,655,876</u>
Total net assets	\$ <u>5,442,356</u>	<u>5,128,511</u>

The School’s net assets increased by \$313,845, or 6.1%, from the prior year. This is a decrease from prior year’s increase of \$1,382,534. In the prior year, a special transfer from the Indian River County School District caused a large increase in net assets. The School continued to carefully monitor its expenses to stay within its tightened budget due to decreasing revenues.

The School had no business-type assets as of June 30, 2011 and 2010.

(Continued)

The following schedule compares revenues and expenses during the years ended June 30, 2011 and 2010:

	<u>Change in Net Assets – Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
General revenues:		
Intergovernmental	\$ 4,186,520	5,516,643
Other	46,283	24,307
Operating grants and contributions	398,202	–
Special item – loss on disposal of capital assets	<u>(2,240)</u>	<u>(5,659)</u>
Total revenues	<u>4,628,765</u>	<u>5,535,291</u>
Expenses:		
Instruction related	2,827,860	2,537,026
Administration	529,870	629,166
Food service	7,699	–
Transportation	5,178	8,235
Maintenance and operations	419,724	433,409
Other	<u>524,589</u>	<u>544,921</u>
Total expenses	<u>4,314,920</u>	<u>4,152,757</u>
Change in net assets	\$ <u>313,845</u>	<u>1,382,534</u>

Total revenues for the year decreased by \$906,526, or 16.4%, due to decreased operational revenue allocated on a per-student basis (FTE revenues) in the amount of \$163,950 and the one time aforementioned District local capital improvement tax dollars funds allotted in the year ended June 30, 2010.

Total expenses increased \$162,163, or 3.9%, due to the School's conscientious budgeting decisions reflecting an investment in instruction related expenses.

Financial Analysis of the School's Funds

The School's general fund assets increased \$54,605 during the year to \$1,894,875 and increased its cash by \$238,848 and increased its reserves by \$63,497. The net increase in reserves was attributable to a decrease in FTE revenues of \$239,956 offset by a decrease in expenses of \$123,915 and an increase in contributions and student fees of \$110,953.

The School's special revenue fund consisted of funding received under the America Recovery and Reinvestment Act (ARRA) Fund. The Special Revenue – ARRA Fund does not report fund balance because revenues are reported to the extent of expenditures. This new funding of \$308,349 became available from the federal government in an effort to stimulate the economy and to keep teachers employed.

The net decrease of \$751,824 in the School's capital projects fund reflects a \$1,090,345 decrease in revenues and a \$1,063,835 increase in expenditures as the School continues to maintain its facilities and upgrade educational equipment where needed as budgetary restrictions allow. Also, the School transferred \$246,990 from the unrestricted general fund to the capital projects fund during the current year.

(Continued)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2011, the School had invested \$5,440,515 in a variety of capital assets, as reflected in the following schedule, which represents a net increase (additions less disposals and depreciation) of \$901,634 or 19.9% from the end of last year.

	<u>2011</u>	<u>2010</u>
Improvements other than buildings	\$ 359,560	392,748
Buildings and improvements	3,639,733	3,850,104
Furniture, fixtures, and equipment	183,648	234,182
Audio/visual equipment	9,500	16,488
Computer software	21,984	24,650
Construction in progress	<u>1,226,090</u>	<u>20,709</u>
Governmental capital assets, net	\$ <u>5,440,515</u>	<u>4,538,881</u>

As of June 30, 2011, the School was nearing completion of a new classroom building and had incurred \$1,226,090, all of which was funded by capital projects funding and contributions accumulated by the School. Subsequently, the School completed construction and received the certificate of occupancy on August 4, 2011.

Depreciation expense amounted to \$346,368 for the year ended June 30, 2011.

