

CARING & SHARING LEARNING
SCHOOL

AUDIT REPORT

JUNE 30, 2006

**Audit Report
Caring & Sharing Learning School
June 30, 2006**

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Independent Auditors' Report

To the Board of Directors
Caring & Sharing Learning School, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of the Caring & Sharing Learning School (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 on it.

August 14, 2006
Gainesville, Florida

Management's Discussion and Analysis

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2006:

- The School's overall net assets decreased by approximately \$51,000.
- Total ending unrestricted net assets were approximately \$137,000.
- The School had total expenses for the year of about \$769,000, compared to revenues of approximately \$718,000.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Assets. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net assets during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- Governmental funds – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.

The School maintains three individual governmental funds. The General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, accordingly, are separately displayed. The School has no nonmajor funds.

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

Net Assets

	2006 Governmental Activities	2005 Governmental Activities
Assets:		
Non-capital Assets	\$ 253,135	\$ 265,178
Capital Assets	426,439	449,508
Total Assets	<u>679,574</u>	<u>714,686</u>
Liabilities:		
Current Liabilities	16,946	4,759
Non Current Liabilities	11,335	7,229
Total Liabilities	<u>28,281</u>	<u>11,988</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	422,604	442,279
Restricted for Public Education Capital Outlay	91,208	92,679
Unrestricted	137,481	167,740
Total Net Assets	<u>\$ 651,293</u>	<u>\$ 702,698</u>

Change in Net Assets

Program Revenues:		
Charges for Services	\$ 6,475	\$ 4,118
Capital Grants & Contributions	38,905	41,737
General Revenues:		
Title I Grant	84,961	93,037
Florida Education Finance Program	507,370	483,340
Other State Revenue	68,271	21,512
Unrestricted Grants & Contributions	8,045	8,927
Unrestricted Investment Earnings	4,122	2,392
Total Revenues	<u>718,149</u>	<u>655,063</u>
Program Expenses:		
Instruction	547,515	499,125
Instructional Support Services	26,549	20,153
General Support	193,334	167,718
Community Services	1,814	-
Interest on Long-Term Debt	342	897
Total Expenses	<u>769,554</u>	<u>687,893</u>
Change in Net Assets	(51,405)	(32,830)
Beginning Net Assets	702,698	735,528
Ending Net Assets	<u>\$ 651,293</u>	<u>\$ 702,698</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$45,380 in program revenues and \$672,769 of general revenues, and incurred \$769,554 of program expenses. This resulted in a \$51,405 decrease in net assets.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by \$36,575, from \$167,740 to \$131,165. The staff members and Board members work with the Director in determining the School's needs and materials and supplies to purchase. Their long range plan is instrumental in helping the School remain on target when it comes to spending money.

Special Revenue Fund

The Special Revenue Fund's fund balance remained constant at \$0 because the School spends all funds received from grants as soon as possible.

Capital Projects Fund

The Capital Projects Fund's fund balance decreased by \$36,894 from \$92,679 to \$55,785 because the School has begun spending money to add a P/E and multipurpose room to the building.

BUDGETARY HIGHLIGHTS

The School's General Fund and Special Revenue Fund experienced budget deficits in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School made no significant capital asset purchases during the year. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration

The School incurred no new debt during the year. Please refer to a note to the accompanying financial statements entitled *Long-term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

Management is not aware of any economic conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dr. Simon Johnson, Principal, Gainesville, Florida.

Statement of Net Assets
June 30, 2006
Caring & Sharing Learning School

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 169,944
Accounts Receivable	918
Due From Other Governments	82,273
Capital Assets:	
Land Improvements	23,700
Depreciable Capital Assets, Net	<u>402,739</u>
 TOTAL ASSETS	 <u>679,574</u>
 <u>LIABILITIES</u>	
Accounts Payable	16,946
Long-term Liabilities:	
Due Within One Year	6,735
Due in More than One Year	<u>4,600</u>
 TOTAL LIABILITIES	 <u>28,281</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	422,604
Restricted for Public Education Capital Outlay	91,208
Unrestricted	<u>137,481</u>
 TOTAL NET ASSETS	 <u><u>\$ 651,293</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Statement of Activities
For the Year Ended June 30, 2006
Caring & Sharing Learning School

