



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

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

JUNE 30, 2011



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**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

The discussion and analysis of the Life Skills Center Leon County, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The assets of the School exceeded its liabilities at the close of the fiscal year by \$40,997 (net assets). This is a decrease from the prior year, when assets of the School exceeded its liabilities by \$126,237. This decrease is related to depreciation of capital assets and additional expenses related to closing the School (see Note 8).

Revenues from state and local sources decreased 23% (\$459,822), while revenues from federal sources decreased 8% (\$693) and revenues from other sources decreased 98% (\$7,518), for a net decrease in revenues of 24% (\$468,033). Expenses increased 1% (\$12,946). Special items increased 100% (\$391,808). The changes are primarily due to decreased enrollment and additional expenses related to closing the School (see Note 8).

Using this Financial Report

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

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

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

Government-Wide Financial Statements

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

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Net Assets

The table below provides a comparative summary of the School's net assets for fiscal years 2011 and .

	Net Assets		Increase (Decrease)
	2011	2010	
Assets			
Current Assets	\$ 91,657	\$ 96,899	\$ (5,242)
Capital Assets, net	13,593	41,994	(28,401)
Total Assets	\$ 105,250	\$ 138,893	\$ (33,643)
Liabilities			
Current Liabilities	\$ 64,253	\$ 12,656	\$ 51,597
Net Assets			
Invested in Capital Assets	13,593	41,994	(28,401)
Unrestricted	27,404	84,243	(56,839)
Total Net Assets	\$ 40,997	\$ 126,237	\$ (85,240)

Net capital assets decreased as a result of depreciation in excess of any capital purchases in the current year. Current liabilities increased as a result of expenses paid by the management company on behalf of the School (see Note 6). Unrestricted net assets decreased due to the excess of expenses over revenues.

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Change in Net Assets

The table below shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2011 and .

	Change in Net Assets		Increase (Decrease)
	<u>2011</u>	<u>2010</u>	<u>(Decrease)</u>
Revenues			
Federal Direct	\$ 8,089	\$ 8,782	\$ (693)
State and Local Sources	1,514,528	1,974,350	(459,822)
Other Revenue	174	7,692	(7,518)
Total Revenues	<u>1,522,791</u>	<u>1,990,824</u>	<u>(468,033)</u>
Expenses			
Instruction	698,751	639,170	59,581
Pupil Personnel Services	109,161	151,048	(41,887)
Instructional Staff Training Services	14,432	18,976	(4,544)
Instruction Related Technology	133,564	112,169	21,395
Board	37,937	21,508	16,429
General Administration	154,421	208,331	(53,910)
School Administration	308,521	295,734	12,787
Facilities Acquisiton and Construction	332,813	319,500	13,313
Transportation	35,058	52,000	(16,942)
Operation of Plant	160,695	128,834	31,861
Maintenance of Plant	14,486	31,916	(17,430)
Community Services	-	7,707	(7,707)
Total Expenses	<u>1,999,839</u>	<u>1,986,893</u>	<u>12,946</u>
Special Item			
Expenses Paid by WHLS on Behalf of the School (See Note 6)	<u>391,808</u>	<u>-</u>	<u>391,808</u>
Change in Net Assets	<u>\$ (85,240)</u>	<u>\$ 3,931</u>	<u>\$ (89,171)</u>

Total revenues decreased due to a decrease in full-time equivalent enrollment in the current year and a decrease in transportation funding. Total expenses increased due to the closing of the School (see Note 8) and due to an increase in several service contracts the School entered into prior to the decrease in full-time equivalent students.

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

Fund Financial Statements

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

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

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$27,404.

Budgetary Highlights

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

The School's final general fund budget estimated no carryover for the following year. Actual results produced a carryover in the general fund of \$27,404.

With the budget adjustments, state and local revenues were approximately \$41,000 over final budgeted numbers primarily due to slightly higher than expected supplemental funding sources. Instruction expenses were approximately \$78,000 over final budgeted numbers primarily due to additional staff costs related to the closing of the School. School administration was approximately \$68,000 less than budgeted due to the school closure and lower than expected costs associated with the closing. Operation of plant expenses were approximately \$21,000 more than budgeted and maintenance of plant was approximately \$16,000 less than budgeted due to additional costs incurred related to closing the School (see Note 8).

