

**LITERACY, LEADERSHIP,
TECHNOLOGY ACADEMY**

A Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2011

King & Walker, CPAs, PL

Certified Public Accountants

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LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY

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KING & WALKER, CPAs, PL

Certified Public Accountants

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Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors of Literacy, Leadership, Technology Academy,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Literacy, Leadership, Technology Academy (“School”), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Literacy, Leadership, Technology as of June 30, 2011, and the respective changes in financial position thereof for the fiscal 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 a report dated September 17, 2011, on our consideration of the Literacy, Leadership, Technology Academy’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 17, 2011
Lutz, Florida

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Literacy, Leadership, Technology Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2011.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 22.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the School's revenues exceeded expenses as shown on the School's statement of activities by \$74,321.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$204,403.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds, a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The General Fund is considered to be a major fund. Data from the other governmental funds are combined into a single aggregate presentation.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2010, and June 30, 2011:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-10	6-30-11
ASSETS		
Current and Other Assets	\$ 146,700	\$ 235,909
Capital Assets, net	135,051	113,236
Total Assets	<u>\$ 281,751</u>	<u>\$ 349,145</u>
LIABILITIES		
Current and Other Liabilities	\$ 9,086	\$ 31,506
Notes and Capital Leases	96,419	67,072
Total Liabilities	<u>105,505</u>	<u>98,578</u>
NET ASSETS		
Invested in Capital Assets, Net of Debt	38,632	46,164
Unrestricted	137,614	204,403
Total Net Assets	<u>176,246</u>	<u>250,567</u>
Total Liabilities and Net Assets	<u>\$ 281,751</u>	<u>\$ 349,145</u>

Current Assets consist of cash and Capital Assets comprised of depreciated capital leases, furniture, fixtures, and equipment, and leasehold improvements. Liabilities consist mainly of the remaining payments on capital lease and a line of credit.

The increase in Unrestricted Net Assets was due to the positive results of the current year's operations.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2010, and June 30, 2011, are as follows:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal sources	\$ -	\$ 48,627	\$ 48,627
State and Local sources	1,545,479	1,657,892	112,413
Grants, Contributions and Other	112,462	224,593	112,131
Total Revenues	<u>1,657,941</u>	<u>1,931,112</u>	<u>273,171</u>
Expenses:			
Instruction	878,835	866,404	(12,431)
Instructional Staff Training	648	7,236	6,588
Board of Education	250	1,338	1,088
General Administration	68,836	73,085	4,249
School Administration	246,485	283,108	36,623
Facilities Acq. & Construction	156,746	306,033	149,287
Fiscal Services	3,570	2,806	(764)
Food Services	54,711	50,222	(4,489)
Pupil Transportaion	-	2,400	2,400
Operation of Plant	118,298	136,456	18,158
Maintenance of Plant	32,814	23,975	(8,839)
Community Service	36,429	55,798	19,369
Interest on Debt	7,080	12,096	5,016
Unallocated Depreciation	37,000	35,834	(1,166)
Total Expenses	<u>1,641,702</u>	<u>1,856,791</u>	<u>215,089</u>
Increase in Net Assets	<u>\$ 16,239</u>	<u>\$ 74,321</u>	<u>\$ 58,082</u>

The largest revenue source for the School is the State of Florida (78%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. FEFP revenue increased from the prior school year due to an increase in enrollment of approximately 2.5%.

The largest concentrations of expenses during the year were for Instruction (47%), School Administration (15%), and Facilities Acquisition and Construction (16%).

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$204,403.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2011, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2011, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 23 for additional information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$113,236 (net of accumulated depreciation). This investment in capital assets consists of furniture, fixtures, and equipment, leasehold improvements, and assets under capital lease agreements. Additional information regarding the School's capital assets can be found in note 2 to the financial statements.

The outstanding capital lease balance as of June 30, 2011, amounts to \$14,687. The only other long-term debt outstanding consists of notes payable in the amount of \$52,385. Additional information regarding the School's long-term debt can be found in notes 3, 4 & 5.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Literacy, Leadership, Technology Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Literacy, Leadership, Technology Academy Inc., 6771 Madison Ave., Tampa, FL 33619.