Long-term Debt

During the year ended June 30, 2005, the School completed construction on the buildings to house its new visual and performing arts program. The construction was financed with long-term debt of \$3,800,000. The principal balance on the loan at June 30, 2011 is \$2,235,585. The repayment provision calls for monthly installments of \$31,479, including interest at 3.82%, until May 7, 2014 when interest becomes adjustable every five years thereafter, until the debt is repaid on April 7, 2018.

Factors Bearing on the School's Future

At the time these financial statements were prepared and audited, the School was aware of the following circumstances that could significantly affect its financial health in the future:

- The addition of the State of Florida Biology End of Course exam requirement precipitated the need for enhancement of the School's science curriculum. Four classrooms were retrofitted into two science labs to reach this goal. The new science labs afford the School's students the opportunity to engage in higher order academic experiences. In addition, due to continued wear and tear of the original classroom portables, eight new classrooms were constructed over the summer. These eight classrooms were constructed using additional funds awarded through Indian River County School District tax dollars.

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- The School has increased its international student population for the 2011-2012 school year. The reputation of the academic program available at the School has become well known in the international arena prompting a rise in the number of international applications submitted and accepted. Currently, the School has a total of fourteen international students' enrolled coming from six countries. As cultural awareness and understanding is a main focus of the mission of the School, international student attendance offers first hand cultural exposure to local students.
- The popularity of the Visual and Performing Arts department has increased the need for a performance venue. Discussions are in progress with the local community and local sponsors to determine if a collaborative effort could afford a shared venue which would meet both the School's need and a need within the local community. Preliminary discussion meetings are currently taking place to determine if this combined effort is possible. In August 2011, the School received a conditional pledge in the amount of \$400,000 to assist in this endeavor.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Indian River Charter High School, Inc., 6055 College Lane, Vero Beach, FL 32966.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Net Assets

June 30, 2011

		<u>Total Governmental Activities</u>
Assets:		
Cash	\$	2,081,647
Due from primary government (note 2)		432,062
Other receivables		5,649
Prepaid expenses		61,890
Capital assets, net of accumulated depreciation of \$2,383,181 (note 3)		5,440,515
Unamortized debt issue cost, net of accumulated amortization of \$47,782		<u>44,893</u>
Total assets		<u>8,066,656</u>
Liabilities:		
Accounts payable		190,520
Accrued expenses		172,013
Deferred revenue		26,182
Long-term debt (note 4):		
Due within one year		296,153
Due after one year		<u>1,939,432</u>
Total liabilities		<u>2,624,300</u>
Net Assets:		
Invested in capital assets, net of related debt		3,249,823
Restricted for capital projects		473,160
Unrestricted		<u>1,719,373</u>
Total net assets	\$	<u>5,442,356</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Activities

Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues – Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets – Governmental Activities</u>
Governmental activities:			
Instruction	\$ 2,523,070	325,657	(2,197,413)
Pupil personnel services	155,855	3,098	(152,757)
Instructional media services	62,448	–	(62,448)
Technology	86,487	22,849	(63,638)
School administration	529,870	46,598	(483,272)
Facilities acquisition and construction	79,546	–	(79,546)
Food service	7,699	–	(7,699)
Pupil transportation services	5,178	–	(5,178)
Operation of plant	403,932	–	(403,932)
Maintenance of plant	15,792	–	(15,792)
Interest on long-term debt	92,008	–	(92,008)
Unallocated depreciation expense	346,368	–	(346,368)
Amortization expense	<u>6,667</u>	<u>–</u>	<u>(6,667)</u>
Total governmental activities	\$ <u>4,314,920</u>	<u>398,202</u>	<u>(3,916,718)</u>
General revenues:			
Intergovernmental:			
Local for operational purposes			3,757,602
State through local school recognition			47,633
State through local for capital projects			381,285
Investment earnings			10,752
Miscellaneous			35,531
Special item – loss on disposal of capital assets			<u>(2,240)</u>
Total general revenues and special item			<u>4,230,563</u>
Change in net assets			313,845
Net assets, beginning of year			<u>5,128,511</u>
Net assets, end of year			\$ <u>5,442,356</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Balance Sheet
Governmental Funds

