

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
JUNE 30, 2007 AND 2006**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Liberty City Charter School Project, Inc. (the "Charter School"), a component unit of the Miami-Dade County District School Board, Miami, Florida, as of and for the years ended June 30, 2007 and 2006 which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 Charter School, as of June 30, 2007 and 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the years 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 31, 2007, on our consideration of the Charter 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.

Member

Florida Institute of Certified Public Accountants
New York State Society of Certified Public Accountants
American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The management's discussion and analysis on pages 3 to 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

J. Davis & Associates, P.A.

Miami, Florida
August 31, 2007

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

As management of the Liberty City Charter School Project, Inc. (the “Charter School”), we offer readers of the Charter School’s financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2007. We encourage readers to also review the basic financial statements along with the notes to these financial statements to enhance their understanding of the Charter School’s financial performance.

Financial highlights

Key financial highlights for FY 2007 are as follows:

- Cash decreased by approximately \$37,000 and 53%. The decrease is due to a reduction in the student body of 91 students because of pending litigation with our landlord related to leased facilities which caused restrictions in the number of students we could serve. The Charter School had to discontinue two grade levels.
- The net total of Capital Assets decreased by approximately \$103,000 and 12%. This decrease is primarily due to the disposition of assets that were not yet fully depreciated. The dispositions occurred as a result of the Charter School having to terminate early its lease on the main campus facility.
- Current Liabilities increased by approximately \$219,000 and 80%. The reason for this increase is primarily due to the Charter Schools inability to pay for unexpected legal costs associated with the termination of the lease on the main campus facility.
- Total revenue decreased by approximately \$320,000 and 14%. Factors contributing to this decrease were primarily due to the following:

Decrease in School Board FTE	(\$343,000)
Decrease in Operating Grants	(\$61,000)
Decrease in Academic Enhancement Rev.	(\$61,000)
Increase in Food Service Revenue	\$82,000
Increase in Fundraising Activities	\$74,000
Other Revenue Decreases	(\$11,000)
Net Total Decrease	(\$320,000)

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

Financial highlights – Continued

- For the year ended June 30, 2007, total expenses increased by approximately \$81,000 and 3%. In the past, meals were provided to students by the Miami-Dade County District School Board (the “District”). Beginning this fiscal period, the Charter School was required by the District to operate its own food service program. The cost of food service operations contributed approximately \$108,000 of increased cost over the prior year. Unexpected legal cost contributed an additional \$106,000 of approximate cost increases, while all other normal operating cost netted a decrease of approximately \$133,000 below that of the previous year.

Overview of the financial statements

The discussion and analysis is intended to serve as an introduction to the Charter School’s basic financial statements. The Charter School’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter School’s finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Charter School’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Charter School include operating activities such as instruction, pupil personnel, general administration, central services and other school services.

The government-wide financial statements can be found on pages 12 through 14 of this report.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School's funds are divided into two categories: the general fund and the special revenue fund.

Governmental Funds

Governmental *funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus *on near-term, inflows and outflows* of expendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate compliance with the budget. The basic governmental fund financial statements, reconciliations, and budgetary comparison statements can be found on pages 15 through 22 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 33 of this report.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

Government-wide financial analysis

A comparative analysis of fiscal years 2007 and 2006 follows:

	<u>Net Assets As of June 30,</u>			Percentage
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Change</u>
Current assets	\$93,201	\$136,877	-43,676	-32%
Noncurrent assets				
Capital assets, net of depreciation	773,158	875,896	-102,738	-12%
Total Assets	\$866,359	\$1,012,773	-146,414	-14%
Current liabilities	\$493,463	\$274,907	218,556	80%
Long-term liabilities	588,604	594,109	-15,505	-1%
Total Liabilities	\$1,082,067	\$869,016	-213,051	25%
Net Assets				
Invested in capital assets, net of related debt	\$184,554	\$281,786	-97,232	-35%
Unrestricted	(400,262)	(138,029)	-262,233	-190%
Total Net Assets	(\$215,708)	\$143,757	-359,465	-250%

As noted earlier, net assets may serve, over time, as a useful indicator of the Charter School's financial position. For fiscal year ended June 30, 2007 the Charter School's liabilities exceeded its assets by approximately \$216,000. While in fiscal 2006, the Charter School's assets exceeded its liabilities by approximately \$144,000.

The Charter School's net assets reflect its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses the capital assets to provide services to students. Consequently, these assets are not available for future spending.

