



**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF  
ORANGE COUNTY, FLORIDA**

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

**JUNE 30, 2009**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Passport High School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2009, the School's revenues exceeded expenses by \$152,879. This is an improvement from the prior year when expenses exceeded revenues by \$254,192.
- Overall, the School's revenues increased to \$1,209,259, or 26% from the prior year amount of \$956,535. The increase in revenues was primarily due to an increase in student enrollment and the increase of capital outlay funds for the 2009 school year as a result of the FCAT grade received for fiscal 2008.
- Overall, the School's expenses decreased to \$1,056,380 or 12% from the prior year amount of \$1,210,727.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are government-wide financial statements that provide information about the School's overall financial status.
- The remaining statements 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.

The notes to the financial statements explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charters Schools and Similar Entities*.

### 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 – is 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. To assess the overall financial position of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base funding level.

### **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 on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

### **FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

#### **Net Assets**

The School's combined net assets as of June 30, 2008 and 2009 are summarized as follows:

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2008</b>	<b>2009</b>	<b>(Decrease)</b>
Current and other assets	\$ 206,528	\$ 334,391	\$ 127,863
Capital assets, net	12,818	6,098	(6,720)
Total assets	219,346	340,489	121,143
Current and other liabilities	38,899	7,163	(31,736)
Net assets:			
Invested in capital assets	12,818	6,098	(6,720)
Unrestricted	167,629	327,228	159,599
Total net assets	<u>\$ 180,447</u>	<u>\$ 333,326</u>	<u>\$ 152,879</u>

Current and other assets increased due to the current year operating surplus. Capital assets and net assets invested in capital assets decreased due to the current year depreciation expense. Unrestricted net assets decreased due to the current year excess of revenues over expenses.

## Change in Net Assets

The School's change in net assets is summarized as follows:

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2008</b>	<b>2009</b>	<b>(Decrease)</b>
Revenues:			
State and local sources	\$ 910,456	\$ 1,167,758	\$ 257,302
Contributions and other revenue	46,079	41,501	(4,578)
Total revenues	956,535	1,209,259	252,724
Expenses:			
Instruction and instruction-related services	561,081	423,487	(137,594)
Board	5,306	6,975	1,669
School administration	410,641	427,781	17,140
Fiscal services	17,096	22,900	5,804
Food services	25,408	20,314	(5,094)
Operation of plant	191,195	154,923	(36,272)
Total expenses	1,210,727	1,056,380	(154,347)
Change in net assets	\$ (254,192)	\$ 152,879	\$ 407,071

Revenues from state and local sources increased due to an increase in student enrollment and the increase of capital outlay allocation for the 2008-2009 school year.

Instruction and instruction-related services decreased due primarily to a reduction of school personnel. School administration expenses increased due to an increase in salaries. Food services expenses increased due to increased vendor pricing and lower student participation. Fiscal services increased primarily due to an increase in contracted fiscal services expenses. Operation of plant decreased because of reductions in the operation costs due to management company's ability to renegotiate lower contracts with respective parties.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$327,228, which was an increase from the prior year. Revenues increased and expenditures decreased for the same reasons described above.

### General Fund Budgetary Highlights

Over the course of the year, the School revised its budget during the school year. These amendments were primarily due to increases in appropriations to prevent certain budget overruns.

For the year ended June 30, 2009, actual general fund revenues were approximately \$16,000 above the budgeted amounts, which represents an approximate 2% budget variance. Actual general fund expenditures were approximately \$19,000 below the budgeted amounts, which represents approximately 2% budget variance.

### CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2009, the School has invested \$179,229 in a broad range of capital assets, including buildings and improvements and furniture, fixtures and equipment (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2009</u>	<u>(Decrease)</u>
Buildings and improvements	\$ 130,532	\$ 130,532	\$ -
Furniture, fixtures and equipment	<u>47,534</u>	<u>48,697</u>	<u>1,163</u>
Total capital assets	<u>\$ 178,066</u>	<u>\$ 179,229</u>	<u>\$ 1,163</u>

There were no major capital asset additions in the current year.

The School's fiscal year 2010 capital budget includes spending an additional \$6,000 for capital projects, primarily for site improvements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

When adopting the budget for fiscal year 2010, the School expected student enrollment to minimally decrease from fiscal 2009.

Amounts available for appropriation in the general fund are approximately \$977,000, a decrease of 9% over 2009 actual revenues of \$1,074,862. The decrease is due primarily to the expected decrease in student population and a reduction of state approved funding levels for public schools in fiscal 2010.

Budgeted expenditures are expected to be approximately \$961,000, an increase of 5% from 2009 actual expenses of \$915,263. The primary reason is due to an anticipated increase in budgetary needs in virtually every category to account for the increase in the costs of goods and services and to reduce the need for inter-category budget transfers throughout the year to redistribute allocated funds balances. The School has added no major new programs to the fiscal 2010 budget.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2010.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

The 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. Should additional information be required, please contact the School's administrative offices at 8287 Curry Ford Road, Orlando, Florida 32822.