June 30, 2011

<u>Assets</u>	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Cash	\$ 1,827,336	26,182	228,129	2,081,647
Due from primary government (note 2)	-	-	432,062	432,062
Other receivables	5,649	-	-	5,649
Prepaid expenses	<u>61,890</u>	<u>-</u>	<u>-</u>	<u>61,890</u>
	\$ <u>1,894,875</u>	<u>26,182</u>	<u>660,191</u>	<u>2,581,248</u>

Liabilities and Fund Balances

Liabilities:

Accounts payable	8,943	-	181,577	190,520
Accrued expenses	166,559	-	5,454	172,013
Deferred revenue	<u>-</u>	<u>26,182</u>	<u>-</u>	<u>26,182</u>
Total liabilities	<u>175,502</u>	<u>26,182</u>	<u>187,031</u>	<u>388,715</u>

Fund Balances:

Nonspendable	61,890	-	-	61,890
Restricted	-	-	473,160	473,160
Committed	-	-	-	-
Assigned	26,455	-	-	26,455
Unassigned	<u>1,631,028</u>	<u>-</u>	<u>-</u>	<u>1,631,028</u>
Total fund balances	<u>1,719,373</u>	<u>-</u>	<u>473,160</u>	<u>2,192,533</u>
	\$ <u>1,894,875</u>	<u>26,182</u>	<u>660,191</u>	

Reconciliation of governmental fund balances to entity-wide government activities net assets:

Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$7,823,696 and the accumulated depreciation is \$2,383,181.		5,440,515
Long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.		(2,235,585)
Unamortized debt issue costs are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$92,675 and the accumulated amortization is \$47,782.		<u>44,893</u>
Total net assets – governmental activities		\$ <u>5,442,356</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A 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, 2011

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Federal through state	\$ —	308,349	—	308,349
State through local	47,633	—	381,285	428,918
Local (note 5)	3,636,131	—	121,471	3,757,602
Contributions	22,975	—	—	22,975
Other	<u>108,276</u>	<u>—</u>	<u>4,885</u>	<u>113,161</u>
Total revenues	<u>3,815,015</u>	<u>308,349</u>	<u>507,641</u>	<u>4,631,005</u>
Expenditures:				
Current - education:				
Instruction	2,287,266	235,804	—	2,523,070
Pupil personnel services	152,757	3,098	—	155,855
Instructional media services	62,448	—	—	62,448
Technology	63,638	22,849	—	86,487
School administration	483,272	46,598	—	529,870
Facilities acquisition and construction	22,546	—	57,000	79,546
Food service	7,699	—	—	7,699
Pupil transportation services	5,178	—	—	5,178
Operation of plant	403,932	—	—	403,932
Maintenance of plant	15,792	—	—	15,792
Debt service:				
Principal	—	—	294,235	294,235
Interest	—	—	92,008	92,008
Capital outlay:				
Facilities acquisition and construction	<u>—</u>	<u>—</u>	<u>1,251,143</u>	<u>1,251,143</u>
Total expenditures	<u>3,504,528</u>	<u>308,349</u>	<u>1,694,386</u>	<u>5,507,263</u>
Other financing sources (uses):				
Transfers in	—	—	246,900	246,990
Transfers out	(246,990)	—	—	(246,990)
Proceeds on sale of capital assets	<u>—</u>	<u>—</u>	<u>900</u>	<u>900</u>
Total other financing sources (uses)	<u>(246,990)</u>	<u>—</u>	<u>247,890</u>	<u>900</u>
Net change in fund balances	63,497	—	(938,855)	(875,358)
Fund balances, beginning of year	<u>1,655,876</u>	<u>—</u>	<u>1,412,015</u>	<u>3,067,891</u>
Fund balances, end of year	\$ <u>1,719,373</u>	<u>—</u>	<u>473,160</u>	<u>2,192,533</u>