Capital Assets

At the end of fiscal year 2011, the School had \$13,593 invested in capital assets. The table below shows comparative balances of capital assets for fiscal years 2011 and .

	Capital Assets (Net of Depreciation)		
	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Furniture, Fixtures and Equipment	\$ 3,464	\$ 10,235	\$ (6,771)
Computer Software	<u>10,129</u>	<u>31,759</u>	<u>(21,630)</u>
	<u>\$ 13,593</u>	<u>\$ 41,994</u>	<u>\$ (28,401)</u>

**LIFE SKILLS CENTER LEON COUNTY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

For more information on capital assets, see Note 3 in the Notes to the Basic Financial Statements.

Current Financial Issues

As explained more fully in Note 6 to the basic financial statements, the School contracted with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which included facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. WHLS agreed to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Leon County thereby assuming the financial risk that such share of revenues would not be sufficient to cover expenses. Payment of any excess expenses by WHLS did not represent a loan or future obligation of the School to WHLS.

For fiscal year 2011, the School's sixth year of operation, WHLS provided \$391,808 in additional support to the School. Since the School closed at the end of the 2010 – 2011 school year, no additional support will be provided by WHLS.

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. If you have questions about this report or need additional information, contact Life Skills Center Leon County, Inc., 159 S. Main St., Suite 600, Akron, OH 44308.



Report of Independent Auditors on Basic Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Life Skills Center Leon County, Inc. (the "School"), a charter school and component unit of the District School Board of Leon County, Florida, as of and for the year ended June 30, 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, the major fund and the aggregate remaining fund information of Life Skills Center Leon County, Inc. as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2011 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 and budgetary comparison information on pages 1 through 5 and page 22, 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 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
August 23, 2011

LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 71,073
Prepaid Assets	20,584
Capital Assets:	
Computers	20,313
Less Accumulated Depreciation	(16,849)
Computer Software	71,639
Less Accumulated Depreciation	<u>(61,510)</u>
Total Capital Assets, net	<u>13,593</u>
Total Assets	<u><u>\$ 105,250</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accrued Expenses	\$ 7,279
Due to Management Company	<u>56,974</u>
Total Liabilities	<u>64,253</u>
NET ASSETS	
Invested in Capital Assets	13,593
Unrestricted	<u>27,404</u>
Total Net Assets	<u>40,997</u>
Total Liabilities and Net Assets	<u><u>\$ 105,250</u></u>

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

FUNCTIONS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:	Expenses	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities
Instruction	\$ 698,751	\$ -	\$ -	\$ (698,751)
Pupil Personnel Services	109,161	-	-	(109,161)
Instructional Staff Training	14,432	-	-	(14,432)
Instruction Related Technology	133,564	-	8,089	(125,475)
Board	37,937	-	-	(37,937)
General Administration	154,421	-	-	(154,421)
School Administration	308,521	-	-	(308,521)
Facilities Acquisition and Construction	332,813	-	-	(332,813)
Transportation	35,058	-	-	(35,058)
Operation of Plant	160,695	-	-	(160,695)
Maintenance of Plant	14,486	-	-	(14,486)
Total Governmental Activities	\$ 1,999,839	\$ -	\$ 8,089	(1,991,750)
General Revenues:				
State and Local Sources				1,514,528
Other Revenues				174
Total General Revenues				1,514,702
Special Item:				
Expenses Paid by WHLS on Behalf of the School (See Note 6)				391,808
Change in Net Assets				(85,240)
Net Assets-Beginning				126,237
Net Assets-Ending				\$ 40,997

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2011**

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 71,073
Prepaid Assets	20,584
Total Assets	\$ 91,657
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued Expenditures	\$ 7,279
Due to Management Company	56,974
Total Liabilities	64,253
 FUND BALANCE	
Nonspendable:	
Prepaid Assets	20,584
Committed to:	
Audit Fees	6,820
Total Fund Balance	27,404
Total Liabilities and Fund Balance	\$ 91,657

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balance - Governmental Fund \$ 27,404

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 fund.