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 235,909
Capital Assets:	
Assets Under Capital Leases, Net	45,727
Leasehold Improvements, Net	67,509
TOTAL ASSETS	<u><u>\$ 349,145</u></u>
LIABILITIES	
Accounts Payable	\$ 10,045
Deferred Revenue	21,461
Long-Term Liabilities:	
Due within one year:	
Notes Payable	51,344
Capital Leases Payable	14,687
Due after one year:	
Notes Payable	1,041
TOTAL LIABILITIES	<u><u>98,578</u></u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	46,164
Unrestricted	204,403
Total Net Assets	<u><u>250,567</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 349,145</u></u>

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

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 866,404	\$ -	\$ 48,627	\$ -	\$ (817,777)	\$ (817,777)
Instructional Staff Training	7,236				(7,236)	(7,236)
Board of Education	1,338				(1,338)	(1,338)
General Administration	73,085				(73,085)	(73,085)
School Administration	283,108				(283,108)	(283,108)
Facilities Acquisition & Construction	306,033			113,856	(192,177)	(192,177)
Fiscal Services	2,806				(2,806)	(2,806)
Food Services	50,222	59,996			9,774	9,774
Pupil Transportation	2,400				(2,400)	(2,400)
Operation of Plant	136,456				(136,456)	(136,456)
Maintenance of Plant	23,975				(23,975)	(23,975)
Community Service	55,798				(55,798)	(55,798)
Debt Service - Interest	12,096				(12,096)	(12,096)
Unallocated Depreciation	35,834				(35,834)	(35,834)
Total Governmental Activities	\$ 1,856,791	\$ 59,996	\$ 48,627	\$ 113,856	(1,634,312)	(1,634,312)
General Revenues:						
State and Local sources					1,484,040	1,484,040
Other					224,593	224,593
					1,708,633	1,708,633
Change in Net Assets					74,321	74,321
Net Assets - July 1, 2010					176,246	176,246
Net Assets - June 30, 2011					\$ 250,567	\$ 250,567

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

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>TOTAL</u>
ASSETS			
Cash & Cash Equivalents	\$ 235,909	\$ -	\$ 235,909
Total Assets	<u>\$ 235,909</u>	<u>\$ -</u>	<u>\$ 235,909</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 10,045	\$ -	\$ 10,045
Deferred Revenue	<u>21,461</u>	<u>-</u>	<u>21,461</u>
Total Liabilities	<u>31,506</u>	<u>-</u>	<u>31,506</u>
Fund Balances:			
Spensible - Unassigned	<u>204,403</u>	<u>-</u>	<u>204,403</u>
Total Fund Balances	<u>204,403</u>	<u>-</u>	<u>204,403</u>
Total Liabilities and Fund Balance	<u>\$ 235,909</u>	<u>\$ -</u>	<u>\$ 235,909</u>

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

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

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

June 30, 2011

Total Fund Balances - Governmental Funds	\$ 204,403
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	113,236
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Notes Payable	52,385	
Capital Leases	14,687	
	(67,072)	(67,072)

Total Net Assets - Governmental Activities	\$ <u>250,567</u>
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The accompanying notes to financial statements are an integral part of this statement.

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

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

For the Fiscal Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through Local	\$ -	\$ 48,627	\$ 48,627
State and Local	1,484,040	173,852	1,657,892
Contributions and Other	224,593		224,593
Total Revenues	<u>1,708,633</u>	<u>222,479</u>	<u>1,931,112</u>
Expenditures			
Current - Education:			
Instruction	\$ 817,777	\$ 48,627	\$ 866,404
Instructional Staff Training	7,236		7,236
Board of Education	1,338		1,338
General Administration	73,085		73,085
School Administration	283,108		283,108
Facilities Acquisition & Construction	192,177	113,856	306,033
Fiscal Services	2,806		2,806
Food Services		50,222	50,222
Pupil Transportation	2,400		2,400
Operation of Plant	136,456		136,456
Maintenance of Plant	23,975		23,975
Community Service	55,798		55,798
Fixed Capital Outlay:			
Other Capital Outlay	14,019		14,019
Debt Service			
Principal	43,366		43,366
Interest and Fiscal Charges	12,096		12,096
Total Expenditures	<u>1,665,637</u>	<u>212,705</u>	<u>1,878,342</u>
Excess (Deficiency) of Revenues Over			
Expenditures	<u>42,996</u>	<u>9,774</u>	<u>52,770</u>
Other Financing Sources:			
Inception of Capital Lease	14,019		14,019
Transfers In/(Out)	9,774	(9,774)	-
Total Other Financing Sources:	<u>23,793</u>	<u>(9,774)</u>	<u>14,019</u>
Net Change in Fund Balances	<u>66,789</u>	<u>-</u>	<u>66,789</u>
Fund Balances, July 1, 2010	<u>137,614</u>	<u>-</u>	<u>137,614</u>
Fund Balances, June 30, 2011	<u>\$ 204,403</u>	<u>\$ -</u>	<u>\$ 204,403</u>

