

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2006
ONE ROOM SCHOOL HOUSE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
One Room School House

We have audited the accompanying financial statements of the governmental activities and each major fund of One Room School House (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 a report dated September 29, 2006 on our consideration of the School's internal control over financial reporting and 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.

September 29, 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 \$36,500, which is about 9%.
- Total ending unrestricted net assets were approximately \$190,500.
- The School had total expenses for the year of about \$714,000, compared to revenues of approximately \$677,500.
- The School served 95.5 full time equivalent students, a slight increase from prior year.

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 differences 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. These funds are considered to be major funds and, accordingly, they are separately displayed.

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	\$ 194,229	\$ 222,397
Capital Assets, Net	185,132	194,870
Total Assets	<u>379,361</u>	<u>417,267</u>
Liabilities:		
Current Liabilities	<u>3,556</u>	<u>4,920</u>
Net Assets:		
Invested in Capital Assets	185,132	194,870
Restricted	--	2,752
Unrestricted	190,673	214,725
Total Net Assets	<u>\$ 375,805</u>	<u>\$ 412,347</u>

Change in Net Assets

Program Revenues:		
Charges for Services	\$ 75,475	\$ 68,053
Capital Grants & Contributions	35,912	34,776
General Revenues:		
Title 1 Grant	26,697	53,001
IDEA Grant	--	250
Americorp Grant	--	29,769
Florida Education Finance Program	484,823	413,258
State Recognition Funds	9,000	10,915
Other State Revenues	975	2,488
Unrestricted Grants & Contributions	36,154	29,580
Unrestricted Investment Earnings	<u>8,385</u>	<u>3,502</u>
Total Revenues	<u>677,421</u>	<u>645,592</u>
Program Expenses:		
Instruction	417,330	416,480
Instructional Support Services	77	1,391
General Support	248,423	190,679
Community Service	<u>48,133</u>	<u>48,132</u>
Total Expenses	<u>713,963</u>	<u>656,682</u>
Change in Net Assets	(36,542)	(11,090)
Beginning Net Assets	412,347	423,437
Ending Net Assets	<u>\$ 375,805</u>	<u>\$ 412,347</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$111,387 in program revenues and \$566,034 of general revenues, and incurred \$713,963 of program expenses. This resulted in a \$36,542 decrease in net assets. There were no significant changes in revenues and expenses from the prior year.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$21,905, from \$212,578 to \$190,673. The primary reason for this change was the decrease in Title I funding, which caused the School to use general revenues for items previously paid from Title I funds.

Special Revenue Fund. The fund balance of the Special Revenue Fund decreased by \$2,147, from \$2,147 to \$0. This was due to the school's policy of expending all restricted resources before using unrestricted funds, when possible.

Capital Projects Fund. The fund balance of the Capital Project Fund decreased by \$2,752, from \$2,752 to \$0. This was due to the school's policy of expending all restricted resources before using unrestricted funds, when possible.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant changes from the original to the final budget, and the final budget agreed with actual results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School had no significant capital asset activity 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 had no long-term debt at the beginning of the year and did not incur any new debt during the year.

ECONOMIC FACTORS

The School's management has noted a downward trend in Title I funding. This trend is expected to continue, which will affect the overall revenues of the School.

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 Gail Ahern, 4180 NE 15th Street, Gainesville, Florida 32609.

Statement of Net Assets
June 30, 2006
One Room School House

	Governmental Activities
Assets	
Assets:	
Cash	\$ 26,873
Investments	144,134
Receivables	2,422
Deposits	10,000
Prepaid Expenses	10,800
Depreciable Capital Assets, Net	185,132
Total Assets	379,361
Liabilities	
Liabilities:	
Accounts Payable	3,556
Total Liabilities	3,556
Net Assets	
Net Assets:	
Invested in Capital Assets	185,132
Unrestricted	190,673
Total Net Assets	\$ 375,805

See accompanying notes.

**Statement of Activities
For the Year Ended June 30, 2006
One Room School House**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses					
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 417,330	\$ 400	\$ --	\$ --	\$ (416,930)
Instructional Support Services	77	--	--	--	(77)
General Support	248,423	--	--	35,912	(212,511)
Community Services	48,133	75,075	--	--	26,942
Total	<u>\$ 713,963</u>	<u>\$ 75,475</u>	<u>\$ --</u>	<u>\$ 35,912</u>	<u>(602,576)</u>

General Revenues:

Federal through State:	
Title I Grant	26,697
State Revenue:	
Florida Education Finance Program	484,823
State Recognition Funds	9,000
Other State Revenues	975
Unrestricted Grants and Contributions	36,154
Unrestricted Investment Earnings	<u>8,385</u>

Total General Revenues 566,034

Change in Net Assets (36,542)