See accompanying notes to basic financial statements.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)

Year Ended June 30, 2011

	<u>Total Governmental Funds</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities:	
Net change in fund balances – total governmental funds	\$ (875,358)
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 as depreciation expense. This is the amount by which capital outlays (\$1,251,143) exceed depreciation expense (\$346,368).	904,775
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net assets and does not affect the statement of activities.	294,235
The payment of debt issue costs is an expenditure in the governmental funds, however, the costs are allocated over their useful lives as amortization expense. This is the amount by which debt issue costs (\$-0-) exceed amortization expense (\$6,667).	(6,667)
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.	<u>(3,140)</u>
Change in net assets of governmental activities	\$ <u>313,845</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Fiduciary Net Assets
Agency Funds

June 30, 2011

	<u>Total Agency Funds</u>
Assets:	
Cash	\$ <u>86,959</u>
Total assets	\$ <u>86,959</u>
Liabilities:	
Amounts held for others	<u>86,959</u>
Total liabilities	\$ <u>86,959</u>

See accompanying notes to basic financial statements.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

June 30, 2011

(1) *Organization and Summary of Significant Accounting Policies*

Indian River Charter High 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 228.056, Florida Statutes. The School was incorporated on March 27, 1998 and is governed by a Board of Directors.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board (the District). The current charter was renewed on January 14, 2003 and is effective until June 30, 2018. The charter may be renewed by mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under 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 School is considered a component unit of the District.

The accounting policies of the School conform to accounting principles generally accepted in the United States of America applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The following is a summary of the more significant policies.

(a) *Reporting Entity*

The reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or (c) is obligated in some manner for the debt of the organization. There are no component units of the School.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(b) *Basic Financial Statements*

The basic financial statements include both School-Wide (based on the School as a whole) and fund financial statements. Both the School-Wide and fund financial statements categorize primary activities as either governmental or business type. In the School-Wide statement of net assets, governmental and business-type activities are presented separately and are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt. As of and for the year ended June 30, 2011, the School had no activities that would be considered business-type.

The School-Wide statement of activities reflects both the gross and net costs per functional category (instruction, administration, maintenance, etc.), which are otherwise being supported by general government revenues, such as property taxes and intergovernmental revenues. The statement of activities reduces gross expenses, including depreciation, by related program revenues such as discretionary grants that can be used for either operating or capital purposes. The net cost by function is normally covered by general revenues.

This School-Wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The governmental funds in the fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and the source and use of liquid resources. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the School-Wide statements, a reconciliation is presented on each of the fund financial statements, which briefly explains the adjustment necessary to transform the fund based financial statements into the total governmental column of the School-Wide presentation.

The School's fiduciary funds are presented in the fund financial statements and since, by definition, these assets are being held for the benefit of others and cannot be used to address activities or obligations of the School, these funds are not incorporated into the School-Wide financial statements.

(c) *Basis of Presentation*

The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that records cash and other financial resources, liabilities, reserves, fund equity, revenues, and expenditures.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Governmental Funds

The School adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. The Statement clarified the definitions of the various governmental funds.

The School has determined all of its funds to be major funds, as described below.

General Fund

The General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue – American Recovery and Reinvestment Act (ARRA) Fund

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. It is used to account for proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes. During the year ended June 30, 2011, the School's special revenue funds were used to account for certain Federal grant program resources provided for operations and other programs as set out in the American Recovery and Reinvestment Act of 2009.

Capital Projects Fund

Capital projects funds are used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for educational capital outlay needs, including new construction or renovation and remodeling projects and other capital assets. During the year ended June 30, 2011, the School used the capital projects fund to account for capital outlays funded by capital outlay revenues and long-term debt. New classroom construction was in progress at June 30, 2011.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to businesses. As of and for the year ended June 30, 2011, the School had no activities which would be accounted for in a proprietary fund.

