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

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

**JUNE 30, 2010**



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**LIFE SKILLS CENTER OPA LOCKA, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of the Life Skills Center Opa Locka, Inc.'s (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

The assets of the School exceeded its liabilities at the close of the fiscal year by \$168,629 (net assets). This is an increase from the prior year, when assets of the School exceeded its liabilities by \$141,288. This increase is primarily related to an excess of revenues over expenses.

Revenues from state and local sources increased 13% (\$299,942), while revenues from federal sources decreased 75% (\$126,216) for a net increase in revenues of 7% (\$174,060). There were basically no federal start-up funds in the current year, but the school received transportation revenue and stimulus funding in the current year. Expenses correspondingly increased 41% (\$1,004,785). The changes are primarily due to construction-related expenses.

**Using this Financial Report**

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

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

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

**Government-Wide Financial Statements**

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

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

**LIFE SKILLS CENTER OPA LOCKA, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

**Net Assets**

The table below provides a comparative summary of the School's net assets for fiscal years 2010 and 2009.

	<u>2010</u>	<u>2009</u>	<u>Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 246,697	\$ 210,005	\$ 36,692
Capital Assets, net	<u>22,404</u>	<u>37,939</u>	<u>(15,535)</u>
Total Assets	<u>\$ 269,101</u>	<u>\$ 247,944</u>	<u>\$ 21,157</u>
<b>Liabilities</b>			
Current Liabilities	<u>\$ 100,472</u>	<u>\$ 106,656</u>	<u>\$ (6,184)</u>
<b>Net Assets</b>			
Invested in Capital Assets	22,404	37,939	(15,535)
Unrestricted	<u>146,225</u>	<u>103,349</u>	<u>42,876</u>
Total Net Assets	<u>\$ 168,629</u>	<u>\$ 141,288</u>	<u>\$ 27,341</u>

The increase in current assets is directly related to an accounts receivable balance and increased cash balance as of June 30, 2010. Net capital assets decreased as a result of depreciation in excess of any capital purchases in the current year. Unrestricted net assets increased due to the excess of revenues over expenses.

**LIFE SKILLS CENTER OPA LOCKA, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

**Change in Net Assets**

The table below shows the comparative summary of changes in net assets and revenues and expenses for fiscal years 2010 and 2009.

<b>Change in Net Assets</b>		<b>Increase (Decrease)</b>	
	<u>2010</u>	<u>2009</u>	
<b>Revenues</b>			
Federal Direct	\$ 6,844	\$ -	\$ 6,844
Federal Sources Passed Through			
Local School District	34,135	167,195	(133,060)
State and Local Sources	2,672,299	2,372,357	299,942
Other Revenue	334	-	334
	<u>2,713,612</u>	<u>2,539,552</u>	<u>174,060</u>
<b>Expenses</b>			
Instruction	1,041,401	615,548	425,853
Pupil Personnel Services	198,752	218,892	(20,140)
Instructional Staff Training Services	21,456	12,946	8,510
Instruction Related Technology	159,840	97,205	62,635
Board	24,358	25,294	(936)
General Administration	232,166	569,445	(337,279)
School Administration	491,797	368,377	123,420
Facilities Acquisiton and Construction	949,712	231,130	718,582
Transportation	36,460	32,410	4,050
Operation of Plant	269,463	241,991	27,472
Maintenance of Plant	46,069	53,451	(7,382)
	<u>3,471,474</u>	<u>2,466,689</u>	<u>1,004,785</u>
<b>Special Item</b>			
Expenses Paid by WHLS on behalf of the School (See Note 7)	<u>785,203</u>	<u>-</u>	<u>785,203</u>
<b>Change in Net Assets</b>	<u><u>\$ 27,341</u></u>	<u><u>\$ 72,863</u></u>	<u><u>\$ (45,522)</u></u>

Total revenues increased primarily due to the additional capital outlay and State Fiscal Stabilization funding received in the current year. Total expenses increased due to construction improvements, additional operating expenses related to the new facility and increased instructional expenses from the addition of teachers. The special item represents expenses paid by the management company for the renovations of the new school location.