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<u>FUNCTIONS/PROGRAMS</u>					
Instruction	\$ 547,515	\$ 6,385	\$ -	\$ -	\$ (541,130)
Instructional Support Services	26,549	-	-	-	(26,549)
General Support	193,334	90	-	38,905	(154,339)
Community Services	1,814	-	-	-	(1,814)
Interest on Long-term Debt	<u>342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342)</u>
TOTAL	<u>\$ 769,554</u>	<u>\$ 6,475</u>	<u>\$ -</u>	<u>\$ 38,905</u>	<u>(724,174)</u>
GENERAL REVENUES:					
Title I Grant					84,961
Florida Education Finance Program					507,370
Unrestricted Grants and Contributions					76,316
Unrestricted Investment Earnings					<u>4,122</u>
TOTAL GENERAL REVENUES					<u>672,769</u>
CHANGE IN NET ASSETS					(51,405)
NET ASSETS – Beginning of Year					<u>702,698</u>
NET ASSETS – End of Year					<u>\$ 651,293</u>

The accompanying “Notes to Financial Statements”
form an integral part of this statement.

Balance Sheet - Governmental Funds
June 30, 2006
Caring & Sharing Learning School

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 114,159	\$ -	\$ 55,785	\$ 169,944
Accounts Receivable	918	-	-	918
Due From Other Governments	38,988	7,862	35,423	82,273
	<u>154,065</u>	<u>7,862</u>	<u>91,208</u>	<u>253,135</u>
TOTAL ASSETS	<u>\$ 154,065</u>	<u>\$ 7,862</u>	<u>\$ 91,208</u>	<u>\$ 253,135</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 9,084	\$ 7,862	\$ -	\$ 16,946
Deferred Revenue	13,816	-	35,423	49,239
	<u>22,900</u>	<u>7,862</u>	<u>35,423</u>	<u>66,185</u>
TOTAL LIABILITIES	<u>22,900</u>	<u>7,862</u>	<u>35,423</u>	<u>66,185</u>
<u>FUND BALANCES</u>				
Unreserved	131,165	-	55,785	186,950
	<u>131,165</u>	<u>-</u>	<u>55,785</u>	<u>186,950</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 154,065</u>	<u>\$ 7,862</u>	<u>\$ 91,208</u>	<u>\$ 253,135</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2006
Caring & Sharing Learning School

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 186,950
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net of Accumulated Depreciation	426,439
Long-term liabilities are not reported in the governmental funds.	
Note Payable	(3,835)
Compensated Absences	(7,500)
Deferred revenue in the statement of net assets differs from the amount reported in the governmental funds.	<u>49,239</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 651,293</u></u>

The accompanying “Notes to Financial Statements”
form an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006
Caring & Sharing Learning School

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Title I Grant	\$ -	\$ 84,961	\$ -	\$ 84,961
Florida Education Finance Program	507,370	-	-	507,370
Public Education Capital Outlay	-	-	3,482	3,482
Other State Revenue	54,455	-	-	54,455
Other Local Revenue	18,642	-	-	18,642
	<u>580,467</u>	<u>84,961</u>	<u>3,482</u>	<u>668,910</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	454,049	84,961	-	539,010
Instructional Support Services	26,549	-	-	26,549
General Support	130,894	-	-	130,894
Community Services	1,814	-	-	1,814
Capital Outlay	-	-	40,376	40,376
Debt Service:				
Principal	3,394	-	-	3,394
Interest	342	-	-	342
	<u>617,042</u>	<u>84,961</u>	<u>40,376</u>	<u>742,379</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(36,575)	-	(36,894)	(73,469)
FUND BALANCES, July 1, 2005	<u>167,740</u>	<u>-</u>	<u>92,679</u>	<u>260,419</u>
FUND BALANCES, June 30, 2006	<u>\$131,165</u>	<u>\$ -</u>	<u>\$ 55,785</u>	<u>\$186,950</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2006
Caring & Sharing Learning School**