As of June 30, 2007 and 2006, the Charter School had exhausted all of its unrestricted net assets.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

Operating Results for the Years Ended June 30, 2007 and 2006

**Changes in Net Assets
For the Years Ended June 30, 2007 and 2006**

	<u>Governmental Activities</u>		<u>Change</u>	<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>		
Revenues				
Program revenues:				
Charges for services	\$82,487	\$61,491	20,996	34%
Operating grants and contributions	248,956	297,695	(48,739)	-16%
Capital grants and contributions	163,635	160,218	3,417	2%
General revenues:				
School Board of Miami-Dade County- FTE	1,503,322	1,846,529	(343,207)	-19%
Other general revenues	231,166	183,917	47,249	26%
Total revenues	2,229,566	2,549,850	(320,284)	-13%
Program expenses				
Instruction	74,164	92,545	(18,381)	-20%
Pupil personnel services	732,242	856,714	(124,472)	-15%
Instruction and curriculum development	34,225	82,385	(48,160)	-58%
Services				
Central services	258,407	248,330	10,077	4%
General and school administration	441,167	387,126	54,041	14%
Food services	107,903		107,903	100%
Professional services	253,496	147,382	106,114	72%
Pupil transportation services	54,976	87,719	(32,743)	-37%
Facilities acquisition and construction	11,623	8,798	2,825	32%
Operation of plant	331,566	372,989	(41,423)	-11%
Maintenance of plant	106,342	108,103	(1,761)	-2%
Community services	3,587	9,323	(5,736)	-62%
Interest on long-term debt	47,330	48,743	(1,413)	-3%
Loss on asset disposition	56,560		56,560	100%
Unallocated depreciation	75,443	57,462	17,981	31%
Total expenses	2,589,031	2,507,619	81,412	3%
Change in net assets	(\$359,465)	\$42,231	(401,696)	-951%

The net assets of the Charter School decreased by approximately \$360,000 and 250% during the fiscal year ended June 30, 2007. This was primarily due to a decrease in the number of students served, and the related revenue received from the district, unexpected legal expenses, and losses related to the early termination of the main campus building lease.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

Government-wide financial analysis - Continued

General Fund Budgetary Highlights

The general fund's actual expenditures were approximately \$104,000 below the budgeted amounts. The Charter School's budget-to-actual report found on page 21 reflects significant positive variances in almost all categories. If not for the unexpected legal expenses, and other related losses resulting from the early termination of leased facilities, actual expenditures would have been approximately \$228,000 below budgeted amounts.

Revenues available were approximately \$493,000 below the budgeted amount. Restrictions on the use of leased facilities caused a significant drop in the number of students served by The Charter School, thus a significant drop in FTE revenue. As a result, for the first time during its existence, The Charter School was forced to become a fundraising institution. While fundraising efforts were at their highest levels ever (\$170,000, up \$74,000 and 43% above the previous year), management did not succeed in becoming a significant fundraising entity overnight.

Capital Assets and Debt Administration

As of June 30, 2007 the Charter School had invested approximately \$1.5 million in capital assets, including land, building and improvements, furniture, fixtures and equipment, and library books. (See Table on following page). This amount represents a net decrease (including additions and deletions) of \$135,000 and 8% below its capital asset investment as of June 30, 2006. This decrease was primarily related to disposal of improvements to leased facilities. Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements found on pages 29 and 30.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

The Liberty City Charter School Project, Inc.'s Capital Assets

	Governmental Activities		%
	2007	2006	Change
Land	\$ 217,475	\$ 217,475	0%
Buildings and improvements	905,512	1,031,809	12%
Furniture fixtures and equipment	273,914	282,504	3%
Library Books	78,982	78,982	0%
Totals at historical costs	1,475,883	1,610,770	8%
Total accumulated depreciation	(702,725)	(734,874)	4%
Net capital assets	\$ 773,158	\$ 875,896	12%

As of June 30, 2007 and 2006, the Charter School's debt totaled approximately \$589,000 and \$594,000, respectively, all of which relates to amounts invested in capital assets. Additional information regarding the Charter School's Mortgage is available in the Notes to the Basic Financial Statements found on pages 31 to 32.

Conditions having a significant effect on financial position or results of operations

During fiscal year 2007, the Charter School experienced a significant negative change in its net assets. (The 2007 loss was approximately \$359,000). The major contributing factors were: 1) a significant decline in the number of students attending the Charter School (91 students less than the prior year), caused an approximate \$343,000 and 19% decrease in the amount of School Board FTE than was provided to the Charter School in fiscal year 2006, 2) legal and other fiscal services expenses exceeded expectations by approximately \$168,000 and 198%, and 3) the early termination of leased facility resulted in an approximate loss of \$57,000. These three factors have caused total liabilities to exceed total assets by approximately \$216,000. The mere fact that the Charter School's Liabilities exceed its assets is cause for an issue of going concern, however, management has secured a new site, with the help of the District, which could produce approximately \$113,000 in savings on leased facilities in the upcoming fiscal year 2008. Additionally, management is exploring the option of liquidating fixed assets that has an appraised value of approximately \$1.2 million and related debt of approximately \$600,000. This liquidation has been approved by the Board of Directors and, if liquidated at the appraised value, would provide the revenue needed to overcome the current going concern issue.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2007 AND 2006**