**LIFE SKILLS CENTER OPA LOCKA, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

Certain reclassifications were made in the 2009 amounts to conform to their classifications in fiscal year 2010.

**Fund Financial Statements**

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

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

In particular, unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's governmental funds reported a combined ending unreserved fund balance of \$146,225.

**Budgetary Highlights**

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

The School's final general fund budget estimated a \$140,864 carryover for the following year. Actual results produced a carryover in the general fund of \$146,225.

With the budget adjustments to the general fund, Instruction expenses were approximately \$195,000 less than budgeted and Instruction Related Technology expenses were approximately \$153,000 more than budgeted due to the reclassification of certain technology expenses after the final budget was approved. General administration was approximately \$232,000 more than budgeted and School Administration was approximately \$126,000 less than budgeted due to the reclassification of certain administrative expenses and the addition of expenses related to the Florida regional office (see Note 7) after the final budget was approved. Operation of plant was approximately \$39,000 more than the budgeted amount due to increased expenses related to the new building.

**LIFE SKILLS CENTER OPA LOCKA, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

**Capital Assets**

At the end of fiscal year 2010 the School had \$22,404 invested in capital assets. The table below shows comparative balances of capital assets for fiscal years 2010 and 2009.

<b>Capital Assets</b> (Net of Depreciation)			
	<b>2010</b>	<b>2009</b>	<b>Increase (Decrease)</b>
Computer Software	\$ 16,595	\$ 28,258	\$ (11,663)
Computer Equipment	5,809	9,681	(3,872)
	<b>\$ 22,404</b>	<b>\$ 37,939</b>	<b>\$ (15,535)</b>

For more information on capital assets, see Note 4 in the Notes to the Basic Financial Statements.

**Current Financial Issues**

As explained more fully in Note 7 to the basic financial statements, the School contracts with WHLS of Florida, LLC ("WHLS") for the majority of its day-to-day services which include facilities, equipment, technology, operational support services (including execution of the educational model), personnel and training, management and management consulting. WHLS agrees to provide these services for a percentage share of the per pupil revenues received by the School from the District School Board of Dade County thereby assuming the financial risk that such share of revenues will not be sufficient to cover expenses. Payment of any excess expenses by WHLS does not represent a loan or future obligation of the School to WHLS.

For fiscal year 2010, the School's fourth year of operation, WHLS provided \$785,203 in additional support to the School. The School projects that with the absence of upfront capital investments in the facility, the School will not require support from WHLS during fiscal year 2011.

**Contacting the School's Financial Management**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact Trudy Crowetz, Financial Manager for the Life Skills Center Opa Locka, Inc., 2500 Metrocentre Blvd., Suite 500, West Palm Beach, FL 33407.



**Report of Independent Auditors on Basic Financial Statements  
and Supplementary Information**

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Opa Locka, Inc. (the "School"), a charter school and component unit of the District School Board of Dade County, Florida, as of and for the year ended June 30, 2010, 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, each major fund and the aggregate remaining fund information of Life Skills Center Opa Locka, Inc. as of June 30, 2010, 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 26, 2010 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 and the budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*BKHM, P.A.*

Winter Park, Florida  
August 26, 2010

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

<b>ASSETS</b>	<u><b>Governmental Activities</b></u>
Cash and Cash Equivalents	\$ 164,225
Accounts Receivable	82,472
Capital Assets:	
Computer Software	40,702
Less Accumulated Depreciation	(24,107)
Computer Equipment	11,617
Less Accumulated Depreciation	<u>(5,808)</u>
Total Capital Assets, net	<u>22,404</u>
Total Assets	<u><u>\$ 269,101</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Due to Management Company	<u>\$ 100,472</u>
 <b>NET ASSETS</b>	
Invested in Capital Assets	22,404
Unrestricted	<u>146,225</u>
Total Net Assets	<u>168,629</u>
Total Liabilities and Net Assets	<u><u>\$ 269,101</u></u>

