

Genesis Preparatory School

Financial Statements and Independent Auditors' Reports

June 30, 2007

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Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Genesis Preparatory School

We have audited the accompanying financial statements of the governmental activities and each major fund of Genesis Preparatory School (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2007, 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, 2007, 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 November 14, 2007 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.

Kattell and Company, P.L.

November 14, 2007
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, 2007. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2007:

- The School's overall net assets increased by approximately \$37,000, which is about 16%.
- Total ending unrestricted net assets were approximately \$270,000.
- The School had total expenses for the year of about \$479,000, compared to revenues of approximately \$516,000.
- The School served 70 full time equivalent students, a increase from 65 in the 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	
	2007 Governmental Activities	2006 Governmental Activities
Assets:		
Non-capital Assets	\$ 272,407	\$ 237,072
Capital Assets, Net	1,102	3,642
Total Assets	<u>273,509</u>	<u>240,714</u>
Liabilities:		
Current Liabilities	<u>1,488</u>	<u>5,212</u>
Net Assets:		
Invested in Capital Assets	1,102	3,642
Restricted	618	618
Unrestricted	270,301	231,242
Total Net Assets	<u>\$ 272,021</u>	<u>\$ 235,502</u>

Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 23,820	\$ 28,111
Capital Grants & Contributions	48,313	24,316
General Revenues:		
Title 1 Grant	39,348	35,599
Florida Education Finance Program	390,953	319,455
Other State Revenues	2,054	420
Unrestricted Grants & Contributions	2,643	3,790
Unrestricted Investment Earnings	8,652	4,023
Total Revenues	<u>515,783</u>	<u>415,714</u>
Program Expenses:		
Instruction	242,093	213,709
Instructional Support Services	2,297	2,098
General Support	211,529	201,149
Community Service	23,345	24,721
Total Expenses	<u>479,264</u>	<u>441,677</u>
Change in Net Assets	36,519	(25,963)
Beginning Net Assets	<u>235,502</u>	<u>261,465</u>
Ending Net Assets	<u>\$ 272,021</u>	<u>\$ 235,502</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$72,133 in program revenues and \$443,650 of general revenues, and incurred \$479,264 of program expenses. This resulted in a \$36,519 increase in net assets. The School received increased funding in greater proportion to the increase in expenses.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The fund balance of the General Fund increased by \$39,059, from \$231,242 to \$270,301. Revenues increased due to higher student enrollment and higher state funding per student.

Special Revenue Fund

The fund balance of the Special Revenue Fund remained at zero. All grant revenues received were expended in the same fiscal year

Capital Projects Fund

The fund balance of the Capital Project Fund remained at \$618. The School completely utilizes revenue received during the year to pay a portion of the School's lease.

BUDGETARY HIGHLIGHTS - GENERAL FUND

There were no significant amendments to the original budget and there were no differences between the final budget and actual results.

BUDGETARY HIGHLIGHTS - SPECIAL REVENUE FUND

The original budget was increased to reflect additional revenues from the School Board. There were no differences between the final budget and actual results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School had no significant capital asset actively. 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 issued 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

The School currently is not aware of any 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 Charmaine B. Henry, Administrator/Lead Teacher; 207 NW 23rd Avenue; Gainesville, Florida 32609.

Statement of Net Assets
June 30, 2007
Genesis Preparatory School

	Governmental Activities
Assets	
Assets:	
Cash	\$ 265,451
Due from Other Governments	6,889
Receivables	67
Depreciable Capital Assets, Net	<u>1,102</u>
Total Assets	<u>273,509</u>
Liabilities	
Liabilities:	
Accrued Payroll	161
Retirement Payable	34
Accounts Payable	<u>1,293</u>
Total Liabilities	<u>1,488</u>
Net Assets	
Net Assets:	
Invested in Capital Assets	1,102
Restricted for:	
Public Education Capital Outlay	618
Unrestricted	<u>270,301</u>
Total Net Assets	<u>\$ 272,021</u>

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2007
Genesis Preparatory School

