

**STATE OF FLORIDA  
AUDITOR GENERAL**



*REPORT ON AUDIT  
OF THE*

*ESCAMBIA CHARTER SCHOOL, INC.,*

*A CHARTER SCHOOL OF THE*

*ESCAMBIA COUNTY DISTRICT SCHOOL BOARD,*

*FOR THE FISCAL YEAR ENDED JUNE 30, 1997*

*DATED: FEBRUARY 10, 1998*

*STATE OF FLORIDA*

*AUDITOR GENERAL*

*REPORT ON AUDIT  
OF THE*

*ESCAMBIA CHARTER SCHOOL, INC.,*

*A CHARTER SCHOOL OF THE*

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*FOR THE FISCAL YEAR ENDED JUNE 30, 1997*

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*ESCAMBIA CHARTER SCHOOL, INC.,  
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ESCAMBIA COUNTY DISTRICT SCHOOL BOARD*

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CHARLES L. LESTER, CPA  
AUDITOR GENERAL

# STATE OF FLORIDA

AUDITOR GENERAL

TALLAHASSEE

February 10, 1998

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that an audit  
be made of the

*ESCAMBIA CHARTER SCHOOL, INC.,*

*A CHARTER SCHOOL OF THE*

*ESCAMBIA COUNTY DISTRICT SCHOOL BOARD,*

*For the Fiscal Year Ended June 30, 1997*

and present this report thereon.

Par.  
No.

## ***INTRODUCTION***

- (1) The Escambia Charter School, Inc. (Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Escambia County District School Board.
- (2) The Charter School provides educational services to students in grades 9 through 12. The Charter School's mission is to provide an alternative education system that can aid "at risk" students, preparing them academically, socially, and culturally to be responsible participants in society. The Charter School reported enrollment of 156.83 unweighted full-time equivalent students for the 1996-97 fiscal year.

- (3) The officers of Escambia Charter School, Inc., who served during the audit period are listed below:

<u><i>Officers</i></u>	<u><i>Office</i></u>
<i>Dr. Reed Bell</i>	<i>Chairman</i>
<i>Sherman Robinson</i>	<i>Vice-Chairman</i>
<i>Larry K. Hicks</i>	<i>Treasurer/Secretary</i>

#### ***SCOPE AND OBJECTIVES***

- (4) The Auditor General is responsible, as required by the State Constitution and implementing law, for independent financial and operational audits of district school boards. Under the provisions of Section 228.056(8)(g), Florida Statutes, a charter school shall be subject to an annual audit in a manner similar to that of a school district.
- (5) Our audit objectives were to determine whether:
- The Charter School's general purpose financial statements for the fiscal year ended June 30, 1997, fairly present, in all material respects, the Charter School's financial position and results of operations in accordance with generally accepted accounting principles;
  - Charter School management established and implemented internal control to provide reasonable assurance of proper authorization of financial transactions, to provide for the proper recording and reporting of the Charter School's financial operations, to adequately safeguard the Charter School's assets, and to promote and encourage economic and efficient operations and compliance with applicable provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines; and
  - Charter School management complied with the applicable provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines governing the conduct of its public affairs.

## ***METHODOLOGY***

- (6) Our audit was made in accordance with generally accepted auditing standards and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

## ***RELATED AUDITS***

- (7) An examination of Federal awards administered by the Charter School under contract and grant agreements to finance specific programs and projects is included in our audit of the Escambia County District School Board. The results of our audit of the Escambia County District School Board for the fiscal year ended June 30, 1997, will be the subject of a separate audit report.

## ***SUMMARY OF FINDINGS***

### ***Financial Statements***

- (8) We found that the Charter School's general purpose financial statements fairly presented, in all material respects, its financial position as of June 30, 1997, and the results of its operations for the fiscal year then ended. (See paragraphs 11 through 14.)

### ***Compliance Matters***

- (9) The results of our tests of compliance indicated that, with respect to the items tested, the Charter School had generally complied with the significant provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines governing those programs, activities, and functions and classes of transactions within the scope of audit. (See paragraph 16.)