**Conditions having a significant effect on financial position or results of operations
continued**

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Charter School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Charter School. At the end of the current fiscal year, the unreserved general fund decrease was approximately \$245,000, while the total fund deficit was approximately \$400,000. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

School Enrollment

The grade levels at the Charter School ranged from Grade K through Grade 6 during fiscal year ended June 30, 2007 and Grade K through Grade 8 in fiscal year ended June 30, 2006, with a total enrollment of 262 and 353 students, respectively.

Requests for Information

The financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information should be addressed to Katrina Wilson-Davis, Principal, 515 NW 88th Street, Miami, Florida 33150.

Governing Board Members

Mr. T. Willard Fair, Chairman
Ms. Cheryl Wachtel
Mr. Al Townsel
Mrs. Cheri Perry
Mr. Andrew Bellinson
Mr. Ronald Demon
Ms. Anita Jones

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE
COUNTY DISTRICT SCHOOL BOARD
BASIC FINANCIAL INFORMATION
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

	Governmental Activities	
	2007	2006
ASSETS		
Cash	\$ 32,614	\$ 69,416
Due from Miami-Dade County Public Schools	7,942	24,574
Other receivable	28,504	12,117
Deposit	4,160	4,160
Prepaid expenses	19,981	26,610
Capital Assets		
Land	217,475	217,475
Buildings and fixed equipment	905,512	1,031,809
Less accumulated depreciation	(380,886)	(396,721)
Furniture, fixtures and equipment	273,914	282,504
Less accumulated depreciation	(243,988)	(265,604)
Library books	78,982	78,982
Less accumulated depreciation	(77,851)	(72,549)
Total Assets	\$ 866,359	\$ 1,012,773
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 493,463	\$ 274,907
Noncurrent liabilities:		
Mortgage payable due within one year	5,961	5,505
Due in more than one year:		
Mortgage payable	582,643	588,604
Total Liabilities	1,082,067	869,016
Net Assets		
Invested in capital assets, net of related debt	184,554	281,786
Unrestricted	(400,262)	(138,029)
Total Net Assets	\$ (215,708)	\$ 143,757

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 74,164		\$ 9,647	\$ (64,517)
Pupil personnel services	732,242		54,414	(677,828)
Instruction and curriculum development services	34,225		29,650	(4,575)
General and school administration	441,167		97,594	(343,573)
Facilities acquisition and construction	11,623		26,518	14,895
Professional services	253,496			(253,496)
Food services	107,903	\$ 82,487		(25,416)
Central services	258,407		30,606	(227,801)
Pupil transportation services	54,976			(54,976)
Operation of plant	331,566			\$ 116,305
Maintenance of plant	106,342			(106,342)
Community services	3,587		527	(3,060)
Interest on long-term debt	47,330			47,330
Loss on disposition of assets	56,560			(56,560)
Unallocated depreciation expense	75,443			(75,443)
Total governmental activities	\$ 2,589,031	\$ 82,487	\$ 248,956	\$ 163,635

General revenues:

School Board of Miami-Dade County – FTE	1,503,322
Other revenue	231,166
Total general revenues	1,734,488
Change in net assets	(359,465)
Net assets – beginning	143,757
Net assets – ending	\$ (215,708)

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 92,545	\$ 54,987	\$ 81,011		\$ 43,453
Pupil personnel services	856,714		79,230		(777,484)
Instruction and curriculum development services	82,385	6,504	45,380		(30,501)
General and school administration	387,126		41,392		(345,734)
Facilities acquisition and construction	8,798		7,087	\$ 34,651	32,940
Professional services	147,382				(147,382)
Central services	248,330		29,683		(218,647)
Pupil transportation services	87,719		7,585		(80,134)
Operation of plant	372,989		3,552	71,853	(297,584)
Maintenance of plant	108,103			5,962	(102,141)
Community services	9,323		2,775		(6,548)
Interest on long-term debt	48,743			47,752	(991)
Unallocated depreciation expense	57,462				(57,462)
Total governmental activities	\$ 2,507,619	\$ 61,491	\$ 297,695	\$ 160,218	(1,988,215)

General revenues:

School Board of Miami-Dade County – FTE	1,846,529
Other revenue	<u>183,917</u>
Total general revenues	<u>2,030,446</u>
Change in net assets	42,231
Net assets – beginning	<u>101,526</u>
Net assets – ending	<u>\$ 143,757</u>