	Program Revenues				Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental Activities:					
Instruction	\$ 242,093	\$ --	\$ --	\$ --	\$ (242,093)
Instructional Support Services	2,297	--	--	--	(2,297)
General Support	211,529	--	--	48,313	(163,216)
Community Services	23,345	23,820	--	--	475
Total	<u>\$ 479,264</u>	<u>\$ 23,820</u>	<u>\$ --</u>	<u>\$ 48,313</u>	<u>(407,131)</u>

General Revenues:

Federal through State:	
Title I Grant	39,348
State Revenue:	
Florida Education Finance Program	390,953
Other State Revenues	2,054
Unrestricted Grants and Contributions	2,643
Unrestricted Investment Earnings	<u>8,652</u>
Total General Revenues	<u>443,650</u>
Change in Net Assets	36,519
Net Assets – Beginning of Year	<u>235,502</u>
Net Assets – End of Year	<u><u>\$ 272,021</u></u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2007
Genesis Preparatory School

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Assets:				
Cash	\$ 264,833	\$ --	\$ 618	\$ 265,451
Due from Other Governments	6,889	--	--	6,889
Accounts Receivable	67	--	--	67
Total Assets	<u>\$ 271,789</u>	<u>\$ --</u>	<u>\$ 618</u>	<u>\$ 272,407</u>
Liabilities and Fund Balances				
Liabilities:				
Accrued Payroll	\$ 161	\$ --	\$ --	\$ 161
Retirement Payable	34	--	--	34
Accounts Payable	1,293	--	--	1,293
Total Liabilities	<u>1,488</u>	<u>--</u>	<u>--</u>	<u>1,488</u>
Fund Balances:				
Reserved for:				
Public Education Capital Outlay	--	--	618	618
Unreserved – Undesignated	270,301	--	--	270,301
Total Fund Balances	<u>270,301</u>	<u>--</u>	<u>618</u>	<u>270,919</u>
Total Liabilities and Fund Balances	<u>\$ 271,789</u>	<u>\$ --</u>	<u>\$ 618</u>	<u>\$ 272,407</u>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets-
Governmental Funds
June 30, 2007
Genesis Preparatory School**

Fund Balances – Total Governmental Funds \$ 270,919

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 1,102

Net Assets of Governmental Activities \$ 272,021

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007
Genesis Preparatory School

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Revenues:				
Federal through State:				
Title I Grant	\$ --	\$ 39,348	\$ --	\$ 39,348
State Revenue:				
Florida Education Finance Program	390,953	--	--	390,953
Public Education Capital Outlay	--	--	48,313	48,313
Other State Revenue	2,054	--	--	2,054
Local Revenue:				
School Age Child Care Fees	19,506	--	--	19,506
Meal Service	4,314	--	--	4,314
Interest Income	8,652	--	--	8,652
Other Local Revenue	2,643	--	--	2,643
Total Revenues	428,122	39,348	48,313	515,783
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	204,600	37,051	--	241,651
Instructional Support Services	--	2,297	--	2,297
General Support	161,118	--	--	161,118
Community Services	23,345	--	--	23,345
Capital Outlay	--	--	48,313	48,313
Total Expenditures	389,063	39,348	48,313	476,724
Excess of Revenues Over (Under) Expenditures	39,059	--	--	39,059
Fund Balances, July 1, 2006	231,242	--	618	231,860
Fund Balances, June 30, 2007	\$ 270,301	\$ --	\$ 618	\$ 270,919

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, 2007
Genesis Preparatory School**

Excess of Revenues over Expenditures – Total Governmental Funds \$ 39,059

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 (2,540)

Change in Net Assets of Governmental Activities \$ 36,519

See accompanying notes.

Notes to the Financial Statements
June 30, 2007
Genesis Preparatory School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Genesis Preparatory School 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 Genesis Preparatory School of Gainesville, 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 Genesis Preparatory School (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, 2013, 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.

Notes to the Financial Statements
June 30, 2007
Genesis Preparatory School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

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 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 revenue items are considered to be measurable and available only when cash is received.

