

**MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE MIAMI-DADE COUNTY SCHOOL BOARD**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE MIAMI-DADE COUNTY SCHOOL BOARD**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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**MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE MIAMI-DADE COUNTY SCHOOL BOARD**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Miami Community Charter School, Inc.  
Florida City, Florida

We have audited the accompanying financial statements of the governmental activities and general fund of Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board, as of and for the year ended June 30, 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 general fund of the School as of June 30, 2008, 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 18, 2008 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 5 through 10 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund on page 24 are not a required part of the basic financial statements but are 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.

*O'Sullivan Creel, LLP*

September 18, 2008

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

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Our discussion and analysis of Miami Community Charter School, Inc. (School) financial performance provides an overview of the School's financial activities for the year ended June 30, 2008. Please read it in conjunction with the School's financial statements which immediately follow this discussion.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The 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 required supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements

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

The *statement of net assets* presents the 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 School is improving or deteriorating.

The *statement of activities* presents the change in the School's net assets during the 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are on pages 11-12 of this report.

### Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School's general fund is the only *governmental* fund used.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

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*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 spendable 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 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 School's near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The basic general fund financial statements are on pages 13 -14 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 15 - 23 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget and actual results. Required supplementary information is on page 24 of this report.

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table reflects the condensed Government-wide Statement of Net Assets. A comparative analysis of government-wide data is presented as follows:

Miami Community Charter School, Inc.'s Net Assets

	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$1,137,961	\$ 600,546
Capital Assets	<u>227,859</u>	<u>20,370</u>
Total Assets	<u>1,365,820</u>	<u>620,916</u>
 Liabilities - Current	 177,058	 89,445
 Net Assets:		
Invested in Capital Assets	227,859	20,370
Unrestricted	<u>960,903</u>	<u>511,101</u>
Total Net Assets	<u>\$1,188,762</u>	<u>\$ 531,471</u>

The Invested in Capital Assets reflects the School's investment in capital assets. The School uses these assets to provide services to the students; consequently, these assets are not available for future spending. The remaining balance, Unrestricted, may be used to meet the School's ongoing obligations.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

Miami Community Charter School, Inc.'s Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues:		
Program revenues		
Charges for services	\$ 44,550	\$ 29,892
Operating and capital grants	350,574	141,923
General revenues		
FEFP	1,972,420	1,783,143
Other revenues	<u>29,989</u>	<u>31,757</u>
Total revenues	2,397,533	1,986,715
Expenses:		
Basic instruction	889,652	822,709
Board administration	143,245	147,683
Community services	17,256	19,225
Debt service - interest	4,775	--
Exceptional instruction	6,781	8,847
Facility services	129,280	146,706
Fiscal services	82,659	78,164
Food services	137,754	133,756
Instruction and curriculum development	--	3,715
Institutional staff training	2,205	779
Maintenance of plant	21,867	14,334
Operation of plant	124,313	98,919
Pupil transportation	48,600	32,113
School administration	<u>131,855</u>	<u>156,509</u>
Total expenses	<u>1,740,242</u>	<u>1,663,459</u>
Increase in Net Assets	657,291	323,256
Net Assets, beginning of year	<u>531,471</u>	<u>208,215</u>
Net Assets, end of year	<u>\$1,188,762</u>	<u>\$ 531,471</u>

General revenues are earned based upon student enrollment, measured twice during the school year. The increase in general revenues was the result of an increase in the number of students. Significant expenses include salary and related benefits, as well as rental of the School facility.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As noted earlier, the School uses fund accounting to maintain control over resources segregated for specific activities or objectives. The focus of the School's governmental fund (the general fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the School's general fund reported combined ending fund balance of \$960,903, an increase of \$449,802 in comparison with the prior year. Of the general fund's fund balance, \$944,695 is unreserved and is available for spending at the School's discretion. Fund balance increased by \$449,802 from the prior year, primarily due to an increase in student enrollment resulting in increased revenues, and the addition of charter school capital outlay and national school lunch program revenues.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no budget amendments during the year. Differences between the general fund's budget and actual amounts can be briefly summarized as follows:

- FEFP revenue actual was under budget by \$317,778, due to actual enrollment less than budgeted.
- Basic instruction expense was under budget by \$152,747, due to actual enrollment less than budgeted.
- Facility services expense actual over budget of \$74,805, due to unexpected building costs.
- School administration expense was under budget by \$118,806. Expenses were originally budgeted for the School, however, a portion of the expenses was ultimately allocated to Miami Community Charter Middle School.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2008**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The School's investment in capital assets as of June 30, 2008 amounts to \$227,859, net of accumulated depreciation. This investment in capital assets includes furniture, fixtures, equipment, and construction in progress (modular buildings space is being constructed to be used as additional classrooms).

The School has no outstanding debt.

**ECONOMIC FACTORS**

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2009 include:

- Continued funding from FEFP.
- Continued increase in enrollment.
- Purchase of land in 2009 in order to build a new school.