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues		Operating	Governmental
	Expenses	Capital Grants and Contributions	Grants and Contributions	Activities
<b>FUNCTIONS</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 1,041,401	\$ -	\$ 34,135	\$ (1,007,266)
Pupil Personnel Services	198,752	-	-	(198,752)
Instructional Staff Training	21,456	-	-	(21,456)
Instruction Related Technology	159,840	-	6,844	(152,996)
Board	24,358	-	-	(24,358)
General Administration	232,166	-	-	(232,166)
School Administration	491,797	-	-	(491,797)
Facilities Acquisition and Construction	949,712	-	-	(949,712)
Transportation	36,460	-	-	(36,460)
Operation of Plant	269,463	-	-	(269,463)
Maintenance of Plant	46,069	-	-	(46,069)
<b>Total Governmental Activities</b>	<b>\$ 3,471,474</b>	<b>\$ -</b>	<b>\$ 40,979</b>	<b>(3,430,495)</b>
<b>General Revenues:</b>				
State and Local Sources				2,672,299
Other Revenues				334
<b>Total General Revenues</b>				<b>2,672,633</b>
<b>Special Item:</b>				
Expenses Paid by WHLS on Behalf of the School (See Note 7)				785,203
Change in Net Assets				27,341
Net Assets-Beginning				141,288
Net Assets-Ending				\$ 168,629

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 164,225	\$ -	\$ 164,225
Accounts Receivable	-	82,472	82,472
Due from Capital Projects Fund	82,472	-	82,472
Total Assets	<u>\$ 246,697</u>	<u>\$ 82,472</u>	<u>\$ 329,169</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Management Company	\$ 100,472	\$ -	\$ 100,472
Due to General Fund	-	82,472	82,472
Total Liabilities	100,472	82,472	182,944
<b>FUND BALANCES</b>			
Unreserved	146,225	-	146,225
Total Liabilities and Fund Balances	<u>\$ 246,697</u>	<u>\$ 82,472</u>	<u>\$ 329,169</u>

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**Total Fund Balances - Governmental Funds** \$ 146,225

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

22,404

**Total Net Assets - Governmental Activities**

\$ 168,629

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>				
Federal Direct	\$ -	\$ -	\$ 6,844	\$ 6,844
Federal Sources Passed Through				
Local School District	-	-	34,135	34,135
State and Local Sources	2,373,827	298,472	-	2,672,299
Other Revenues	334	-	-	334
<b>Total Revenues</b>	<b>2,374,161</b>	<b>298,472</b>	<b>40,979</b>	<b>2,713,612</b>
<b>EXPENDITURES</b>				
Instruction	991,731	-	34,135	1,025,866
Pupil Personnel Services	198,752	-	-	198,752
Instructional Staff Training	21,456	-	-	21,456
Instruction Related Technology	152,996	-	6,844	159,840
Board	24,358	-	-	24,358
General Administration	232,166	-	-	232,166
School Administration	491,797	-	-	491,797
Facilities Acquisition and Construction	651,240	298,472	-	949,712
Transportation	36,460	-	-	36,460
Operation of Plant	269,463	-	-	269,463
Maintenance of Plant	46,069	-	-	46,069
<b>Total Expenditures</b>	<b>3,116,488</b>	<b>298,472</b>	<b>40,979</b>	<b>3,455,939</b>
<b>SPECIAL ITEM</b>				
Expenses Paid by WHLS on Behalf of the School (See Note 7)	785,203	-	-	785,203
Net Changes in Fund Balances	42,876	-	-	42,876
Fund Balances, July 1, 2009	103,349	-	-	103,349
<b>Fund Balances, June 30, 2010</b>	<b>\$ 146,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 146,225</b>

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**Net Changes In Fund Balances - Governmental Funds** \$ 42,876

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense in the current period.