Notes to the Financial Statements
June 30, 2007
Genesis Preparatory School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2007, approximately \$165,000 was held in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

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>
Improvements	15-30
Furniture, Fixtures and Equipment	5-10

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's employees had no unused sick and vacation time at the end of the school year. 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, if any, 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 imposed by other governments, creditors, or grantors. *Unrestricted* net assets are net assets that do not meet the definition of the classifications previously described.

Notes to the Financial Statements
June 30, 2007
Genesis Preparatory School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets (concluded)

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 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital Assets:				
Improvements	\$ 2,025	\$ -	\$ -	\$ 2,025
Furniture, Fixtures & Equipment	18,757	-	-	18,757
Total Capital Assets	<u>20,782</u>	<u>-</u>	<u>-</u>	<u>20,782</u>
Accumulated Depreciation:				
Improvements	787	135	-	922
Furniture, Fixtures & Equipment	16,353	2,405	-	18,758
Total Accumulated Depreciation	<u>17,140</u>	<u>2,540</u>	<u>-</u>	<u>19,680</u>
Net Capital Assets	<u>\$ 3,642</u>	<u>\$ (2,540)</u>	<u>\$ -</u>	<u>\$ 1,102</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ 115
General Support	<u>2,425</u>
Total Depreciation Expense	<u>\$ 2,540</u>

NOTE 3 – 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.

Notes to the Financial Statements
June 30, 2007
Genesis Preparatory School

NOTE 4 – LEASES

The School is party to an operating lease with terms of \$5,000 per month until July 31, 2007. Minimum payments due are \$5,000 for July of 2007. Subsequent to the School's year end the School is continuing negotiations to extend the lease. Lease payments are \$5,000 per month during the negotiations. Lease payments of \$60,000 were made during the fiscal year ended June 30, 2007.

NOTE 5 – PENSION PLAN

The School contributes to the Florida Retirement System ("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 designated 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.

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, 2007. 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, 2007, 2006 and 2005 were \$26,417, \$20,049 and \$19,112, respectively, equal to the required contribution for each year.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2007
Genesis Preparatory School**

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
State Revenue:				
Florida Education Finance Program	\$ 390,953	\$ 390,953	\$ 390,953	\$ -
Other State Revenue	--	2,054	2,054	-
Local Revenue:				
School Age Child Care Fees	25,000	19,506	19,506	-
Meal Service	--	4,314	4,314	-
Interest Income	--	8,652	8,652	-
Other Local Revenue	--	2,643	2,643	-
Total Revenues	<u>415,953</u>	<u>428,122</u>	<u>428,122</u>	<u>-</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	191,475	204,600	204,600	-
Instructional Support Services	--	--	--	-
General Support	187,945	161,118	161,118	-
Community Services	9,161	23,345	23,345	-
Total Expenditures	<u>388,581</u>	<u>389,063</u>	<u>389,063</u>	<u>-</u>
Excess of Revenues Over (Under)Expenditures	27,372	39,059	39,059	-
Fund Balances, July 1, 2006	<u>231,242</u>	<u>231,242</u>	<u>231,242</u>	<u>-</u>
Fund Balances, June 30, 2007	<u>\$ 258,614</u>	<u>\$ 270,301</u>	<u>\$ 270,301</u>	<u>\$ -</u>

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, 2007
Genesis Preparatory School**

	<u>BUDGETED AMOUNTS</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenues:				
Federal through State:				
Title I Grant	\$ 33,012	\$ 39,348	\$ 39,348	\$ --
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	32,780	37,051	37,051	--
Instructional Support Services	232	2,297	2,297	--
Total Expenditures	33,012	39,348	39,348	--
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2006	--	--	--	--
Fund Balances, June 30, 2007	\$ --	\$ --	\$ --	\$ --

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

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MANAGEMENT LETTER

To the Board of Directors,
Genesis Preparatory School

We have audited the financial statements of Genesis Preparatory School (the "School"), as of and for the year ended June 30, 2007, and have issued our report thereon dated **November 14, 2007**. 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 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 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.

Kattell and Company, P.L.

November 14, 2007
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,
Genesis Preparatory School

We have audited the financial statements of the governmental activities and each major fund of Genesis Preparatory School (the "School") as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 14, 2007. 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weakness, 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 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 the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

November 14, 2007
Gainesville, Florida