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash		\$ 32,614	\$ 32,614
Deposit	\$ 4,160		4,160
Due from Miami-Dade County Public Schools		7,942	7,942
Due from General Fund		99,320	99,320
Accounts receivable	28,504		28,504
Prepaid expenses	19,982		19,982
Total Assets	<u>\$ 52,646</u>	<u>\$ 139,876</u>	<u>\$ 192,522</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 422,512	\$ 70,951	\$ 493,463
Due to Special Revenue Fund	99,320		99,320
Total liabilities	<u>521,832</u>	<u>70,951</u>	<u>592,783</u>
 Fund Balances:			
Unreserved reported in:			
General fund	(469,186)		(469,186)
Special revenue fund		68,925	68,925
Total fund balances	<u>(469,186)</u>	<u>68,925</u>	<u>(400,261)</u>
Total Liabilities and Fund Balances	<u>\$ 52,646</u>	<u>\$ 139,876</u>	<u>\$ 192,522</u>

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2006

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash		\$ 69,416	\$ 69,416
Deposits	\$ 4,160		4,160
Due from Miami-Dade County Public Schools		24,574	24,574
Due from General Fund		43,743	43,743
Accounts receivable	12,117		12,117
Prepaid expenses	26,610		26,610
Total Assets	\$ 42,887	\$ 137,733	\$ 180,620
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 223,108	\$ 51,799	\$ 274,907
Due to Special Revenue Fund	43,743		43,743
Total liabilities	266,851	51,799	318,650
 Fund Balances:			
Unreserved reported in:			
General fund	(223,964)		(223,964)
Special revenue fund		85,934	85,934
Total fund balances	(223,964)	85,934	(138,030)
Total Liabilities and Fund Balances	\$ 42,887	\$ 137,733	\$ 180,620

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006**

	2007	2006
Total fund balances - governmental funds	\$ (400,261)	\$ (138,030)
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 in the funds.	773,158	875,896
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(588,605)	(594,109)
Net assets of governmental activities	\$ (215,708)	\$ 143,757

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Miami-Dade County Public Schools	\$ 1,503,322	\$ 398,041	\$ 1,901,363
Gifts and grants			
Food Service Program	41,727	40,760	82,487
Other revenue	<u>245,716</u>		<u>245,716</u>
Total revenues	<u>1,790,765</u>	<u>438,801</u>	<u>2,229,566</u>
Expenditures			
Current:			
Instruction	64,517	9,647	74,164
Pupil personnel services	677,828	54,414	732,242
Instructional and curriculum development	4,575	29,650	34,225
Central services	225,342	33,065	258,407
General and school administration	343,574	97,594	441,168
Food services	67,143	40,760	107,903
Professional services	253,496		253,496
Pupil transportation services	54,976		54,976
Operation of plant	215,261	116,305	331,566
Maintenance of plant	106,342		106,342
Current payments on long-term debt	5,502	47,330	52,832
Other expenses	3,060	527	3,587
Capital Outlay			
Facilities acquisition and construction	<u>14,371</u>	<u>26,518</u>	<u>40,889</u>
Total current expenditures	<u>2,035,987</u>	<u>455,810</u>	<u>2,491,797</u>
Excess or (deficiency) of revenue over expenditures	(245,222)	(17,009)	(262,231)
Fund balance, beginning of year	<u>(223,964)</u>	<u>85,934</u>	<u>(138,030)</u>
Fund balance, end of year	<u>\$ (469,186)</u>	<u>\$ 68,925</u>	<u>\$ (400,261)</u>

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Miami-Dade County Public Schools	\$ 1,846,529	\$ 300,094	\$ 2,146,623
Gifts and grants	44,531	88,253	132,784
Academic Enrichment Program	61,491		61,491
Other revenue	208,952		208,952
Total revenues	<u>2,161,503</u>	<u>388,347</u>	<u>2,549,850</u>
Expenditures			
Current:			
Instruction	75,005	17,540	92,545
Pupil personnel services	777,484	79,230	856,714
Instructional and curriculum development	37,004	45,381	82,385
Central services	218,647	29,683	248,330
General and school administration	352,810	34,316	387,126
Professional services	147,382		147,382
Pupil transportation services	80,134	7,585	87,719
Operation of plant	250,299	122,690	372,989
Maintenance of plant	108,103		108,103
Interest on long-term debt	991	47,752	48,743
Other expenses	6,548	2,775	9,323
Capital Outlay:			
Facilities acquisition and construction	7,171	74,958	82,129
Total current expenditures	<u>2,061,578</u>	<u>461,910</u>	<u>2,523,488</u>
Excess or (deficiency) of revenue over expenditures	99,925	(73,563)	26,362
Fund balance, beginning of year	(323,889)	159,497	(164,392)
Fund balance, end of year	<u>\$ (223,964)</u>	<u>\$ 85,934</u>	<u>\$ (138,030)</u>