13,593

Total Net Assets - Governmental Activities \$ 40,997

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

LIFE SKILLS CENTER LEON COUNTY, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal Direct	\$ -	\$ 8,089	\$ 8,089
State and Local Sources	1,511,897	2,631	1,514,528
Other Revenues	174	-	174
	<u>1,512,071</u>	<u>10,720</u>	<u>1,522,791</u>
Total Revenues			
EXPENDITURES			
Instruction	698,751	-	698,751
Pupil Personnel Services	109,161	-	109,161
Instructional Staff Training	14,432	-	14,432
Instruction Related Technology	125,475	8,089	133,564
Board	37,937	-	37,937
General Administration	154,421	-	154,421
School Administration	280,120	-	280,120
Facilities Acquisition and Construction	330,182	2,631	332,813
Transportation	35,058	-	35,058
Operation of Plant	160,695	-	160,695
Maintenance of Plant	14,486	-	14,486
	<u>1,960,718</u>	<u>10,720</u>	<u>1,971,438</u>
Total Expenditures			
SPECIAL ITEM			
Expenses Paid by WHLS on Behalf of the School (See Note 6)	<u>391,808</u>	<u>-</u>	<u>391,808</u>
Net Changes in Fund Balances	(56,839)	-	(56,839)
Fund Balances, July 1, 2010	<u>84,243</u>	<u>-</u>	<u>84,243</u>
Fund Balances, June 30, 2011	<u>\$ 27,404</u>	<u>\$ -</u>	<u>\$ 27,404</u>

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Changes In Fund Balances - Governmental Funds \$ (56,839)

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 of depreciation expense in the current period.

(28,401)

Change In Net Assets Of Governmental Activities \$ (85,240)

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY

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

The School contracts with WHLS of Florida, LLC ("WHLS") for most of its functions. See Note 6.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Leon County, Florida (the "School Board" or the "District"). The current charter was effective until June 30, 2011. The charter was not renewed, and the School closed as of June 30, 2011. Due to the termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District. The School is considered a component unit of the 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.

The School operates under a self-appointing, seven-member Board of Directors (the "Board"). The School's Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors.

The School operates in a facility leased by WHLS. The facility is staffed with teaching personnel employed by WHLS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

During fiscal year 2011, the School adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

Basis of Presentation

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

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

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

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

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

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund - to account for the proceeds of capital outlay funds provided to charter schools pursuant to Florida Statutes, Section 1013.62.
- 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.

The general fund is the only major fund. All other governmental funds are non-major and are presented in the aggregate.

Measurement Focus and Basis of Accounting

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

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

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.

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level.

Cash and Cash Equivalents

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

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The 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. This administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual fee and the fee as calculated on total FEFP revenue is restricted for capital outlay expenditures.

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

Capital Assets and Depreciation

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

The capital assets are recorded on the accompanying Statement of Net Assets at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over three years for Computer Software, Audio Visual Materials and related Furniture and Equipment.

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 6).

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

Net Assets

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

Fund Balance Spending Policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board. The Board has delegated authority to the Principal to assign funds up to the amount of \$500. There are no minimum fund balance requirements for any of the School's funds.

Income Taxes

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same "more likely than not" measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2007.

Use of Estimates

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires 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 August 23, 2011, which is the date the financial statements were available to be issued.

3 CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2011, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	\$ 20,313	\$ -	\$ -	\$ 20,313
Computer Software	71,639	-	-	71,639
Total Capital Assets Being Depreciated	<u>91,952</u>	<u>-</u>	<u>-</u>	<u>91,952</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	(10,078)	(6,771)	-	(16,849)
Computer Software	<u>(39,880)</u>	<u>(21,630)</u>	<u>-</u>	<u>(61,510)</u>
Total Accumulated Depreciation	<u>(49,958)</u>	<u>(28,401)</u>	<u>-</u>	<u>(78,359)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 41,994</u>	<u>\$ (28,401)</u>	<u>\$ -</u>	<u>\$ 13,593</u>

Depreciation expense of \$28,401 was charged to the school administration function in the accompanying Statement of Activities.