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

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2011***

Net Change in Fund Balances - Governmental Funds	\$	66,789
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$35,834) in excess of capital outlays (\$14,019) in the current period.		(21,815)
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The inception of capital leases are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Assets.		(14,019)
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Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.		43,366
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Change in Net Assets - Governmental Activities	\$	74,321
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The accompanying notes to the financial statements are an integral part of this statement.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
(A DIVISION OF LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Literacy, Leadership, Technology Academy, Inc., 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, operates one charter school approved by its sponsor, the District School Board of Hillsborough County, Florida. The reporting entity consists of this charter, Literacy, Leadership, Technology Academy (“School”). The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The current charter has been renewed and is effective until June 30, 2013, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School’s governmental activities. Direct expenses are those that are specifically

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June 30, 2011

associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Data from the other governmental fund is combined into a single aggregate presentation.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, 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 prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime

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June 30, 2011

factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years
Leasehold Impr. & Assets Under Capital Leases	10 years

➤ **Budgets and Budgetary Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
(A DIVISION OF LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

➤ **Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its fund balance as Spendable-Unassigned on its Balance Sheet – Governmental Funds.

➤ **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 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under 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 the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2011, the School reported 251.50 unweighted FTE and 252.235 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are

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A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state 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 or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available. A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2011

2. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Furniture, Fixtures and Equipment	\$ 32,302	\$ -	\$ -	\$ 32,302
Assets Under Capital Leases	72,762	14,019		86,781
Leashold Improvements	159,887		-	159,887
Total Capital Assets Being Depreciated	<u>264,951</u>	<u>14,019</u>	<u>-</u>	<u>278,970</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(31,682)	(620)		(32,302)
Assets Under Capital Leases	(21,829)	(19,225)		(41,054)
Leasehold Improvements	(76,389)	(15,989)		(92,378)
Total Accumulated Depreciation	<u>(129,900)</u>	<u>(35,834)</u>	<u>-</u>	<u>(165,734)</u>
Governmental Activities Capital Assets, net	<u>\$ 135,051</u>	<u>\$ (21,815)</u>	<u>\$ -</u>	<u>\$ 113,236</u>

Depreciation expense of \$35,834 was charged to Unallocated Depreciation Expense.

3. NOTES PAYABLE

Notes payable consist of the following:

	Balance at 6-30-11
<u>Valrico State Bank - Line of Credit</u>	
\$67,273, Refinanced 04-15-10, to fund building improvements. Interest Rate of 3.73 Percent. Payments are to be made in 24 equal monthly installments starting 5-15-10, final balance of \$42,974 due on 4-15-12.	\$ 49,008
<u>Lyons Financial - Note Payable</u>	
\$10,146, Borrowed 09-01-07, to fund the purchase of classroom furniture. Interest Rate of 9.497 Percent. Payments are to be made in 60 equal monthly installments starting 10-1-07.	<u>3,377</u>
Total Notes Payable	<u>\$ 52,385</u>

Amounts payable for notes payable are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2012	\$ 53,077	\$ 51,344	\$ 1,733
2013	1,066	1,041	25
Total	<u>\$ 54,143</u>	<u>\$ 52,385</u>	<u>\$ 1,758</u>

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2011

4. CAPITAL LEASE OBLIGATIONS

The school has entered into three 36 month agreements for computer equipment and classroom furniture which are classified as capital leases. The economic substance of the leases are that the School is financing the acquisition of the assets through the leases and, accordingly, it is recorded in the School's statement of net assets. Terms of the leases require the School to make monthly payments for the computer equipment and classroom furniture through September 2012.

The net asset value of the leased computer equipment and classroom furniture are \$37,784, \$34,978 and \$14,019, respectively at June 30, 2011.

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2012	\$ 16,937	\$ 14,687	\$ 2,250
Total Minimum Lease Payments	\$ 16,937	\$ 14,687	\$ 2,250

Interest paid on these capital leases during the year ended June 30, 2011 was \$7,687.

5. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Governmental Activities:					
Notes Payable	\$ 67,197	\$ -	\$ (14,812)	\$ 52,385	\$ 51,344
Capital Leases Payable	29,222	14,019	(28,554)	14,687	14,687
Total Governmental Activities	\$ 96,419	\$ 14,019	\$ (43,366)	\$ 67,072	66,031

6. DEFERRED REVENUE

The School reported deferred revenue on its statement of net assets and balance sheet - governmental funds for unspent money received from their insurance policy for tornado damage done to the School's facility. Repair expenses associated with this damage totaled \$38,539 as of June 30, 2011.