(15,535)

**Change In Net Assets Of Governmental Activities**

\$ 27,341

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

**LIFE SKILLS CENTER OPA LOCKA, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**1 DESCRIPTION OF SCHOOL AND REPORTING ENTITY**

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

The School contracts with WHLS of Florida, LLC ("WHLS") for most of its functions. See Note 7.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Dade County, Florida (the "School Board" or the "District"). The current charter is effective until June 30, 2011 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Recently Adopted Accounting Pronouncements

During fiscal year 2010, the School adopted changes issued by the Financial Accounting Standards Board ("FASB") related to disclosure of subsequent events. These changes require the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 26, 2010, which is the date the financial statements were available to be issued.

During fiscal year 2010, the School adopted guidance issued by the GASB that incorporates accounting and financial reporting guidance previously contained in the American Institute of Certified Public Accountants ("AICPA") auditing literature into the GASB's accounting and financial reporting literature for state and local governments. This guidance did not have a material impact on the financial statements of the School.



**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(continued)**

Basis of Presentation

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

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

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

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

**Governmental Funds:**

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund – to account for the proceeds of capital outlay funds provided to charter schools pursuant to Florida Statutes, Section 1013.62.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general and capital projects funds constitute major funds. The special revenue fund is considered non-major and is presented as the other governmental fund.

Measurement Focus and Basis of Accounting

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

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
(continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

Budgetary Basis of Accounting

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

Cash and Cash Equivalents

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

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education ("FDOE") for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

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

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and reserved fund balance in the accompanying Statement of Net Assets and Balance Sheet - Governmental Funds, respectively.

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(continued)**

Capital Assets and Depreciation

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

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

Aside from those mentioned above, the School has no other capital assets, as the School operates under a management agreement with WHLS (see Note 7).

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Net Assets

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

**3      ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying Statement of Net Assets and Balance Sheet – Governmental Funds includes \$82,472 in capital outlay funds, which are receivable from the District.

**LIFE SKILLS CENTER OPA LOCKA, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

**4 CAPITAL ASSETS AND DEPRECIATION**

For the year ended June 30, 2010, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Being Depreciated:</b>				
Computer Software	\$ 40,702	\$ -	\$ -	\$ 40,702
Computer Equipment	11,617	-	-	11,617
Total Capital Assets Being Depreciated	52,319	-	-	52,319
<b>Less Accumulated Depreciation:</b>				
Computer Software	(12,444)	(11,663)	-	(24,107)
Computer Equipment	(1,936)	(3,872)	-	(5,808)
Total Accumulated Depreciation	(14,380)	(15,535)	-	(29,915)
Total Capital Assets Being Depreciated, Net	<u>\$ 37,939</u>	<u>\$ (15,535)</u>	<u>\$ -</u>	<u>\$ 22,404</u>

Depreciation expense of \$15,535 was charged to the instruction function in the accompanying Statement of Activities.

**LIFE SKILLS CENTER OPA LOCKA, INC.  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(continued)**

**5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

For the year ended June 30, 2010, state and local revenues were received from the District as follows:

Florida Education Finance Program	\$ 1,459,470
Class Size Reduction	363,823
Capital Outlay	298,472
Discretionary Local Effort	161,280
State Fiscal Stabilization Funds	130,535
Supplemental Academic Instruction	127,359
Transportation	51,864
ESE Guaranteed Allocation	33,992
Instructional Materials	30,766
Safe Schools	11,303
Lead Teacher Funds	2,364
Discretionary Lottery Funds	1,071
Total State and Local Revenue	\$ 2,672,299

The administration fee paid to the School Board during the year ended June 30, 2010 totaled \$118,573, which is reflected as a general administration expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**6 RISK MANAGEMENT**

Property and Liability

The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement, WHLS has contracted with an insurance company for property and general liability insurance (see Note 7).

Director and Officer

Coverage includes a \$1,000,000 aggregate limit and \$10,000 deductible.