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

To the Board of Directors of Passport High School, Inc., a Charter School  
and Component Unit of the District School Board of Orange County, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Passport High School, Inc. (the "School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2009, 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 Passport High School, Inc. as of June 30, 2009, 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 September 21, 2009 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.



The management's discussion and analysis on pages 1 – 5 and the budgetary comparison schedule on page 21 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.

*BKHM, P.A.*

Winter Park, Florida  
September 21, 2009

**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 311,663
Accounts receivable	11,810
Other current assets	10,918
Capital assets:	
Buildings and improvements	130,532
Furniture, fixtures and equipment	48,697
Less accumulated depreciation	<u>(173,131)</u>
Total capital assets, net	<u>6,098</u>
Total assets	<u><u>\$ 340,489</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	<u>\$ 7,163</u>
Total liabilities	<u>7,163</u>
<b>NET ASSETS</b>	
Invested in capital assets	6,098
Unrestricted	<u>327,228</u>
Total net assets	<u>333,326</u>
Total liabilities and net assets	<u><u>\$ 340,489</u></u>

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

**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction and instruction-related services	\$ 423,487	\$ -	\$ -	\$ -	\$ (423,487)	\$ (423,487)
Board	6,975	-	-	-	(6,975)	(6,975)
School administration	427,781	-	-	-	(427,781)	(427,781)
Fiscal services	22,900	-	-	-	(22,900)	(22,900)
Food services	20,314	22,566	-	-	2,252	2,252
Operation of plant	154,923	-	-	134,397	(20,526)	(20,526)
Total primary government	<u>\$ 1,056,380</u>	<u>\$ 22,566</u>	<u>\$ -</u>	<u>\$ 134,397</u>	<u>(899,417)</u>	<u>(899,417)</u>
General revenues:						
State and local sources					1,033,361	1,033,361
Contributions and other revenue					18,935	18,935
Total general revenues					<u>1,052,296</u>	<u>1,052,296</u>
Change in net assets					152,879	152,879
Net assets at beginning of year					180,447	180,447
Net assets at end of year					<u>\$ 333,326</u>	<u>\$ 333,326</u>

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

**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2009**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 311,663
Accounts receivable	11,810
Other current assets	<u>10,918</u>
Total assets	<u><u>\$ 334,391</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenditures	<u>\$ 7,163</u>
Total liabilities	<u>7,163</u>
Fund balance:	
Unreserved:	
Undesignated	<u>327,228</u>
Total fund balance	<u>327,228</u>
Total liabilities and fund balance	<u><u>\$ 334,391</u></u>

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

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

<b>Total fund balance - total governmental fund</b>	<b>\$ 327,228</b>
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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 fund. The cost of the assets is \$179,229,  
and the accumulated depreciation is \$173,131.

6,098
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<b>Total net assets - governmental activities</b>	<b>\$ <u>333,326</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>			
State and local sources	\$ 1,033,361	\$ 134,397	\$ 1,167,758
Contributions and other revenue	41,501	-	41,501
Total revenues	<u>1,074,862</u>	<u>134,397</u>	<u>1,209,259</u>
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction-related services	418,683	-	418,683
Board	6,975	-	6,975
School administration	424,702	-	424,702
Fiscal services	22,900	-	22,900
Food services	20,314	-	20,314
Operation of plant	21,689	133,234	154,923
Capital outlay	-	1,163	1,163
Total expenditures	<u>915,263</u>	<u>134,397</u>	<u>1,049,660</u>
Net changes in fund balances	159,599	-	159,599
Fund balances at beginning of year	<u>167,629</u>	<u>-</u>	<u>167,629</u>
Fund balances at end of year	<u><u>\$ 327,228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 327,228</u></u>

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

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**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, 2009**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 159,599</b>
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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 by which depreciation expense (\$7,883) exceeds  
capital outlays (\$1,163) in the current period.

(6,720)

<b>Change in net assets of governmental activities</b>	<b>\$ <u>152,879</u></b>
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The accompanying notes to financial statements are an integral part of this statement.



**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2009**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Passport High School, 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 governing body of the School is the not-for-profit corporation Board of Directors, which is composed of five members. The School operates under the name of Northstar High School.

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 Orange County, Florida (the "School Board"). The current charter is effective until June 30, 2012 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 *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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 provides 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.

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Basis of presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

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 are generally divided into three categories:

- *Governmental activities* – most of 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.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

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, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The 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 all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and capital projects funds constitute major funds. There are no other governmental funds.

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 and expenses are recognized when they occur.

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 60 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. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary basis accounting**

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

**Deposits and investments**

The School maintains its cash accounts in a financial institution subject to insurance coverage issued by the Federal Deposit Insurance Corporation ("The FDIC"). Under FDIC rules, the School is entitled to aggregate coverage of \$250,000 per account type per separate legal entity per financial institution for the year ended June 30, 2009. As of June 30, 2009, the School had deposits in a financial institution with credit risk exposures in excess of statutory FDIC coverage totaling \$48,440. The School has not experienced losses during fiscal 2009 as a result of these uninsured balances.