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF NET ASSETS**  
**June 30, 2008**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 754,042
Prepaid expenses	16,208
Receivables	30,047
Advance to related party	307,553
Deposits	30,111
Capital assets, net	227,859
<b>Total assets</b>	<b>\$ 1,365,820</b>
<b>LIABILITIES</b>	
Accrued expenses	\$ 74,323
Accounts payable	102,735
<b>Total liabilities</b>	<b>177,058</b>
<b>NET ASSETS</b>	
Invested in capital assets	227,859
Unrestricted	960,903
<b>Total net assets</b>	<b>1,188,762</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,365,820</b>

*The accompanying notes are an integral part of these financial statements.*

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2008**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Basic instruction	\$ 889,652	\$ --	\$ 92,800	\$ (796,852)
Board administration	143,245	--	--	(143,245)
Community services	17,256	41,730	--	24,474
Exceptional instruction	6,781	--	--	(6,781)
Facility services	129,280	--	156,795	27,515
Fiscal services	82,659	--	--	(82,659)
Food services	137,754	2,820	100,979	(33,955)
Institutional staff training	2,205	--	--	(2,205)
Maintenance of plant	21,867	--	--	(21,867)
Operation of plant	124,313	--	--	(124,313)
Pupil transportation	48,600	--	--	(48,600)
School administration	131,855	--	--	(131,855)
Interest	4,775	--	--	(4,775)
	<u>\$ 1,740,242</u>	<u>\$ 44,550</u>	<u>\$ 350,574</u>	<u>\$ (1,345,118)</u>
<b>General Revenues</b>				
FEFP funds				1,972,420
Miscellaneous				29,989
Total general revenues				<u>2,002,409</u>
Change in net assets				657,291
Net assets, beginning of year				531,471
Net assets, end of year				<u>\$ 1,188,762</u>

The accompanying notes are an integral part of these financial statements.

**Miami Community Charter School, Inc**  
**A Charter School and Component Unit of**  
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**BALANCE SHEET - GENERAL FUND**  
**June 30, 2008**

**ASSETS**

Cash and cash equivalents	\$	754,042
Prepaid expenses		16,208
Receivables		30,047
Advance to related party		307,553
Deposits		30,111
<b>Total assets</b>		<u><u>\$ 1,137,961</u></u>

**LIABILITIES**

Accrued expenses	\$	74,323
Accounts payable		102,735
<b>Total liabilities</b>		<u>177,058</u>

**FUND BALANCE**

Reserve for prepaids		16,208
Unreserved fund balance		944,695
<b>Total fund balance</b>		<u>960,903</u>

<b>Total liabilities and fund balance</b>	<b>\$</b>	<b><u><u>1,137,961</u></u></b>
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Reconciliation of the general fund balance sheet to the statement of net assets

Total fund balance for the general fund	\$	960,903
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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 in the governmental funds. The cost of the assets is \$233,161 and the accumulated depreciation is \$5,302.		<u>227,859</u>
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Net assets of governmental activities	\$	<u><u>1,188,762</u></u>
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**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GENERAL FUND**  
**For the Year Ended June 30, 2008**

**REVENUES**

Intergovernmental	
FEFP funds	\$ 1,972,420
Charter school capital outlay	156,795
Title I	92,800
National school lunch program	100,979
Charges for services	44,551
Miscellaneous	29,989
<b>Total revenues</b>	<u>2,397,534</u>

**EXPENDITURES**

Current - Education	
Basic instruction	892,232
Board administration	143,245
Community services	17,256
Exceptional instruction	6,781
Facility services	333,416
Fiscal services	82,659
Food services	137,754
Institutional staff training	2,205
Maintenance of plant	21,867
Operation of plant	124,313
Pupil transportation	48,600
School administration	132,629
Debt service - interest	4,775
<b>Total expenditures</b>	<u>1,947,732</u>

**Excess of revenues over expenditures** 449,802

**FUND BALANCE, BEGINNING OF YEAR** 511,101

**FUND BALANCE, END OF YEAR** \$ 960,903

Reconciliation of the statement of revenues, expenditures, and changes in fund balance to the statement of activities

Net change in fund balance for the general fund \$ 449,802

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 capital outlays (\$209,653) exceeded depreciation (\$2,164) in the current period.

207,489

Change in net assets of governmental activities \$ 657,291

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity**

Miami Community Charter School, Inc., (School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides educational services to students of Miami-Dade County in kindergarten through fifth grade. The governing body of the School is the not-for-profit corporation Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, Miami-Dade County School Board (Sponsor) that is effective until June 30, 2009, and may be renewed for up to an additional fifteen years by mutual agreement of the parties. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter in which case the Sponsor 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 Sponsor may also terminate the charter if good cause is shown. Miami Community Charter School, Inc. is considered a component unit of the Miami-Dade County School Board.

Under Governmental Accounting Standards Board's (GASB) Statement No.14, there are no other entities which qualify as component units to be included within the reporting entity of the School.

**2. Government-Wide and Fund Financial Statements**

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements report on the School as a whole and provide a consolidated financial picture of the School. Eliminations of inter-fund activities and balances, if any, have been made to minimize and avoid distorted financial results. The Statement of Net Assets reports all financial and capital resources of the School's governmental activities.