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	2007	2006
Total net changes in fund balances - governmental funds	\$ (262,231)	\$ 26,362
 Amounts reported for governmental activities in the statement of Net assets 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 as depreciation expense. This is the amount by which capital outlay/depreciation expense exceeds depreciation/capital outlay in the related period.	(55,977)	15,869
In the statement of activities only the loss on disposed capital assets is reported. The change in net assets differs from the change in fund balance by the carrying value of capital assets disposed.	(46,761)	
Repayment of debt principal is reflected as an expenditure in the governmental funds, however, in the statement of net assets it is reflected as a reduction of liabilities and does not affect the statement of activities.	5,504	
Changes in net assets of governmental activities	\$ (359,465)	\$ 42,231

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund		Special Revenue Fund		Variance with Final Budget - Positive (Negative)
	Original and Final Budget	Actual (GAAP Basis)	Original and Final Budget	Actual (GAAP Basis)	
Revenues					
Federal Dissemination Grant					
School Board of Miami-Dade County	\$ 1,502,124	\$ 1,503,322	\$ 367,689	\$ 398,041	\$ 30,352
Gifts and Grants					
Food Service Program	64,368	41,727	175,284	40,760	(134,524)
Other revenue	716,856	245,716			
Total revenues	<u>2,283,348</u>	<u>1,790,765</u>	<u>542,973</u>	<u>438,801</u>	<u>(104,172)</u>
Expenditures					
Current					
Instruction	68,800	64,517	7,000	9,647	(2,647)
Pupil personnel services	711,280	677,828	88,000	54,414	33,586
Instructional and curriculum developm	23,223	4,575	18,648	29,650	(29,650)
Central services	272,243	225,342	17,889	33,065	(15,176)
General and school administration	431,060	343,574	87,486	97,594	(97,594)
Food services	85,078	67,143	175,284	40,760	134,524
Fiscal services	85,000	253,496			
Pupil transportation services	55,100	54,976			
Operation of plant	219,989	215,261	113,091	116,305	(3,214)
Maintenance of plant	111,700	106,342			
Other expenses	95,932	78,503	48,600	47,857	743
Capital Outlay					
Facilities acquisition and construction	21,014	(14,895)	88,075	26,518	61,557
Total expenditures	<u>2,180,419</u>	<u>2,076,662</u>	<u>537,939</u>	<u>455,810</u>	<u>82,129</u>
Excess (deficiency) of revenues over expenditures	102,929	(285,897)	5,034	(17,009)	(22,043)
Other Financing Sources					
Mortgage					
Loss on early disposal of fixed assets		(56,560)			
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 102,929	(342,457)	\$ 5,034	(17,009)	\$ (22,043)
Fund balances, beginning of year		(223,964)		85,934	
Fund balances, end of year		<u>(566,421)</u>		<u>\$ 68,925</u>	

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Special Revenue Fund			Variance with Final Budget - Positive (Negative)	
	Original Budget	Final Budget	Actual (GAAP Basis)	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget		Actual (GAAP Basis)
Revenues								
School Board of Miami-Dade County	\$ 2,271,549	\$ 1,828,934	\$ 1,846,529	\$ 17,595	\$ 320,451	\$ 339,877	\$ 300,094	\$ (39,783)
Gifts and Grants			44,531	44,531	154,000	148,814	88,253	(60,561)
Academic Enrichment Program	61,500	61,500	61,491	(9)				
Other revenue	187,000	229,035	208,952	(20,083)				
Total revenues	2,520,049	2,119,469	2,161,503	42,034	474,451	488,691	388,347	(100,344)
Expenditures								
Current								
Instruction	136,300	79,692	75,005	4,687	40,667	19,109	17,540	1,569
Pupil personnel services	1,099,200	832,236	777,484	54,752	62,170	79,230	79,230	
Instructional and curriculum development	83,149	48,046	37,004	11,042	61,267	59,850	45,380	14,470
Central services	350,566	236,398	218,647	17,751		36,536	29,683	6,853
General and school administration	180,058	323,559	352,810	(29,251)	44,930	68,539	34,316	34,223
Fiscal services	17,000	69,860	147,382	(77,522)				
Pupil transportation services	45,000	77,290	80,134	(2,844)	23,325	11,100	7,585	3,515
Operation of plant	242,660	254,082	250,299	3,783	205,000	115,055	122,690	(7,635)
Maintenance of plant	90,000	100,019	108,103	(8,084)				
Other expenses	5,000	32,699	6,548	26,151		2,775	2,775	
Capital Outlay								
Mortgage Interest & Other Capital Outlay	155,000		8,162	(8,162)	136,000	91,463	122,710	(31,247)
Total expenditures	2,403,933	2,053,881	2,061,578	(7,697)	573,359	483,657	461,910	21,747
Excess (deficiency) of revenues over expenditures	116,116	65,588	99,925	34,337	(98,908)	5,034	(73,563)	(78,598)
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 116,116	\$ 65,588	99,925	\$ 37,337	\$ (98,908)	\$ 5,034	(73,563)	\$ (78,598)
Fund balances, beginning of year			(323,889)				159,497	
Fund balances, end of year			\$ (223,964)				\$ 85,934	