Fiduciary Funds – Agency Funds

The School accounts for the scholarship funds and the student activities funds in the agency fund.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(d) *Basis of Accounting*

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The School-Wide financial statements are presented on an accrual basis of accounting, while the governmental funds in the fund financial statements are presented on a modified accrual basis.

Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized when they are susceptible to accrual; when they become measurable and available to finance the School's operations. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recorded when the liabilities are incurred.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the School may recognize receivables and revenue when the applicable eligibility requirements including time requirements have been met. Revenues for certain grants are recognized when the expenditures are made when grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources. Resources provided before eligibility requirements are met are reported as deferred revenues.

(e) *Budgets and Budgetary Accounting*

The School annually adopts a budget for all governmental funds. Budgets are presented on the modified accrual basis of accounting. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget, which has been adjusted for authorized revisions during the year.

(f) *Cash*

The School's cash includes demand deposits with financial institutions, which are insured in part by Federal depository insurance. As of June 30, 2011, the School's demand deposit accounts exceeded Federal deposit insurance limits by \$161,255.

In addition, the School's excess cash are invested into repurchase agreements providing for maturity on a daily basis and are collateralized with Federal agency securities held by the assigning bank. As of June 30, 2011, cash includes \$1,720,002 of deposits invested in overnight repurchase agreements. The underlying securities pledged by the bank as collateral had market values totaling \$1,720,908 as of June 30, 2011.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(g) Capital Assets

Property and equipment purchased are reported at historical cost, net of accumulated depreciation, in the School-Wide financial statements but are not reported in the governmental fund financial statements. Contributed property and equipment are recorded at the fair market value at the time received. Expenditures for capital assets are reported in the governmental fund that financed the acquisition or construction. The School's capitalization level is \$1,000. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is recorded in the School-Wide financial statements only and is provided on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Improvements other than buildings	10 – 20
Buildings and improvements	10 – 25
Furniture, fixtures, and equipment	5 – 10
Audio/visual equipment	7
Computer software	3

(h) Compensated Absences

Compensated absences for vacation, sick, and other personal leave are provided for all regular, full-time employees. An employee may accrue leave based on School policy which differs between full time instructional staff and full time year-round administrative staff. However, employees are not entitled to cash payment in lieu of taking leave or upon termination. Compensated absences are recorded as expenditures when leave is used and no liability for compensated absences is reflected in the financial statements.

(i) Long-Term Debt

Long-term obligations that will be financed by resources to be received in the future are reported in the School-Wide financial statements, but not in the governmental fund financial statements. Loan costs are deferred and amortized over the life of the related debt.

(j) Fund Balance Reporting

The School adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011. The Statement established fund balance classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of resources in governmental funds, as summarized below (in order of spending).

Nonspendable

Nonspendable fund balance represents resources that are not in spendable form or are legally required to be maintained intact. The School's nonspendable fund balance consists of prepaid expenses as of June 30, 2011.

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

Restricted

Restricted fund balance represents resources that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The School's restricted fund balances consist of resources held for capital projects as of June 30, 2011.

Committed

Committed fund balance represents resources that can be spent only for the specific purposes established by the School's Board of Directors (the School's highest level of decision-making authority). There were no committed fund balances as of June 30, 2011.

Assigned

Assigned fund balance represents resources that are intended to be spent for specific purposes, but do not meet the definition of restricted or committed fund balances. The School's Board of Directors, committees of the Board of Directors, and School management have the ability to assign fund balances.

Unassigned

Unassigned fund balance represents resources that do not have any constraints upon spending.

(k) Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under provisions of Section 236.081, 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 and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

(l) Income Taxes

The School is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In accordance with the Internal Revenue Code, the Center is not considered a private foundation.