### ***Internal Control***

- (10) Charter School personnel have established and implemented procedures which generally provide for internal control of Charter School operations; however, our examination of the Charter School's internal control and its operation disclosed a deficiency which we considered to be a "reportable condition." Although the reportable condition noted is not considered to be a material weakness in the Charter School's internal control, this condition should be promptly addressed by Charter School management. The deficiency noted was as follows: (See paragraphs 17 through 21.)
- Established procedures and practices provide guidance for employees in carrying out their duties and responsibilities and in conducting the day-to-day operations of the Charter School. Charter School personnel indicated that operating procedures and practices for

certain areas had not been developed and reduced to writing. Such procedures and practices may be beneficial to address such matters as budget preparation and amendment, long-term planning, accountability and control of tangible personal property, the receipt and deposit of funds, and the acquisition of goods and services including the awarding of contracts. The effective implementation of these procedures and practices also would enhance internal control to provide a mechanism for planning and monitoring the Charter School's financial position and for continually adjusting its planned level of expenditures to both meet the Charter School's obligation to provide for the educational needs of its students and, at the same time, remain within its financial capability. (See paragraphs 20 and 21.)

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Charles L. Lester". The signature is written in a cursive style with a large initial "C".

Charles L. Lester, CPA  
Auditor General

Audit supervised by:  
David W. Martin, Sr.

Audit made by:  
Alice A. McClellan

**FINANCIAL AND COMPLIANCE AUDIT  
OF THE**

**ESCAMBIA CHARTER SCHOOL, INC.,  
A CHARTER SCHOOL OF THE  
ESCAMBIA COUNTY DISTRICT SCHOOL BOARD,  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

Par.  
No.

**INDEPENDENT AUDITOR'S REPORT ON  
GENERAL PURPOSE FINANCIAL STATEMENTS**

- (11) We have audited the accompanying general purpose financial statements of the Escambia Charter School, Inc. (Charter School), a component unit of the Escambia County District School Board, as of and for the fiscal year ended June 30, 1997, listed on page 11 of this report. These general purpose financial statements are the responsibility of the Charter School's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.
- (12) We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- (13) In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Escambia Charter School, Inc., as of June 30, 1997, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles.
- (14) In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Escambia Charter School, Inc.'s internal control and our tests of its compliance with laws, administrative rules, regulations, contracts and grants, and other

guidelines included under the heading ***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL BASED ON AN AUDIT OF THE GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.***

**FINANCIAL AND COMPLIANCE AUDIT  
OF THE**

**ESCAMBIA CHARTER SCHOOL, INC.,  
A CHARTER SCHOOL OF THE  
ESCAMBIA COUNTY DISTRICT SCHOOL BOARD,  
FOR THE FISCAL YEAR ENDED JUNE 30, 1997**

Par.  
No.

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL BASED ON AN AUDIT OF  
THE GENERAL PURPOSE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

- (15) We have audited the general purpose financial statements of the Escambia Charter School, Inc. (Charter School), a component unit of the Escambia County District School Board, as of and for the fiscal year ended June 30, 1997, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS***. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

- (16) As part of obtaining reasonable assurance about whether the Charter School's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, 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*.

**Internal Control**

- (17) In planning and performing our audit of the Charter School's general purpose financial statements for the fiscal year ended June 30, 1997, we considered the Charter School's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the Charter School's general purpose financial statements and not to provide assurance on the

Charter School's internal control. However, we noted a matter involving the internal control and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Charter School's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This matter is discussed in paragraphs 20 and 21.

- (18) A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition referred to above is not a material weakness.
- (19) This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and applicable management. Copies of this report are available pursuant to Section 11.45(7), Florida Statutes, and its distribution is not limited.