EXCESS OF REVENUES UNDER EXPENDITURES – TOTAL GOVERNMENTAL FUNDS	\$ (73,469)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Current Year Depreciation Expense	(23,069)
Repayment of principal is an expenditure in the governmental funds, but has no effect on net assets.	
Principal Payments	3,394
Some revenues differ because of differences in measurement focus and basis of accounting.	49,239
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated Absences	<u>(7,500)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (51,405)</u></u>

The accompanying “Notes to Financial Statements”
form an integral part of this statement.

Notes to Financial Statements
June 30, 2006
Caring & Sharing Learning School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Caring & Sharing Learning School conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

Caring & Sharing Learning School, Inc. is a not-for-profit corporation organized in 1998 pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as the Caring & Sharing Learning School (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors which is composed of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Alachua County District School Board (the “District”). The current charter is effective until June 30, 2011, and may be renewed every ten years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the 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 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.

Reporting Model

The School follows GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal interfund activity has been eliminated from the government-wide financial statements.

Notes to Financial Statements
June 30, 2006
Caring & Sharing Learning School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Statement of Net Assets reports the School's financial position as of the end of the fiscal year. In this statement, the School's net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those grants restricted to certain uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants restricted to operating uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Notes to Financial Statements
June 30, 2006
Caring & Sharing Learning School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Most revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Cash and Cash Equivalents

The School deposits its temporarily idle resources in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2006, approximately \$62,000 was held in excess of FDIC insurance coverage.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Land improvements are not depreciated. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements Other Than Buildings	15
Furniture, Fixtures, Equipment and Vehicles	5

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 Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of 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 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 School during the designated full-time equivalent student survey periods.

The School also receives other financial assistance. This assistance is generally received based on applications submitted to and approved by the granting agency.

Compensated Absences

The School pays employees for 50% of unused sick and vacation time upon separation. A liability is accrued when incurred in the government-wide financial statements. However, a liability is reported in governmental funds only when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definitions of the classifications previously described.

When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
Capital Assets Not Being Depreciated:				
Land Improvements	\$ 23,700	\$ -	\$ -	\$ 23,700
Capital Assets Being Depreciated:				
Buildings	422,755	-	-	422,755
Improvements Other Than Buildings	46,532	-	-	46,532
Furniture, Fixtures and Equipment	15,638	-	-	15,638
Vehicles	22,681	-	-	22,681
Total Capital Assets Being Depreciated	<u>507,606</u>	<u>-</u>	<u>-</u>	<u>507,606</u>
Total Capital Assets	<u>531,306</u>	<u>-</u>	<u>-</u>	<u>531,306</u>
Accumulated Depreciation:				
Buildings	48,272	14,306	-	62,578
Improvements Other Than Buildings	6,854	3,102	-	9,956
Furniture, Fixtures and Equipment	13,064	1,125	-	14,189
Vehicles	13,608	4,536	-	18,144
Total Accumulated Depreciation	<u>81,798</u>	<u>23,069</u>	<u>-</u>	<u>104,867</u>
Net Capital Assets	<u>\$ 449,508</u>	<u>\$ (23,069)</u>	<u>\$ -</u>	<u>\$ 426,439</u>

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Depreciation was charged to functions/programs as follows:

Instruction	\$ 1,005
General Support	<u>22,064</u>
Total Depreciation	<u><u>\$ 23,069</u></u>

NOTE 3 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>	Due Within <u>One Year</u>
Note Payable	\$ 7,229	\$ -	\$ 3,394	\$ 3,835	\$ 3,835
Compensated Absences	-	<u>20,600</u>	<u>13,100</u>	<u>7,500</u>	<u>2,900</u>
Total	<u><u>\$ 7,229</u></u>	<u><u>\$ 20,600</u></u>	<u><u>\$ 16,494</u></u>	<u><u>\$ 11,335</u></u>	<u><u>\$ 6,735</u></u>

At year end, the outstanding note payable is an 8.18% loan agreement collateralized by a vehicle. Scheduled debt service requirements are as follows:

YEAR ENDING <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2006	<u><u>\$ 3,835</u></u>	<u><u>\$ 203</u></u>	<u><u>\$ 4,038</u></u>

NOTE 4 – PENSION PLAN

Plan Description. The School contributes to the Florida Retirement System (the “System”), a cost sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designed beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850) 488-5706.