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2011, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$	926,025
Class Size Reduction		231,629
Discretionary Local Effort		112,284
State Fiscal Stabilization Funds		78,138
Supplemental Academic Instruction		71,285
ESE Guaranteed Allocation		44,845
Transportation		40,071
Discretionary Millage Compression		21,500
Instructional Materials		20,764
Safe Schools		7,303
Lead Teacher Funds		2,431
Discretionary Lottery		663
		1,556,938
Less Transportation Adjustment		(42,410)
Total State and Local Revenue	\$	1,514,528

The administration fee paid to the School Board during the year ended June 30, 2011 totaled \$73,091, 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.

During fiscal 2011, the District performed an audit of the School’s transportation funding. As a result of the District’s audit, transportation funding was reduced by \$42,410 for the fiscal years ended June 30, 2011 and June 30, 2010.

5 RISK MANAGEMENT

Property and Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement, WHLS has contracted with an insurance company for property and general liability insurance (see Note 6).

Director and Officer

Coverage includes a \$3,000,000 aggregate limit and \$10,000 deductible.

LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)

6 AGREEMENT WITH WHLS

The School has historically entered into an annual Management Agreement (“Agreement”) with WHLS, which is an educational consulting and management company. Substantially all functions of the School were contracted to WHLS. WHLS was responsible and accountable to the School’s Board of Directors for the administration and operation of the School. The School was required to pay WHLS a monthly continuing fee of 97 percent of the School’s “Qualified Gross Revenues,” defined in the Agreement as “...all revenues and income received by the School except for charitable contributions” and “WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any.” The continuing fee was paid to WHLS based on the previous month’s qualified gross revenues less any fees the School was required to remit to the School Board. The continuing fee earned by WHLS for the year ended June 30, 2011 was \$1,469,003. WHLS was responsible for all costs incurred in providing the educational program at the School, which included but were not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

Per the Agreement, no other amounts were required other than the continuing fee as reported above. For the year ended June 30, 2011, WHLS paid expenses to operate the School totaling \$391,808, which is included as a special item in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Expenses to operate the School include the direct site expenses of the School and the expenses of the WHLS Florida administrative office, which managed the School’s curriculum, human resources, finance/grants management, facilities, marketing, etc. The indirect costs of the Florida administrative office are recorded in the “General Administration” function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

7 CONTINGENCES

Grants

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

**LIFE SKILLS CENTER LEON COUNTY, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(continued)**

8 CLOSING OF THE SCHOOL

The School's charter was in effect until June 30, 2011. The School's charter was not renewed with the District School Board of Leon County, and the School closed effective June 30, 2011. The School's management company, WHLS, is in the process of working with the District to determine how much cash and which capital assets will revert to the District as required by the School's charter agreement with the District. This is the final annual financial report of the School.

The Board approved a retention bonus for all of the School's staff who remained employed by the School through June 30, 2011. The majority of the bonus was paid to employees with their final paycheck. An additional bonus consisting of any remaining funds, after all board approved expenses have been paid, was also approved by the Board. The unpaid portion of the retention bonus is recorded as accrued expenses/expenditures in the accompanying Statement of Net Assets and Balance Sheet – Governmental Fund.

**LIFE SKILLS CENTER LEON COUNTY, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
REVENUES				
State and Local Sources	\$ 1,866,475	\$ 1,471,395	\$ 1,511,897	\$ 40,502
Other Revenues	-	-	174	174
Total Revenues	<u>1,866,475</u>	<u>1,471,395</u>	<u>1,512,071</u>	<u>40,676</u>
EXPENDITURES				
Instruction	657,916	620,624	698,751	(78,127)
Pupil Personnel Services	158,002	115,877	109,161	6,716
Instructional Staff Training	23,484	15,000	14,432	568
Instruction Related Technology	-	121,080	125,475	(4,395)
Board	20,000	50,000	37,937	12,063
General Administration	-	145,000	154,421	(9,421)
School Administration	421,308	348,508	280,120	68,388
Facilities Acquisition and Construction	312,085	315,350	330,182	(14,832)
Transportation	66,950	45,000	35,058	9,942
Operation of Plant	121,334	140,000	160,695	(20,695)
Maintenance of Plant	34,402	30,000	14,486	15,514
Community Services	15,000	-	-	-
Total Expenditures	<u>1,830,481</u>	<u>1,946,439</u>	<u>1,960,718</u>	<u>(14,279)</u>
SPECIAL ITEM				
Expenses Paid by WHLS on Behalf of the School (See Note 6)	-	390,801	391,808	1,007
Net Changes in Fund Balances	35,994	(84,243)	(56,839)	27,404
Fund Balance, July 1, 2010	<u>84,243</u>	<u>84,243</u>	<u>84,243</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 120,237</u>	<u>\$ -</u>	<u>\$ 27,404</u>	<u>\$ 27,404</u>