### **Procedures and Practices**

- (20) Established procedures and practices provide guidance for employees in carrying out their duties and responsibilities and in conducting the day-to-day operations of the Charter School. Charter School personnel indicated that operating procedures and practices for certain areas had not been developed and reduced to writing. We recognize that the Charter School has limited staff and that the areas to be covered by established practices are much more limited than in a larger organization. Accordingly, we have discussed with Charter School personnel specific areas in which developing and documenting procedures and practices may enhance the effectiveness and efficiency of the Charter School's internal control over operations. Such procedures and practices may be beneficial to address such matters as budget preparation and amendment, long-term financial planning, accountability and control of tangible personal property, the receipt and deposit of funds, and the acquisition of goods and services including the awarding of contracts. The effective implementation of these procedures and practices also

would enhance internal control to provide a mechanism for planning and monitoring the Charter School's financial position and for continually adjusting its planned level of expenditures to both meet the Charter School's obligation to provide for the educational needs of its students and, at the same time, remain within its financial capability.

- (21) We recommend that the Charter School give appropriate consideration to the development of written procedures and practices in these areas pertinent to the operations of the Charter School. Obviously, such procedures should be developed with the goal to assist staff and enhance accountability without becoming a hindrance to the successful operation of the Charter School.

**STATEMENT FROM AUDITED OFFICIAL**

- (22) In accordance with the provisions of Section 11.45(7)(d), Florida Statutes, a list of audit findings and recommendations was submitted to the Board members and the President of the Escambia Charter School, Inc., a charter school of the Escambia County District School Board. The President's written response to the audit findings and recommendations included in this report is shown as Exhibit E.

***AUDIT AUTHORITY***

- (23) Pursuant to the provisions of Section 11.45(7), Florida Statutes, I have directed that this audit report, including all exhibits thereto, be prepared to present the results of the audit of the Escambia Charter School, Inc., a charter school of the Escambia County District School Board.

Respectfully submitted,



Charles L. Lester, CPA  
Auditor General

## ***EXHIBITS***

The following exhibits are attached to and form an integral part of audit report No. 13147:

### ***GENERAL PURPOSE FINANCIAL STATEMENTS***

**[EXHIBIT - A](#)**     *Combined Balance Sheet – Governmental Fund Type and Account Groups.*

**[EXHIBIT - B](#)**     *Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund.*

**[EXHIBIT - C](#)**     *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.*

**[EXHIBIT - D](#)**     *Notes to Financial Statements.*

### ***OFFICIAL'S RESPONSE TO AUDIT FINDINGS***

**[EXHIBIT - E](#)**     *Statement from Audited Official.*

**EXHIBIT - A**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS**  
**June 30, 1997**

	Governmental Fund Type General Fund	Account Groups General Fixed Assets	General Long-Term Debt	Total (Memorandum Only)
<b>ASSETS AND OTHER DEBITS</b>				
Cash	\$ 21,810.41	\$	\$	\$ 21,810.41
Prepaid Items	13,657.60			13,657.60
Due from Primary Government	21,939.00			21,939.00
Fixed Assets:				
Land		138,862.00		138,862.00
Buildings and Fixed Equipment		38,954.88		38,954.88
Furniture, Fixtures, and Equipment		31,532.80		31,532.80
Motor Vehicles		12,943.85		12,943.85
Property Under Capital Lease		2,784.00		2,784.00
Amount to be Provided For:				
Payment of Capital Lease			2,147.70	2,147.70
Compensated Absences			21,239.41	21,239.41
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 57,407.01</b>	<b>\$ 225,077.53</b>	<b>\$ 23,387.11</b>	<b>\$ 305,871.65</b>
<b>LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>				
Liabilities:				
Accounts Payable	\$ 53,829.80	\$	\$	\$ 53,829.80
Obligation Under Capital Lease			2,147.70	2,147.70
Compensated Absences Payable			21,239.41	21,239.41
<b>Total Liabilities</b>	<b>53,829.80</b>		<b>23,387.11</b>	<b>77,216.91</b>
Fund Equity and Other Credits:				
Investment in General Fixed Assets		225,077.53		225,077.53
Fund Balance:				
Unreserved	3,577.21			3,577.21
<b>Total Fund Equity and Other Credits</b>	<b>3,577.21</b>	<b>225,077.53</b>		<b>228,654.74</b>
<b>TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS</b>	<b>\$ 57,407.01</b>	<b>\$ 225,077.53</b>	<b>\$ 23,387.11</b>	<b>\$ 305,871.65</b>