**Capital assets and depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	2 – 5
Furniture, fixtures and equipment	3 – 5

Information relative to changes in capital assets is described in Note 3.

**Revenue sources**

Revenues for current operations are received primarily from the District School Board of Orange County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by the state legislature. In accordance with the 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 School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the 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 school 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 that 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, are reflected as restricted net assets and reserved fund balance in the accompanying statement of net assets and balance sheet – governmental fund, respectively.

**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

**Use of estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

**2 ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying financial statements include \$11,810 in funds receivable from the School Board. Based on the collectability of funds from these sources, an allowance for doubtful accounts is not considered necessary.

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Buildings and improvements	\$130,532	\$ -	\$ -	\$130,532
Furniture, fixtures and equipment	47,534	1,163	-	48,697
Total capital assets at historical cost	<u>178,066</u>	<u>1,163</u>	<u>-</u>	<u>179,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(127,304)	(858)	-	(128,162)
Furniture, fixtures and equipment	<u>(37,944)</u>	<u>(7,025)</u>	<u>-</u>	<u>(44,969)</u>
Total accumulated depreciation	<u>(165,248)</u>	<u>(7,883)</u>	<u>-</u>	<u>(173,131)</u>
Governmental activities capital assets, net	<u>\$ 12,818</u>	<u>\$ (6,720)</u>	<u>\$ -</u>	<u>\$ 6,098</u>



**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**  
**(continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction and instruction-related services	\$ 4,804
School administration	<u>3,079</u>
Total governmental activities depreciation expense	<u>\$ 7,883</u>

**4 RELATED PARTIES**

The day-to-day administration and curriculum activities of the School are overseen by a director. The School currently has a management contract approved by the Board for certain consulting services for a fee based on the revenue received by the School based on student enrollment. The director of the School and the owner of the management company are related through marriage. The consulting fees paid to the management company for the year ended June 30, 2009 totaled approximately \$96,000.

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

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

District School Board of Orange County, Florida:	
Florida Education Finance Program	\$ 693,778
Class size reduction	157,910
Capital outlay funds	134,397
Discretionary millage funds	65,996
Supplemental academic instruction	39,922
ESE guaranteed allocation	36,112
Instructional materials	15,970
School recognition funds	11,939
Safe schools	4,818
Discretionary lottery funds	4,133
Compression adjustment	<u>2,783</u>
Total	<u>\$ 1,167,758</u>

The administration fee paid to the School Board during the year ended June 30, 2009 totaled approximately \$50,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

**PASSPORT HIGH SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**7 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2009 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Lease commitments**

The School leases its facility and property under non-cancelable operating leases. These leases are currently on a month-to-month basis and require the School to pay insurance and other costs. Rental expense for the year ended June 30, 2009 was approximately \$112,000.



**PASSPORT HIGH SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF**  
**THE DISTRICT SCHOOL BOARD OF ORANGE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
State and local sources	\$ 982,749	\$ 1,007,088	\$ 1,033,361	\$ 26,273
Contributions and other revenue	40,900	51,510	41,501	(10,009)
Total revenues	1,023,649	1,058,598	1,074,862	16,264
EXPENDITURES				
Current:				
Instruction and instruction-related services	457,000	410,340	418,683	(8,343)
Board	6,500	2,957	6,975	(4,018)
School administration	335,337	340,331	424,702	(84,371)
Fiscal services	15,000	9,950	22,900	(12,950)
Food services	22,000	20,314	20,314	-
Operation of plant	135,100	141,545	21,689	119,856
Capital outlay	16,500	9,021	-	9,021
Total expenditures	987,437	934,458	915,263	19,195
Net change in fund balance	36,212	124,140	159,599	35,459
Fund balance at beginning of year	167,629	167,629	167,629	-
Fund balance at end of year	\$ 203,841	\$ 291,769	\$ 327,228	\$ 35,459

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 Passport High School, Inc.,  
a Charter School and Component Unit of the District  
School Board of Orange County, Florida

We have audited the financial statements of the governmental activities and each major fund of Passport High School, Inc. (the "School"), a charter school and component unit of the District School Board of Orange County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 21, 2009. 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 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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School'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 School's internal control.

Our consideration of internal control over financial reporting 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 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 solely for the information and use of management of the School, the District School Board of Orange 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  
September 21, 2009

**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 Passport High School, Inc.,  
a Charter School and Component Unit of the District  
School Board of Orange County, Florida

We have audited the financial statements of the governmental activities and each major fund of Passport High School, Inc. (the "School") as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 21, 2009.

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 Compliance and Other Matters. Disclosures in that report, which is dated September 21, 2009, 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 in the prior year.
- 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 laws, regulations, 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 laws, regulations,

contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. 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 name of the School is Passport High School, 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)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2009, 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  
September 21, 2009