NOTE 4 – PENSION PLAN

Funding Policy. The System is employee noncontributory. The School is required to contribute at an actuarially determined rate. The School contributed at the regular employee rate which was 7.83% at June 30, 2006. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. The School's contributions to the System for the years ended June 30, 2006, 2005 and 2004 were \$29,950, \$24,414, and \$21,157, respectively, equal to the required contributions for each year.

NOTE 5 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage.

NOTE 6 – RELATED PARTY TRANSACTIONS

The School rents 3.9 acres of land from its Principal. The terms of the contract call for payments of \$4,000 per month beginning on August 15, 2005. The School's payments for the year ended June 30, 2006 were \$40,000.

REQUIRED SUPPLEMENTARY INFORMATION

**Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006
Caring & Sharing Learning School**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>		WITH FINAL BUDGET
<u>REVENUES</u>				
Florida Education Finance Program	\$ 450,000	\$ 450,000	\$ 507,370	\$ 57,370
Other State Revenue	10,000	10,000	54,455	44,455
Other Local Revenues	16,000	16,000	18,642	2,642
TOTAL REVENUES	476,000	476,000	580,467	104,467
<u>EXPENDITURES</u>				
Current:				
Instruction	230,592	230,592	454,049	(223,457)
Instructional Support Services	5,000	5,000	26,549	(21,549)
General Support	138,750	138,750	130,894	7,856
Community Services	-	-	1,814	(1,814)
Debt Service:				
Principal	-	-	3,394	(3,394)
Interest	-	-	342	(342)
TOTAL EXPENDITURES	374,342	374,342	617,042	(242,700)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	101,658	101,658	(36,575)	(138,233)
FUND BALANCES - BEGINNING OF YEAR	-	-	167,740	167,740
FUND BALANCES - END OF YEAR	\$ 101,658	\$ 101,658	\$ 131,165	\$ 29,507

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

**Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2006
Caring & Sharing Learning Fund**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Title I Grant	\$81,700	\$81,700	\$ 84,961	\$ 3,261
<u>EXPENDITURES</u>				
Current:				
Instruction	<u>81,700</u>	<u>81,700</u>	<u>84,961</u>	<u>(3,261)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
FUND BALANCES, July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

**ADDITIONAL ELEMENTS REQUIRED BY THE
RULES OF THE AUDITOR GENERAL**

Management Letter

To the Board of Directors
Caring & Sharing Learning School, Inc.

We have audited the financial statements of the Caring & Sharing Learning School (the "School"), as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated August 14, 2006. We have also issued our report on internal control over financial reporting and on compliance and other matters. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the 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 that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General 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. In that regard, one prior audit finding was unresolved and has been repeated in the accompanying Schedule of Findings as item 06-1.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency". In connection with our audit, we determined that the School has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This report is intended solely for the information and use of the School's management and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

August 14, 2006
Gainesville, Florida

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

To the Board of Directors
Caring & Sharing Learning School, Inc.

We have audited the financial statements of the governmental activities and each major fund of the Caring & Sharing Learning School (the "School") as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted a certain matter that we reported to management in the accompanying Schedule of Findings.

This report is intended solely for the information and use of the School's management and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

August 14, 2006
Gainesville, Florida

Schedule of Findings
June 30, 2006
Caring & Sharing Learning School

06-1 *Finding* – The School over-expended the budgets of the General Fund and Special Revenue Fund.

Recommendation – The School should establish procedures to ensure that the budget is prepared properly and amended during the year for unanticipated revenues and expenditures. The budget to actual position should be reviewed periodically to reduce the likelihood of budget over-expenditures.