The School's income tax filings are subject to audit by various taxing authorities. The School's open audit periods are 2008-2011.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Receivables

As of June 30, 2011, due from primary government includes \$432,062 of funding under the Capital Outlay allocation, which is accounted for in the capital projects fund. Such funds are held in an investment account by the Indian River County School District on behalf of the School. Unexpended amounts available under the Capital Outlay program as of June 30, 2011 amounted to \$432,062.

(3) General Capital Assets

The following is a summary of the changes in the School's governmental capital assets for the year ended June 30, 2011:

	Balance <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>2011</u>
Improvements other than buildings	\$ 600,297	–	–	600,297
Buildings and improvements	5,145,205	4,194	(5,955)	5,143,444
Furniture, fixtures, and equipment	760,260	31,168	(25,765)	765,663
Audio/visual equipment	35,599	–	(2,290)	33,309
Computer software	47,908	10,400	(3,415)	54,893
Construction in progress	<u>20,709</u>	<u>1,205,381</u>	<u>–</u>	<u>1,226,090</u>
Total capital assets	<u>6,609,978</u>	<u>1,251,143</u>	<u>(37,425)</u>	<u>7,823,696</u>
Less accumulated depreciation for:				
Improvements other than buildings	207,549	33,188	–	240,737
Buildings and improvements	1,295,101	214,147	(5,537)	1,503,711
Furniture, fixtures, and equipment	526,078	81,399	(25,462)	582,015
Audio/visual equipment	19,111	6,492	(1,794)	23,809
Computer software	<u>23,258</u>	<u>11,142</u>	<u>(1,491)</u>	<u>32,909</u>
Total accumulated depreciation	<u>2,071,097</u>	<u>346,368</u>	<u>(34,284)</u>	<u>2,383,181</u>
Governmental capital assets, net	\$ <u>4,538,881</u>	<u>904,775</u>	<u>(3,141)</u>	<u>5,440,515</u>

(Continued)

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

In an effort to further extend the benefits of the Indian River Charter High School to a larger school population, the School completed construction of a physical addition to the school facilities during the year ended June 30, 2005. The total cost of the construction was \$4,335,230, a portion of which was funded by a \$3,800,000 mortgage note payable (see note 4). The addition was placed into service in June 2005. In addition, construction began on a new 8 classroom building and is in progress as of June 30, 2011.

(4) Long-Term Debt

The following is a summary of the changes in the School's long-term debt for the year ended June 30, 2011:

	<u>Balance</u> <u>2010</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>2011</u>
\$3,800,000 Mortgage note payable, monthly installments of \$31,479, including interest at 3.82%, through May 7, 2014; then interest is adjustable at the 5 year Treasury Rate plus 3% and every 5 years thereafter, monthly principal and interest payments due through April 7, 2018	\$ <u>2,529,820</u>	<u>—</u>	<u>294,235</u>	<u>2,235,585</u>

The mortgage note payable is secured by all buildings, improvements, other real property, and all personal property of the School, and is 90% guaranteed by the United States Department of Agriculture.

The future maturities of long-term debt for each of the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 296,153	81,591	377,744
2013	308,047	69,697	377,744
2014	320,192	57,552	377,744
2015	332,816	44,928	377,744
2016	345,857	31,887	377,744
2017 – 2018	<u>632,520</u>	<u>22,532</u>	<u>655,052</u>
	<u>\$ 2,235,585</u>	<u>308,187</u>	<u>2,543,772</u>

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

(5) *Schedule of Local Revenue Sources*

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

<u>Sources</u>	<u>Amount</u>
Indian River County District School Board:	
Florida Education Finance Program	\$ 2,978,964
Discretionary lottery funds	2,296
Class size	589,948
School academic improvement	123,754
Instructional materials and teacher training	47,727
Safe schools	<u>14,913</u>
Total	\$ <u>3,757,602</u>

The School's charter contract provides for a discretionary District administrative fee of up to 5% of the revenues received on a per-student basis. During the 2010-2011 school year, the state of Florida provided for the administrative fee to be assessed on the first 250 students (500 students prior to the 2010-2011 school year). In accordance with this provision, the District withheld \$63,901 from the School's revenues for the year ended June 30, 2011, which was included in school administration expenses in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balances.