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A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. FACILITY LEASE

The School leases its educational facility under a noncancelable operating lease. The School entered into a new lease beginning September 1 2010 through June 30, 2028. This lease contains varying renewal options and requires the School to pay insurance and other costs. The following is a schedule by years of future minimum rental payments required under the operating lease that has a remaining noncancelable lease term in excess of one year:

<u>Fiscal Year Ending June 30</u>	<u>Facility Lease</u>
2012	\$ 233,400
2013	233,400
2014	233,400
2015	233,400
2016	233,400
2017-2021	1,167,000
2022-2026	1,167,000
2027-2028	1,167,000
Total Minimum Payments Required	<u>\$ 4,668,000</u>

Rental expenditures for the fiscal year were \$232,203.

8. RISK MANAGEMENT PROGRAMS

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

9. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2011, may be impaired.

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

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A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

10. SCHEDULE OF STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's State and local revenue for the 2010-11 fiscal year:

Source	Amount
<i><u>FEDERAL THROUGH LOCAL:</u></i>	
Education Jobs Fund	\$ 48,627
Total Federal through Local	\$ 48,627
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 1,010,435
Categorical Educational Programs:	
Class Size Reduction	231,343
Supplementary Academic Instruction	51,055
Instructional Materials	20,015
Lottery Allocation	903
Charter School Capital Outlay	113,856
ESE Guaranteed Allocation	59,732
School Recognition	13,075
Florida Teachers' Lead Program	2,143
Miscellaneous	18
Total State Revenue	\$ 1,502,575
<i><u>LOCAL:</u></i>	
Discretionary Local Effort	\$ 95,321
Student Lunches	59,996
Total Local Revenue	155,317
Total State and Local Revenue	\$ 1,657,892

As provided in the charter school contract and Florida Department of Education Rules, the District has charged the School an administrative fee on FEFP revenue for the first 250 FTE which totaled \$72,706, this fee 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.

Accounting policies relating to certain State revenue sources are described in Note 1.

11. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**

For the Fiscal Year Ended June 30, 2011

	General Fund			Variance with Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal through Local	\$ -	\$ -	\$ -	\$ -
State and Local	1,470,284	1,484,040	1,484,040	-
Contributions and Other	90,000	224,593	224,593	-
Total Revenues	<u>1,560,284</u>	<u>1,708,633</u>	<u>1,708,633</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	951,141	817,777	817,777	-
Instructional Staff Training		7,236	7,236	-
Board of Education		1,338	1,338	-
General Administration	72,000	73,085	73,085	-
School Administration	224,683	283,108	283,108	-
Facilities Acquisition & Construction	99,553	192,177	192,177	-
Fiscal Services	1,000	2,806	2,806	-
Pupil Transportation		2,400	2,400	-
Operation of Plant	107,298	136,456	136,456	-
Maintenance of Plant	7,500	23,975	23,975	-
Community Service	5,300	55,798	55,798	-
Fixed Capital Outlay:				
Other Capital Outlay		14,019	14,019	-
Debt Service:				
Principal	26,110	43,366	43,366	-
Interest and Fiscal Charges	5,300	12,096	12,096	-
Total Expenditures	<u>1,499,885</u>	<u>1,665,637</u>	<u>1,665,637</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>60,399</u>	<u>42,996</u>	<u>42,996</u>	<u>-</u>
Other Financing Sources:				
Inception of Capital Lease		14,019	14,019	-
Transfers In/(Out)		9,774	9,774	-
Total Other Financing Sources:	<u>-</u>	<u>23,793</u>	<u>23,793</u>	<u>-</u>
Net Change in Fund Balance	60,399	66,789	66,789	-
Fund Balance, July 1, 2010	<u>137,614</u>	<u>137,614</u>	<u>137,614</u>	<u>-</u>
Fund Balance, June 30, 2011	<u>\$ 198,013</u>	<u>\$ 204,403</u>	<u>\$ 204,403</u>	<u>\$ -</u>

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors of Literacy, Leadership, Technology Academy,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the basic financial statements of the Literacy, Leadership, Technology Academy ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. 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 of the School's financial statements for the fiscal year ended June 30, 2011, 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 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 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, and other guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 17, 2011
Lutz, Florida

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors of Literacy, Leadership, Technology Academy,
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

We have audited the basic financial statements of the Literacy, Leadership, Technology Academy ("School"), a charter school and component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 17, 2011.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated September 17, 2011. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor 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.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Literacy, Leadership, Technology Academy.

This letter is intended for the information and use of the School and its management, the District School Board of Hillsborough County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King Q Walker, CPAs". The signature is written in a cursive style with a large, stylized initial "K".

September 17, 2011
Lutz, Florida

LITERACY, LEADERSHIP, TECHNOLOGY ACADEMY
A Charter School and Component Unit of the District School Board of Hillsborough County

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2011

The following is the School's response to the item in the Management Letter dated September 17, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.