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

The Liberty City Charter School Project, Inc. (the "Charter School") is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a Charter approved by its sponsor, the Miami-Dade County District School Board. The governing body of the Charter School is the not-for-profit corporation's Board of Directors which is composed of seven (7) members.

The Charter School provided educational services to students in grades kindergarten through six in fiscal year ended June 30, 2007 and grades kindergarten through eight in fiscal year ended June 30, 2006. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School's students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character. The Charter School has demonstrated its ability to achieve this objective with its recognition as an "A" and a "B" school for the years ended June 30, 2007, and 2006, respectively.

The general operating authority of the Charter School is contained in Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school district, Miami-Dade County District School Board (the "District"). The current charter is effective until June 30, 2018, and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Liberty City Charter School Project, Inc. is considered a component unit of the Miami-Dade County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School's financial statements are identified and described in the Governmental Accounting Standards Board (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 Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

Separate financial statements are provided for governmental funds. Major individual governmental funds, namely, the general and special revenue funds, are reported as separate columns in the fund financial statements. The Charter School does not maintain proprietary funds.

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Charter 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 a liability is incurred, as under accrual accounting.

The Charter School reports the following major governmental funds:

The general fund is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Measurement focus, basis of accounting, and financial statement presentation - Continued

The special revenue fund accounts for specific revenue that is legally restricted to expenditure for particular purposes.

d. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

e. Receivables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All account receivables, including those from Miami-Dade County School Board are shown at net realizable value. The amounts reported as Due From Miami-Dade County Board consist of the Charter School's share of revenue based on the Charter School's proportionate share of enrollment within the Miami-Dade County School District and for capital projects, as described in Note 1. These amounts are considered to be collectible.

f. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

g. Capital assets

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

g. Capital assets - Continued

Property and equipment of the Charter School is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Building improvements	5
Furniture	5
Office equipment	5
Computer equipment	5
Library books	5

h. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Long-term obligations are due to be paid in more than one year.

i. Fund equity

In the fund financial statements, the special revenue fund reported reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use of specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The original and final budgets are presented in the accompanying statement of revenue and expenditures budget and actual for fiscal year ending June 30, 2006. There were no budget amendments during fiscal year 2007.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

The Charter School's bank balance was approximately \$32,000 and \$69,000 as of June 30, 2007 and 2006, respectively. The bank balance did not exceed the FDIC limit as of June 30, 2007 and 2006.

The Charter School is operated under a Charter sponsored by the Miami-Dade County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act", the State Treasurer requires all qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

NOTE 4 - RECEIVABLES

Receivables for the Charter School's general and special revenue funds as of June 30, 2007 and 2006 are as follows:

	2007	
	General Fund	Special Revenue Fund
Amount due from Miami-Dade County School Board		\$ 7,942
Amount due from Florida Department of Financial Services	\$ 22,584	
Other receivables	5,920	
Total accounts receivable	\$ 28,504	\$ 7,942

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 4 – RECEIVABLES - Continued

	2006	
	General Fund	Special Revenue Fund
Amount due from Miami-Dade County School Board		\$ 24,574
Amount due from the 21 st Century Grant	\$ 6,342	
Other receivables	5,775	
Total accounts receivable	\$ 12,117	\$ 24,574

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2007 and 2006 was as follows:

	Beginning Balance July 1, 2006	Additions	Deletions	Ending Balance June 30, 2007
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 217,475			\$ 217,475
Depreciable capital assets				
Buildings and fixed equipment	1,031,809		\$ (126,297)	905,512
Furniture, fixtures and equipment	282,504	\$ 29,265	(37,855)	273,914
Library books	78,982			78,982
Total depreciable capital assets	1,393,295	29,265	(164,152)	1,258,408
Accumulated depreciation for:				
Buildings and fixed equipment	(396,721)	(67,296)	83,131	(380,886)
Furniture, fixtures and equipment	(265,604)	(12,644)	34,260	(243,988)
Library books	(72,549)	(5,302)		(77,851)
Total accumulated depreciation	(734,874)	(85,242)	117,391	(702,725)
Capital assets, net	\$ 875,896	\$ (55,977)	\$ (46,761)	\$ 773,158

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 5 - CAPITAL ASSETS – Continued