(6) *Leases*

The School leases land and certain buildings under a lease agreement with Indian River State College through March 31, 2018. The lease provides for payments of \$4,750 per month for each of the five years ending March 31, 2013; and \$5,000 per month for each of the five years ending March 31, 2018. The lease has an option to be renewed for ten additional years.

During the year ended June 30, 2007, the School entered into a 63 month lease for their copying equipment. The lease provides for payments of \$1,446 per month through June 30, 2012. During the year ended June 30, 2011, the School terminated its lease and entered into a new one. The current lease provides for payments of \$1,489 per month through November 30, 2015.

Total rent expense incurred during the year ended June 30, 2011 amounted to \$74,645.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Notes to Basic Financial Statements

The future lease commitments as of June 30, 2011 follow:

	\$	74,868
2012		75,618
2013		77,868
2014		77,868
2015		70,423
2016		<u>105,000</u>
2017 – 2018		
	\$	<u>481,645</u>

(7) Interfund Transfers

The School transferred \$246,990 from the general fund to the capital projects fund to provide for expenditures funded in the current and prior years by the unassigned resources of the general fund.

(8) Risk Management

The School maintains general liability, professional liability, automobile liability, and workers' compensation coverages through purchased commercial insurance with minimal or no deductibles for each line of coverage. The School also maintains property coverage with a deductible of \$5,000 for all perils except wind or hail. For these perils, the deductible is 5%, with a minimum of \$50,000.

(9) Pension Plan

The School's employees participate in a salary deferral plan under Internal Revenue Code 403(b). The School currently contributes on a discretionary basis 15% of all full-time employees' salaries and matches the first \$500 in employee contributions on a dollar-for-dollar basis. The employees vest in all employer contributions evenly over a three-year period of service. Employees hired after September 1, 2008 vest in all employer contributions evenly over a five-year period of service. During the year ended June 30, 2011, the School provided for contributions approximating \$318,151.

(10) Subsequent Events

Subsequent to June 30, 2011, the School completed construction of its new classroom building and received a certificate of occupancy on August 4, 2011.

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual

General Fund

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Favorable (Unfavorable) Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State	\$ –	–	47,633	47,633
Local	3,665,404	3,680,404	3,636,131	(44,273)
Contributions	–	–	22,975	22,975
Other	<u>19,000</u>	<u>13,814</u>	<u>108,276</u>	<u>94,462</u>
Total revenues	<u>3,684,404</u>	<u>3,694,218</u>	<u>3,815,015</u>	<u>120,797</u>
Expenditures:				
Current – education:				
Instruction	2,447,556	2,444,254	2,287,266	156,988
Pupil personnel services	160,040	160,407	152,757	7,650
Instructional media services	64,332	63,206	62,448	758
Technology	–	64,552	63,638	914
School administration	620,894	521,404	483,272	38,132
Facilities acquisition and construction	–	–	22,546	(22,546)
Food service	–	5,000	7,699	(2,699)
Pupil transportation services	8,000	10,700	5,178	5,522
Operation of plant	462,805	431,877	403,932	27,945
Maintenance of plant	<u>21,500</u>	<u>16,000</u>	<u>15,792</u>	<u>208</u>
Total expenditures	<u>3,785,127</u>	<u>3,717,400</u>	<u>3,504,528</u>	<u>212,872</u>
Other financing sources (uses):				
Transfers out	<u>(37,800)</u>	<u>(46,654)</u>	<u>(246,990)</u>	<u>(200,336)</u>
Net change in fund balance	(138,523)	(69,836)	63,497	133,333
Fund balance, beginning of year	<u>1,655,876</u>	<u>1,655,876</u>	<u>1,655,876</u>	<u>–</u>
Fund balance, end of year	\$ <u>1,517,353</u>	<u>1,586,040</u>	<u>1,719,373</u>	<u>133,333</u>