Net Assets – Beginning of Year 412,347

Net Assets – End of Year \$ 375,805

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2006
One Room School House

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Assets:				
Cash	\$ 26,873	\$ --	\$ --	\$ 26,873
Investments	144,134	--	--	144,134
Due from Other Governments	2,422	--	--	2,422
Deposits	10,000	--	--	10,000
Prepaid Expenditures	10,800	--	--	10,800
Total Assets	\$ 194,229	\$ --	\$ --	\$ 194,229
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 3,556	\$ --	\$ --	\$ 3,556
Total Liabilities	3,556	--	--	3,556
Fund Balances:				
Reserved for Prepaid Expenditures	10,800	--	--	10,800
Unreserved:				
Designated	61,096	--	--	61,096
Undesignated	118,777	--	--	118,777
Total Fund Balances	190,673	--	--	190,673
Total Liabilities and Fund Balances	\$ 194,229	\$ --	\$ --	\$ 194,229

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2006
One Room School House**

Fund Balances – Total Governmental Funds \$ 190,673

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 185,132

Net Assets of Governmental Activities \$ 375,805

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006
One Room School House**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Revenues:				
Federal through State:				
Title I Grant	\$ --	\$ 26,697	\$ --	\$ 26,697
State Revenue:				
Florida Education Finance Program	484,823	--	--	484,823
Public Education Capital Outlay	--	--	35,912	35,912
State Recognition Funds	9,000	--	--	9,000
Other State Revenue	975	--	--	975
Local Revenue:				
School Age Child Care Fees	75,075	--	--	75,075
Field Trip Fees	400	--	--	400
Investment Income	8,385	--	--	8,385
Other Local Revenues	36,154	--	--	36,154
Total Revenues	614,812	26,697	35,912	677,421
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	387,623	28,844	--	416,467
Instructional Support Services	77	--	--	77
General Support	200,884	--	--	200,884
Community Services	48,133	--	--	48,133
Capital Outlay	--	--	38,664	38,664
Total Expenditures	636,717	28,844	38,664	704,225
Excess of Revenues Under Expenditures	(21,905)	(2,147)	(2,752)	(26,804)
Fund Balances, July 1, 2005	212,578	2,147	2,752	217,477
Fund Balances, June 30, 2006	\$ 190,673	\$ --	\$ --	\$ 190,673

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds
For the Year Ended June 30, 2006
One Room School House**

Excess of Revenues under Expenditures – Total Governmental Funds \$ (26,804)

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.

Net Value of Asset Disposals in Current Year	(589)
Current Year Depreciation Expense	<u>(9,149)</u>

Change in Net Assets of Governmental Activities \$ (36,542)

See accompanying notes.

Notes to the Financial Statements
June 30, 2006
One Room School House

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of One Room School House conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

The One Room School House Project, 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. The not-for-profit corporation conducts business as One Room School House (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

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, 2014, and may be renewed 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.

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.

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

Notes to the Financial Statements
June 30, 2006
One Room School House

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

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 governmental funds are used by the School:

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are 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. The School has no nonmajor funds.

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.

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

Cash

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2006, there were no amounts exceeding FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Notes to the Financial Statements
June 30, 2006
One Room School House

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are reported at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. An offsetting “reserve” is reported in the fund financial statements to indicate that they do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 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 on the date of donation. 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	30
Furniture, Fixtures and Equipment	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 Educational 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 based on applications submitted to and approved by the granting agency.

Compensated Absences

The School pays for employees’ unused vacation time at the end of the school year and no vacation time is accrued. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations would be reported in the government-wide financial statements. The School has no long-term liabilities. In the fund financial statements, long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

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

Notes to the Financial Statements
June 30, 2006
One Room School House

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets (concluded)

imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition 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.

Reserved Fund Balance

In the Accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

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 – INVESTMENTS

The School has invested in: certificates of deposit - \$31,209; the Evergreen Asset Allocation Fund - \$29,887, a mutual fund; and the Evergreen Treasury Money Market Fund - \$83,038, a mutual fund. The certificates of deposit mature in August 2006, and are fully insured by FDIC. The Evergreen Asset Allocation Fund seeks total return by investing in a mixture of debt and equity securities. The Evergreen Treasury Money Market Fund seeks to maximize security and liquidity. There are no credit ratings available for the mutual funds from any nationally recognized statistical rating organization. The mutual funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The School has not adopted a formal investment policy.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Capital Assets:				
Buildings	\$ 159,183	\$ --	\$ --	\$ 159,183
Leasehold Improvements	59,799	--	--	59,799
Furniture, Fixtures & Equipment	45,916	--	3,815	42,101
Total Capital Assets	<u>264,898</u>	<u>--</u>	<u>3,815</u>	<u>261,083</u>
Accumulated Depreciation:				
Buildings	19,650	5,306	--	24,956
Leasehold Improvements	6,898	1,993	--	8,891
Furniture, Fixtures & Equipment	43,480	1,850	3,226	42,104
Total Accumulated Depreciation	<u>70,028</u>	<u>9,149</u>	<u>3,226</u>	<u>75,951</u>
Net Capital Assets	<u>\$ 194,870</u>	<u>\$ (9,149)</u>	<u>\$ 589</u>	<u>\$ 185,132</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 863
General Support	<u>8,286</u>
Total Depreciation Expense	<u>\$ 9,149</u>

Notes to the Financial Statements
June 30, 2006
One Room School House

NOTE 4 – OPERATING LEASE/RELATED PARTY

The School leases land and buildings under a non-cancelable operating lease from Central Florida Charter School Development Corp., Inc. The owner of the Corporation is also a consultant for the School. The cost for the lease was \$42,000 for the year ended June 30, 2006. Terms of the lease call for payments of \$3,500 per month.