	Beginning Balance <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2006</u>
Governmental activities:				
Non-depreciable assets				
Land	\$ 217,475			\$ 217,475
Depreciable assets				
Buildings and fixed equipment	1,009,153	\$ 40,656	\$ (18,000)	1,031,809
Furniture, fixtures and equipment	277,913	4,591		282,504
Library books	78,982			78,982
Total depreciable assets	<u>1,366,048</u>	<u>45,247</u>	<u>(18,000)</u>	<u>1,393,295</u>
Accumulated depreciation for:				
Buildings and fixed equipment	(360,927)	(45,594)	9,800	(396,721)
Furniture, fixtures and equipment	(253,025)	(12,579)		(265,604)
Library books	(63,460)	(9,089)		(72,549)
Total accumulated depreciation	<u>(677,412)</u>	<u>(67,262)</u>	<u>9,800</u>	<u>(734,874)</u>
Capital assets, net	<u>\$ 906,111</u>	<u>\$ 22,015</u>	<u>\$ (8,200)</u>	<u>\$ 875,896</u>

Capital asset deletions during the fiscal year ended June 30, 2007 totaled approximately \$164,000. Depreciation expense for the years ended June 30, 2007 and 2006 was approximately \$85,000 and \$67,000, respectively, and was not allocated to the various programs.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 6 – DUE TO/FROM BALANCES

Interfund balances consisted of the following as of June 30:

	<u>2007</u>	<u>2006</u>
Due from general fund	\$ 99,320	\$ 43,743
Due to special revenue fund	(99,320)	(43,743)
	\$	\$

The Charter School's due to/from balances is to cover temporary cash shortages between funds.

NOTE 7 – MORTGAGE NOTE

In the fiscal year ended June 30, 2006, the Charter School entered into a \$600,000 mortgage note payable agreement. The note is collateralized by a mortgage with 8% per annum interest. Principal and interest are due monthly for fifteen years. A summary of changes in long-term liabilities for the years ended June 30, 2007 and 2006 is as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amount Due Within One Year
Mortgage Payable	\$ 594,109	\$	\$ (5,505)	\$ 588,604	\$ 5,961
Total long-term Liabilities	\$ 594,109	\$	\$ (5,505)	\$ 588,604	\$ 5,961

	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Amount Due Within One Year
Mortgage Payable	\$ 599,192	\$	\$ (5,083)	\$ 594,109	\$ 5,505
Note Payable	40,000		(40,000)		
Total long-term Liabilities	\$ 639,192	\$	\$ (45,083)	\$ 594,109	\$ 5,505

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006**

NOTE 7 – MORTGAGE NOTE - Continued

Annual maturities on long-term debt as of June 30, 2007 are as follows:

Year Ending June 30	General Obligation		Total Requirement
	Principal	Interest	
2008	\$ 5,961	\$ 46,873	\$ 52,834
2009	6,456	46,378	52,834
2010	6,992	45,842	52,834
2011	7,572	45,262	52,834
2012	8,201	44,633	52,834
2013 - 2017	52,415	211,756	264,171
2018 - 2020	501,007	109,288	610,295
	<u>\$ 588,604</u>	<u>\$ 550,032</u>	<u>\$ 1,138,636</u>

NOTE 8 – COMMITMENTS AND CONCENTRATIONS

a. Leases

The Charter School is obligated under a 12-month operating lease for various modular classroom units. Additionally, the Charter School leases various office equipment and office and classroom space.

The following is the minimum rental payment required under the operating leases:

2008	\$ 28,096
2009	28,096
2010	28,096
2011	6,815
Thereafter	<u>696</u>
Total future minimum payments	<u>\$ 91,799</u>

Rental expense for the years ended June 30, 2007 and 2006 was approximately \$142,000 and \$148,000, respectively.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2007 AND 2006

b. Grantors

The Charter School receives a significant portion of its funding from public grants. A significant reduction in the level of this funding if this were to occur, would have an effect on the Charter School's ability to carry out its programs and activities.

Costs reflected in the accompanying financial statements relating to government funded programs are subject to audit by the Grantor. The possible disallowance by the Grantor of any item charged to the programs cannot be determined at this time. No provision for any liability that may result has been made in the financial statements.

NOTE 10 – GOING CONCERN

As shown in the accompanying financial statements, the Charter School has incurred a significant loss from operations for the fiscal year ended June 30, 2007, and as of June 30, 2007, the Charter School's current liabilities exceeded its current assets by approximately \$400,000 and its total liabilities exceeded its total assets by approximately \$216,000. These factors raise substantial doubt about the Charter School's ability to continue as a going concern. Management has secured a new site, with the help of the School District, which could produce approximately \$113,000 in savings on leased facilities in the upcoming fiscal year 2008. Additionally, management is planning to liquidate fixed assets (as approved by the Board of Directors) that have an appreciated value of approximately \$1.2 million and related debt of approximately \$600,000. Management has identified a buyer, although no formal contract has been entered into. This liquidation is expected to provide the revenue needed to overcome the current going concern issue.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER
REQUIRED BY THE RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**



S. DAVIS & ASSOCIATES, P.A.

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MANAGEMENT LETTER REQUIRED BY THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the financial statements of the Liberty City Charter School Project, Inc. (the "Charter School") as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 31, 2007.