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

**EXHIBIT - B**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 1997**

	General
<b>Revenues</b>	
Intergovernmental:	
Federal Through Local	\$ 85,781.34
Local	849,695.00
<b>Total Revenues</b>	<b>935,476.34</b>
<b>Expenditures</b>	
Current - Education:	
Instruction	424,889.79
Pupil Personnel Services	32,568.96
Instruction and Curriculum Development Services	4,765.66
Board Administration	10,363.00
School Administration	181,209.93
Facilities Acquisition and Construction	59,153.00
Fiscal Services	29,729.30
Central Services	49,019.95
Pupil Transportation Services	31,522.00
Operation of Plant	31,668.00
Maintenance of Plant	28,584.54
Fixed Capital Outlay:	
Facilities Acquisition and Construction	50,426.00
Debt Service:	
Principal	636.30
Interest and Fiscal Charges	146.70
<b>Total Expenditures</b>	<b>934,683.13</b>
<b>Excess of Revenues Over Expenditures</b>	<b>793.21</b>
<b>Other Financing Sources</b>	
Inception of Capital Lease	2,784.00
<b>Excess of Revenues and Other Sources</b>	
<b>Over Expenditures</b>	<b>3,577.21</b>
Fund Balance, July 1, 1996	
<b>Fund Balance, June 30, 1997</b>	<b>\$ 3,577.21</b>

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

**EXHIBIT - C**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Fiscal Year Ended June 30, 1997**

	Governmental Fund Type		
	Budget	Actual	Variance - Favorable (Unfavorable)
<b>Revenues</b>			
Intergovernmental:			
Federal Through Local	\$ 85,781.34	\$ 85,781.34	\$
Local	<u>849,695.00</u>	<u>849,695.00</u>	
<b>Total Revenues</b>	<u>935,476.34</u>	<u>935,476.34</u>	
<b>Expenditures</b>			
Current - Education:			
Instruction	424,889.79	424,889.79	
Pupil Personnel Services	32,568.96	32,568.96	
Instruction and Curriculum Development Services	4,765.66	4,765.66	
Board Administration	10,363.00	10,363.00	
School Administration	181,209.93	181,209.93	
Facilities Acquisition and Construction	59,153.00	59,153.00	
Fiscal Services	29,729.30	29,729.30	
Central Services	49,019.95	49,019.95	
Pupil Transportation Services	31,522.00	31,522.00	
Operation of Plant	31,668.00	31,668.00	
Maintenance of Plant	28,584.54	28,584.54	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	50,426.00	50,426.00	
Debt Service:			
Principal	636.30	636.30	
Interest and Fiscal Charges	<u>146.70</u>	<u>146.70</u>	
<b>Total Expenditures</b>	<u>934,683.13</u>	<u>934,683.13</u>	
<b>Excess of Revenues Over Expenditures</b>	793.21	793.21	
<b>Other Financing Sources:</b>			
Inception of Capital Lease	<u>2,784.00</u>	<u>2,784.00</u>	
<b>Excess of Revenues and Other Sources Over Expenditures</b>	3,577.21	3,577.21	
Fund Balance, July 1, 1996			
<b>Fund Balance, June 30, 1997</b>	<u>\$ 3,577.21</u>	<u>\$ 3,577.21</u>	<u>\$</u>

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

**EXHIBIT - D**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Reporting Entity**

Escambia Charter School, Inc. (Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the Charter School is the not-for-profit corporation Board of Directors which is composed of not less than three members. The Board was composed of 19 members during the 1996-97 fiscal year. The appointed CEO/President of the not-for-profit corporation is the executive officer of the Charter School.

The general operating authority of the Charter School is contained in Section 228.056, Florida Statutes. The Charter School operates under a charter of the sponsoring school district, the Escambia County District School Board. The current charter is effective until June 30, 1999, and may be renewed in increments of one year by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Escambia Charter School, Inc., is considered a component unit of the Escambia County District School Board.