**7 AGREEMENT WITH WHLS**

The School enters into an annual Management Agreement ("Agreement") with WHLS, which is an educational consulting and management company. The Agreement's term will renew on an annual basis unless one party notifies the other party at least six (6) months prior to the expiration of the then-current term of its intention to not renew the agreement. Substantially all functions of the School have been contracted to WHLS. WHLS is responsible and accountable

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(continued)**

to the School's Board of Directors for the administration and operation of the School. The School is required to pay WHLS a monthly continuing fee of 97 percent of the School's "Qualified Gross Revenues," defined in the Agreement as "...all revenues and income received by the School except for charitable contributions" and "WHLS shall receive 100 percent of any and all grants or funding of any kind generated by WHLS, and its affiliates beyond the regular per pupil state funding received by the School, subject to any terms and conditions attached to the grants, if any." The continuing fee is paid to WHLS based on the previous month's qualified gross revenues less any fees the School is required to remit to the School Board. The continuing fee earned by WHLS for the year ended June 30, 2010 was \$2,300,319. WHLS will be responsible for all costs incurred in providing the educational program at the School, which include but are not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, building payments, maintenance, capital, and insurance.

Per the Agreement, no other amounts are required other than the continuing fee as reported above. For the year ended June 30, 2010, WHLS paid expenses to operate the School totaling \$785,203, which is included as a special item in the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Expenses to operate the School include the direct site expenses of the School and the expenses of the WHLS Florida administrative office, which manages the School's curriculum, human resources, finance/grants management, facilities, marketing, etc. The indirect costs of the Florida administrative office are recorded in the "General Administration" function on the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Government Funds.

The Agreement contains provisions for the School (at its option) to purchase all of the personal and real property relating to the operation of the School, free and clear of all liens or other encumbrances upon the end of the contract.

## **8 CONTINGENCES**

### Grants

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

**LIFE SKILLS CENTER OPA LOCKA, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES</b>				
State and Local Sources	\$ 2,845,600	\$ 2,383,392	\$ 2,373,827	\$ (9,565)
Other Revenues	-	-	334	334
Total Revenues	<u>2,845,600</u>	<u>2,383,392</u>	<u>2,374,161</u>	<u>(9,231)</u>
<b>EXPENDITURES</b>				
Instruction	700,000	1,186,331	991,731	194,600
Pupil Personnel Services	160,000	207,300	198,752	8,548
Instructional Staff Training	50,000	34,100	21,456	12,644
Instruction Related Technology	-	-	152,996	(152,996)
Board	32,000	30,000	24,358	5,642
General Administration	-	-	232,166	(232,166)
School Administration	1,340,232	618,400	491,797	126,603
Facilities Acquisition and Construction	250,000	652,146	651,240	906
Transportation	-	40,000	36,460	3,540
Operation of Plant	200,000	230,800	269,463	(38,663)
Maintenance of Plant	60,000	46,800	46,069	731
Total Expenditures	<u>2,792,232</u>	<u>3,045,877</u>	<u>3,116,488</u>	<u>(70,611)</u>
<b>SPECIAL ITEM</b>				
Expenses Paid by WHLS on Behalf of the School (See Note 7)	<u>-</u>	<u>700,000</u>	<u>785,203</u>	<u>85,203</u>
Net Changes in Fund Balances	53,368	37,515	42,876	5,361
Fund Balance, July 1, 2009	<u>103,349</u>	<u>103,349</u>	<u>103,349</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 156,717</u>	<u>\$ 140,864</u>	<u>\$ 146,225</u>	<u>\$ 5,361</u>

See report of independent auditors.

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

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

We have audited the financial statements of the governmental activities, each major fund and aggregate remaining fund information of Life Skills Center Opa Locka, Inc. (the "School"), a charter school and component unit of the District School Board of Dade County, Florida, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

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

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

*BKHM, P.A.*

Winter Park, Florida  
August 26, 2010

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE FLORIDA AUDITOR GENERAL,  
CHAPTER 10.850, AUDITS OF CHARTER SCHOOLS  
AND SIMILAR ENTITIES**

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Life Skills Center Opa Locka, Inc. (the "School") as of and for the year ended June 30, 2010, and have issued our report thereon dated August 26, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated August 26, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are

likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is Life Skills Center Opa Locka, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2010, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
August 26, 2010