Future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 42,000
2008	42,000
2009	42,000
2010	42,000
2011	42,000
2012-2016	210,000
2017-2021	210,000
2022-2026	210,000
2027-2030	168,000
Total	<u>\$ 1,008,000</u>

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 in any of the last three years.

NOTE 6 – EMPLOYEE RETIREMENT PLAN

The School made contributions on behalf of its employees to a Simplified Employee Pension (SEP), a defined contribution pension plan. Pursuant to the SEP, employer contributions were five percent of each full-time contracted employee’s gross pay for the contract year, and amounted to \$20,116 and \$18,166 for the year ended June 30, 2006 and 2005, respectively. The Board of Directors has the authority to amend or terminate the plan, although it has expressed no intention to do so.

NOTE 7 – RELATED PARTIES

The School has an agreement with Central Florida Charter School Development Corp., Inc. for cleaning and maintenance services. During the year, payments of \$14,400 were made relating to this contract. As explained in Note 4, the owner of the Corporation is also a consultant for the School. The School also shared certain operating costs with Martin Luther King Academy (“MLK”). One of the School’s consultants, the owner of the Corporation, also serves in the same consulting capacity for MLK, and the School and MLK have two common Board members.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2006
One Room School House**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Revenues:				
State Revenue:				
Florida Education Finance Program	\$ 540,000	\$ 484,823	\$ 484,823	\$ --
State Recognition Funds	--	9,000	9,000	--
Other State Revenue	600	975	975	--
Local Revenue:				
School Age Child Care Fees	72,000	75,075	75,075	--
Field Trip Fees	--	400	400	--
Investment Income	2,000	8,385	8,385	--
Other Local Revenue	14,000	36,154	36,154	--
Total Revenues	628,600	614,812	614,812	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	332,768	387,623	387,623	--
Instructional Support Services	600	77	77	--
General Support	205,541	200,884	200,884	--
Community Services	39,000	48,133	48,133	--
Total Expenditures	577,909	636,717	636,717	--
Excess of Revenues Over (Under)Expenditures	50,691	(21,905)	(21,905)	--
Fund Balances, July 1, 2005	--	212,578	212,578	--
Fund Balances, June 30, 2006	\$ 50,691	\$ 190,673	\$ 190,673	\$ --

Note to 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
One Room School House**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
Federal through State:				
Title I Grant	\$ 37,111	\$ 26,697	\$ 26,697	\$ --
Total Revenues	37,111	26,697	26,697	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	36,433	28,844	28,844	--
Instructional Support Services	640	--	--	--
General Support	38	--	--	--
Total Expenditures	37,111	28,844	28,844	--
Excess of Revenues Over (Under)Expenditures	--	(2,147)	(2,147)	--
Fund Balances, July 1, 2005	--	2,147	2,147	--
Fund Balances, June 30, 2006	\$ --	\$ --	\$ --	\$ --

Note to 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.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

4055 NW 43rd Street, Suite 28 Gainesville, Florida 32606 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
One Room School House

We have audited the financial statements of One Room School House (the "School"), as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We have also issued our report on compliance and on internal control over financial reporting. 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 or not findings reported in the preceding audit report have been corrected and recommendations made in the preceding audit report have been followed. In that regard, there were no prior year audit findings.

Financial Emergency

The scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, *Determination of Financial Emergency*. We determined that the School has not met one or more of the conditions described in that section that are indicative of a state of financial emergency.

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 Board of Directors, the Alachua County District School Board, 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 any other matters.

September 29, 2006
Gainesville, Florida

Kattell and Company, P.L.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
One Room School House

We have audited the financial statements of the governmental activities and each major fund of One Room School House (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 September 29, 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 06-01.

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 the internal control over financial reporting 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 that finding 06-1 is a material weakness.

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 grants, 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 solely for the information and use of the School's management and Board of Directors, the Alachua County District School Board, 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.

September 29, 2006
Gainesville, Florida

Schedule of Findings
June 30, 2006
One Room School House

Finding 06-1

The School did not have in place a sufficient process for periodic review of accounting entries and financial reports. Several accounts reported balances that did not agree with the underlying accounting transactions for a portion of the year and certain transactions were posted to accounts that did not conform to the State of Florida's Chart of Accounts. As a result, the School prepared monthly financial reports with significant deficiencies.

Recommendation

The School should modify its monthly review procedures. These procedures should include a reconciliation of all assets and liabilities to the underlying accounting records and investigation and adjustment of any differences. In addition, the School should review any financial reports submitted to the Board or any outside agency to ensure that the reports are prepared in accordance with the State's Chart of Accounts.