Criteria for determining if other entities are potential component units which should be reported within the Charter School's general purpose financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would

***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

cause the Charter School's general purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

- ***Basis of Presentation***

The Charter School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds and account groups. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The individual generic fund in the financial statements of this report is a Governmental Fund Type as follows:

GOVERNMENTAL FUND TYPE

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

ACCOUNT GROUPS

Account groups are not funds. They consist of self-balancing sets of accounts and are used only to establish accounting control over general fixed assets and general long-term obligations. Account groups are not used to account for available resources or the actual acquisition of fixed assets or payment of liabilities.

***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

- General Fixed Assets Account Group - to establish accounting control for general fixed assets. General fixed assets are usually acquired with resources of governmental fund types and used in association with activities of those funds.
  - General Long-Term Debt Account Group - to establish accounting control for long-term debts and other long-term obligations of governmental fund types.
- ***Basis of Accounting***

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

The General Fund is presented using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

- ***Budgetary Basis Accounting***

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

- ***Cash***

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

- ***Fixed Assets and Depreciation***

Expenditures for fixed assets acquired and constructed for general Charter School purposes are reported in the governmental fund type that financed the acquisition or construction; whereas, the fixed assets so acquired are capitalized (recorded) at cost in the General Fixed Assets Account Group. Donated assets are recorded at fair market value at the date of donation. The depreciation of general fixed assets is not recorded in the Charter School's accounts. Current-year information relative to changes in general fixed assets is described in a subsequent note.

- ***Long-Term Debt and Compensated Absences***

Long-term obligations that will be financed from resources to be received in the future by the General Fund are reported in the General Long-Term Debt Account Group, not in the General Fund. In governmental fund types, compensated absences, i.e., paid absences for employee vacation leave and sick leave, are recorded as expenditures when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. Compensated absences that exceed this amount at fiscal year-end are reported in the General Long-Term Debt Account Group and recorded as expenditures when used in subsequent years.

***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

Changes in long-term debt for the current year are reported in a subsequent note.

- ***Revenue Sources***

Revenues for current operations are received primarily from the Escambia County District School Board pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Charter School during the designated full-time equivalent student survey periods.

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

***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

- ***Total Columns on the Financial Statements***

The total column on the accompanying Exhibit A is captioned “Memorandum Only” because it is presented only to facilitate financial analyses. Inasmuch as the total column includes fund types and account groups that use different bases of accounting and include both restricted and unrestricted amounts, data in the total column is not intended to present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

**2. *DUE FROM PRIMARY GOVERNMENT***

The amount reported as Due From the Primary Government represents earned Florida Education Finance Program funds for June 1997.

**3. *PREPAID ITEMS***

Prepaid items are comprised of unamortized insurance premiums as of June 30, 1997.

**4. *CHANGES IN GENERAL FIXED ASSETS***

Changes in general fixed assets are shown below:

	Balance 7-1-96	Additions	Deletions	Balance 6-30-97
Land	\$	\$ 138,862.00	\$	\$ 138,862.00
Buildings and Fixed Equipment		38,954.88		38,954.88
Furniture, Fixtures, and Equipment		31,532.80		31,532.80
Motor Vehicles		12,943.85		12,943.85
Property Under Capital Lease		2,784.00		2,784.00
Total	\$	\$ 225,077.53	\$	\$ 225,077.53

The class and amount of property under capital lease are presented in note 5.

**EXHIBIT – D (Continued)**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1997**

**5. OBLIGATION UNDER CAPITAL LEASE**

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

	<u>Asset Balance</u>
Phone System	\$ 2,784

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
1998	\$ 1,044.00
1999	1,044.00
2000	260.86
Total Minimum Lease Payments	2,348.86
Less, Amount Representing Interest	201.16
Present Value of Minimum Lease Payments	\$ 2,147.70

The imputed interest rate is 7.81 percent.

**6. CHANGES IN GENERAL LONG-TERM DEBT**

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

<u>Description</u>	<u>Balance</u> <u>7-1-96</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-97</u>
Obligation Under Capital Lease	\$	\$ 2,147.70	\$	\$ 2,147.70
Compensated Absences Payable		21,239.41		21,239.41
Total	\$	\$23,387.11	\$	\$23,387.11

**EXHIBIT – D (Continued)**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1997**

Records kept for compensated absences relate only to hours earned, used, and available. Accordingly, only the net change in compensated absences payable is shown.