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated August 31, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provision of Chapter 10.850, Rules of the Auditor General, which govern the conduct of Charter School's audits performed in the State of Florida and require that certain items be addressed in this letter.

- Although some corrective actions were taken to address a significant recommendation made in the preceding annual financial audit reports regarding the Charter School's current ratio, unforeseen circumstances (i.e., legal expenses due to litigation, early termination of the school facility lease) caused a further decrease in this ratio. As such, comment #04-3 in the Management Letter Comments and Recommendations has been carry forward to the current year, revising the Current Year Status.
- The Charter School's total fund balance on the Balance Sheet and unrestricted net assets on the Statement of Net Assets reflect a deficit position; however, based on the Charter School's intent to dispose of capital assets (buildings) which would not impair its ability to carry out its functions, the Charter School is not considered to be in a state of financial emergency as described in Section 218.503(1)(e), Florida Statutes.

**MANAGEMENT LETTER REQUIRED BY THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA – CONTINUED**

- Recommendation to address deteriorating financial conditions is addressed in the Current Year Status section of Management Letter Comments and Recommendations comment #04-3.
- There are no violations of laws, rules, regulations, contracts and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.
- There were no improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- There were no deficiencies in internal control that are reportable conditions, including, but not limited to: (1) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), and (2) failures to properly record financial transactions.
- The Liberty City Charter School was established pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes.

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

S. Davis & Associates, P.A.

Miami, Florida
August 31, 2007

**INDEPENDENT AUDITORS' REPORT 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*
JUNE 30, 2007**



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STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of Liberty City Charter School Project, Inc. (the "Charter School"), a component unit of the Miami-Dade County District School Board, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with generally accepted auditing standards 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 Charter School's internal control over financial reporting 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 Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 Charter 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 Charter School's financial statements that is more than inconsequential will not be prevented or detected by the Charter School's internal control.

**INDEPENDENT AUDITORS' REPORT 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* – CONTINUED**

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

We noted certain matters that we reported in the Management Letter Comments and Recommendations.

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

S. Davis & Associates, P.A.

Miami, Florida
August 31, 2007

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER COMMENTS AND RECOMMENDATIONS
JUNE 30, 2007 AND 2006**

PRIOR YEARS' COMMENTS

04-3 Current Liabilities Exceed Current Assets

Condition

We noted that the current ratio (current assets/current liabilities) for the Charter School was 0.18 (\$89,000/\$499,000), and that its current level of funding from the School District is inadequate to meet current economic demands.

Effect

If this condition is not managed and brought under immediate control, the Charter School may be unable to meet its current obligations with current assets.

Recommendation

We recommend that management take immediate steps to acquire supplementary funding.

Management's Response

Management concurs with the findings of the auditor. The School's Governing Board and Administration has developed a strategic plan to address the funding shortfall and has explored additional revenue streams for the School.

Current Year Status

In fiscal year ended June 30, 2007, the Charter School's current ration is 0.18. Litigation which yielded a significant increase in legal expenses and ended in the termination of the Charter School's facility lease was the primary reason for the decrease in the current ratio and the significant loss in fiscal year ended June 30, 2007. In addition, the Charter School experienced a loss of revenues from the Miami-Dade District Public Schools as fewer students were enrolled in fiscal year ended June 30, 2007 than in the previous fiscal year. To address these concerns, management intends to liquidate fixed assets with an appraised value of approximately \$1.2 million (as approved by its Board of Directors), with related debt of approximately \$600,000. This liquidation would provide funds to significantly lower current liabilities, thereby, yielding a better current ratio. As the Charter School served fewer students in the 2006-2007school year, does not expect to increase enrollment significantly in the 2007-2008 school year, and requires less space than in the past, a lower lease fee has been negotiated in the new facility.

**LIBERTY CITY CHARTER SCHOOLS PROJECT, INC.
A CHARTER SCHOOL COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
INFORMATION REGARDING CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2007**

CERTIFIED PUBLIC ACCOUNTANT INFORMATION

Certified Accountant's Name	S. Davis & Associates, P.A.
Certified Accountant's Address	160 N.W. 176 Street, Suite 400-1 Miami Gardens, Florida 33169
License Number	AD0016501
Status	Active
Expiration Date	12/31/07