INDIAN RIVER CHARTER HIGH SCHOOL, INC.
(A Component Unit of the Indian River County District School Board)

Statement of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual

Special Revenue Fund

Year Ended June 30, 2011

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
		<u>Original</u>	<u>Final</u>		
Revenues:					
Federal through state	\$	<u>309,572</u>	<u>309,572</u>	<u>308,349</u>	<u>(1,223)</u>
Total revenues		<u>309,572</u>	<u>309,572</u>	<u>308,349</u>	<u>(1,223)</u>
Expenditures:					
Current – education:					
Instruction		240,125	240,125	235,804	4,321
Pupil personnel services		–	–	3,098	(3,098)
Technology		22,849	22,849	22,849	–
School administration		<u>46,598</u>	<u>46,598</u>	<u>46,598</u>	<u>–</u>
Total expenditures		<u>309,572</u>	<u>309,572</u>	<u>308,349</u>	<u>1,223</u>
Net change in fund balance		–	–	–	–
Fund balance, beginning of year		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Fund balance, end of year	\$	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the basic financial statements of Indian River Charter High School, Inc. (the School) as of and for the year ended June 30, 2011 and have issued our report thereon dated September 15, 2011. 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 opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization'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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 for the information of the Board of Directors, management, the Indian River County District School Board, and the Auditor General of the State of Florida. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

MORGAN, JACOBY, THEERN, BOYLE & ASSOCIATES, P.A.

September 15, 2011



Management Letter

The Board of Directors
Indian River Charter High School, Inc.:

We have audited the financial statements of Indian River Charter High School, Inc., as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011.

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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters dated September 15, 2011. Disclosures in that report 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 auditors' 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 report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Our audit disclosed the following matter:

1) Tracking Purchase Orders

In conjunction with the implementation of GASB 54, we noted the School's purchase order log was not fully updated on a timely basis and outstanding purchase orders were not investigated for final disposition on a timely basis. We recommend that the School maintain an accurate, detailed purchase order log and investigate outstanding purchase orders in a timely manner. It is our understanding that the School has currently modified its purchase order log and procedures to implement this recommendation.

- 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 occurred, or are likely to have occurred, that have an effect on the financial statement 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 for the charter school. The official title of the School is Indian River Charter High 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. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. 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 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 Indian River County District School Board, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

MORGAN, JACOBY, THURN, BOYCE & ASSOCIATES, P.A.

September 15, 2011

INDIAN RIVER CHARTER HIGH SCHOOL

6055 College Lane ♦ Vero Beach, Florida 32966 ♦ Telephone (772) 567-6600 ♦ Fax (772) 567-6338

Cynthia A. Trevino-Aversa, Director

Dr. Ray Adams, Assistant Director

Shenoek Berrios, Business Manager

September 12, 2011

Morgan, Jacoby, Thurn, Boyle and Associates
700 20th St
Vero Beach, FL 32960

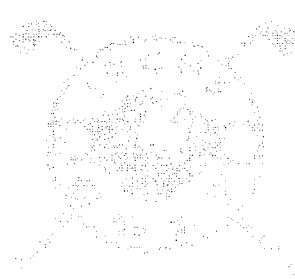
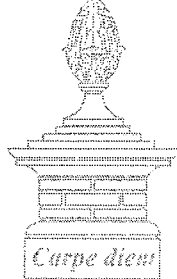
Gentlemen:

Thank you for advising us of improvements we could make relating to our purchase order process. We understand the need and the recommended process will be implemented immediately.

Sincerely,



Gene Waddell, Chairman
Board of Directors



BOARD OF DIRECTORS

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