**7. SCHEDULE OF LOCAL REVENUE SOURCES**

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

Sources	Amount
Escambia County District School Board:	
Florida Education Finance Program	\$ 639,001.00
Transportation	54,465.00
Discretionary Lottery Funds	33,911.00
Discretionary Millage Funds	20,469.00
Instructional Materials	8,853.00
Safe Schools	3,000.00
Subtotal	759,699.00
Private Industry Council	87,276.00
Interest	1,172.00
Gifts, Grants, and Bequests	1,281.00
Other	267.00
Total	\$ 849,695.00

**8. CONSTRUCTION CONTRACT COMMITMENTS**

The following is the major construction contract remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
North Campus Renovation	\$ 141,841	\$	\$ 141,841

**9. RISK MANAGEMENT PROGRAMS**

Automobile liability, general liability, property, employee bond, and workers' compensation coverages are being provided through purchased commercial insurance with minimum

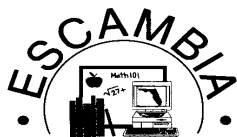
***EXHIBIT – D (Continued)***  
***ESCAMBIA CHARTER SCHOOL, INC.,***  
***A CHARTER SCHOOL AND COMPONENT UNIT OF***  
***THE ESCAMBIA COUNTY DISTRICT SCHOOL BOARD***  
***NOTES TO FINANCIAL STATEMENTS***  
***June 30, 1997***

deductibles for each line of coverage. Settled claims resulting from these risks did not exceed commercial coverage.

***10. SUBSEQUENT EVENTS***

The Charter School obtained a loan on July 11, 1997, for \$140,000 to pay for the North Campus Renovation. The loan is for a period of two years with an interest of 8.25 percent per annum.

**EXHIBIT - E**  
**ESCAMBIA CHARTER SCHOOL, INC.,**  
**A CHARTER SCHOOL OF THE**  
**ESCAMBIA COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT FROM AUDITED OFFICIAL**  
**For the Fiscal Year Ended June 30, 1997**



**CHARTER SCHOOL**

January 24, 1998

Audit  
Report  
Par.  
No.

Mr. Charles L. Lester, Auditor General  
State of Florida  
111 Madison Street  
P. O. Box 1735  
Tallahassee, Florida 32303-1735

Dear Mr. Lester:

Subject: Preliminary and Tentative Audit Findings - Escambia Charter School

(20-21)  
↓

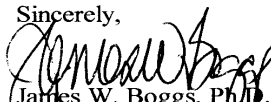
I appreciate the opportunity to respond to the preliminary and tentative audit findings for the Escambia Charter School. The findings are directed at the "Procedures and Practices" area as they relate to the financial management of the organization. The limited findings certainly indicates the positive approach taken by you and your staff regarding the oversight of the new charter school legislation.

The areas identified by your staff and school personnel to strengthen our internal controls are as follows: budget preparation and amendment; long-term financial planning; accountability and control of tangible personal property; receipt and deposit of funds; acquisition of goods and services including contractual awards. Each these areas will become a section of an "Administrative Procedures Manual" to be developed by the staff within 90 days of the date of this letter. The completed work will be provide to the Escambia County Office of the Auditor General.

Many of the current procedures are the result of many years of Federal Grant experience but must be reduced to written procedures that compliment and support the State and Local requirements. Hopefully this letter will serve as a complete response to the audit findings. The completion and submission of the indicated manual representing the completion of the process. If additional recommendations, suggestions, or actions are required I will be glad to respond.

The processes, procedures and definitive policies for then charter school will take a period of evolving. This period will require discussions, comments or suggestions on the part of operators. I would offer this site for test reviews, participation in conferences or meetings, or provide procedural information on an informal basis that may assist in State policy development.

Sincerely,

  
James W. Boggs, Ph.D.  
President and CEO

cc: All Board Members

*A Partnership with the School District of Escambia County*  
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(904) 438-0008 • Fax (904) 434-6778