See report of independent auditors.



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

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Life Skills Center Leon County, Inc. (the "School"), a charter school and component unit of the District School Board of Leon County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 23, 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 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 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described as follows:

2011-01 Nonresident students: Florida Statutes require charter schools to be open to any student residing in the school district in which the charter school is located. During our audit procedures, we noted several instances where students were not residents of the state of Florida.

2011-02 Student immunization: Florida Statutes require each child present or have on file with the school a certification of immunization for the prevention of communicable diseases. During our audit procedures, we noted several instances where the School was unable to obtain immunization certificates for enrolled students.

2011-03 Health inspection: Charter schools are required to be in compliance with standards of sanitation and casualty safety prescribed in the rules of the State Board of Education. During our audit procedures, we noted that the School was unable to obtain a satisfactory score on its health and safety inspection.

2011-04 Financial reporting: Florida Statutes require the School to provide certain financial reports to the District. During our audit procedures, we noted that the School did not submit one of the required reports by the District's deadline.

The School's response to the findings identified in our audit is included in the written statement of explanation or rebuttal on page 28. We did not audit the School's response and, accordingly, we express no opinion on it.

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

BKHM, P.A.

Winter Park, Florida
August 23, 2011

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

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Life Skills Center Leon County, Inc. (the "School") as of and for the year ended June 30, 2011, and have issued our report thereon dated August 23, 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated August 23, 2011, 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. Corrective actions have been taken to address findings and 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. 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 occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, 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 official title of the School is Life Skills Center Leon County, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (“the conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2011, 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 Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
August 23, 2011



September 15, 2011

BKHM, PA
Kurt Kuehnhackl
1560 Orange Avenue
Suite 600
Winter Park, FL 32789

Mr. Kuehnhackl,

We are providing the following as our formal response to the compliance matters noted in the financial audit for the Life Skills Center of Leon County, Inc. for the year ended June 30, 2011. Specifically, the audit identified the following:

2011-1 Nonresident students: Florida statutes require charter schools to be open to any student residing in the school district in which the charter school is located. During our audit procedures, we noted several instances where students were not residents of the state of Florida.

School Response: The School acknowledges there may have been one student enrolled late in 2011 from outside the school district where the School is located. The School does not believe that this matter would have a material impact on the financial reports. The School requires all students that enroll to provide proof of residence; we believe this to be an isolated incident.

2011-2 Student immunization: Florida statutes require each child present or have on file with the school a certification of immunization for the prevention of communicable diseases. During our audit procedures, we noted several instances where the School was unable to obtain immunization certificates for enrolled students.

School Response: The School acknowledges that we were unable despite best efforts to obtain immunization records for each student. Numerous attempts were made to obtain such records from the students. This issue will not be able to be addressed as the School is now closed permanently.

2011-3 Health inspection: Charter schools are required to be in compliance with the standards of sanitation and casualty safety prescribed in the rules of the State Board of Education. During our audit procedures, we noted that the School was unable to obtain a satisfactory score on its health and safety inspection.

School Response: The School made many of the necessary repairs to the facility during the year in response to the recommendations of the health and safety inspections. The School contacted the Health Department who has agreed that with the closing of the School permanently nothing further was required in respects to building inspections.

2011-4 Financial reporting: Florida statues requires the School to provide certain financial reports to the District. During our audit procedures, we noted that the School did not submit one of the required reports by the District's deadline.

School Response: The School agrees that a reporting deadline was missed during the closing procedures at the end of the year. All required reports have since been issued to the district.

*Board of Directors
Life Skills Center of Leon County, Inc*