**Miami Community Charter School, Inc.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

**2. Government-Wide and Fund Financial Statements -- (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (1) charges for lunches and after-school care services and (2) grants that are restricted to meeting the operational and capital requirements of a particular function. The general revenues section displays revenues that help support all functions of the School and contribute to the change in the net assets for the year.

The fund financial statements report additional and detailed information about the School's operations for its General Fund (a governmental fund type). A reconciliation is provided that explains the differences between the amounts reported in the government-wide and fund financial statements.

**3. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the cash flows take place.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinion issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**Miami Community Charter School, Inc.  
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of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

**3. Measurement Focus and Basis of Accounting – (Continued)**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Florida Education Finance Program funding associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, followed by unrestricted resources as needed. 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 long-term debt is recognized as an expenditure when due; and (2) expenditures related to long-term liabilities are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from issuance of long-term debt are reported as other financing sources.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and highly liquid investments with original maturities of three months or less when purchased. At June 30, 2008, the School's cash balances were comprised of demand deposit accounts.

**Miami Community Charter School, Inc.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

**5. Capital Assets**

Capital assets (items costing more than \$750 with a useful life in excess of one year) are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture, fixtures, and equipment	5 - 10 years
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**6. Revenue Sources**

Revenues for current operations are provided primarily by the Miami-Dade County School Board pursuant to funding provisions included in the School's charter. Under these provisions and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District, which in turn reports this information to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding is adjusted during the year to reflect revised calculations by the FDOE based upon the actual weighted full-time equivalent students reported during the designated survey periods.

Additional funding for charter school capital outlay is authorized under Section 1013.62, Florida Statutes. These funds are restricted for capital outlay purposes directly related to the operation of the charter school.

The School applies for and receives Federal awards for the enhancement of various educational programs. 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.

**7. Prepaid Expenses**

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

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)**

**8. Reserved Fund Balance**

The reserved fund balance reported in the governmental funds at the end of the year represents amounts for prepaid expenses that are not available for future appropriation.

**9. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the amounts reported and disclosed in the financial statements. Actual results could differ from those estimates.

**10. Budgets and Budgetary Accounting**

Budgets are prepared on the modified accrual basis of accounting at the function level. Prior to the beginning of the fiscal year, the annual budget is submitted to the Board of Directors. A budget amendment may be submitted to the Board at the end of the first semester. The School Director has the authority to modify line items within the school's operational budget, with the exception of personnel, as long as the total fund budget is not overspent. The General Fund budget is considered a "legally adopted budget" for Florida compliance purposes.

**11. Charter Termination**

In the event the charter is not renewed or is terminated, the Sponsor may assume the operation of the School, or the School may be dissolved and students assigned to other public schools. All unencumbered funds, as well as property and improvements, furnishings, and equipment purchased with public funds, shall automatically revert to full ownership of the Sponsor.

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**NOTE B - CONCENTRATION OF CREDIT RISK**

The School maintains its cash accounts with one financial institution. In the normal course of business, the School's cash balance may exceed the maximum coverage provided by the Federal Deposit Insurance Corporation of \$100,000. At June 30, 2008, the School's carrying amount of deposits was \$754,042 and the bank balance was \$760,232. Of the bank balance, \$660,232 was uninsured. The school does not have a custodial credit risk policy.

**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the period ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 8,624	\$ 204,136	\$ --	\$ 212,760
Capital assets being depreciated:				
Furniture, fixtures, and equipment	14,884	5,517	--	20,401
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	3,138	2,164	--	5,302
Total capital assets being depreciated, net	<u>11,746</u>	<u>3,353</u>	<u>--</u>	<u>15,099</u>
Governmental activities capital assets, net	<u>\$ 20,370</u>	<u>\$ 207,489</u>	<u>\$ --</u>	<u>\$ 227,859</u>

Depreciation expense was charged to the functions of the school as follows:

Basic instruction	\$ 2,164
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**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit**  
**of the Miami-Dade County School Board**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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**NOTE D - RELATED PARTY ADVANCE**

The School incurred expenses of approximately \$308,000 on behalf of a separately incorporated entity operating a middle school (Miami Community Charter Middle School) under a charter with the Miami-Dade County School Board. The two schools share leased classroom space, instructional materials, and teachers. The School expects repayment in full, however, terms of the repayment plan have not yet been established. The middle school and School are related in that they have identical Board of Directors.

**NOTE E - OPERATING LEASE**

The School leases administrative and classroom space under an operating lease expiring July 2014, with an option to renew for one additional five year period at an increased rate. Annual rent is based on enrollment at specified per student amounts (ranging from \$500 per student in 2009 to \$675 per student in 2014). Additionally, the School leases equipment under a lease expiring September 2010. Rental expense was approximately \$171,000 for the year ended June 30, 2008.

Future minimum lease payments (for classroom space, based on current attendance levels) are estimated as follows:

Year Ending	
June 30,	
2009	\$ 172,000
2010	160,000
2011	180,000
2012	187,000
2013	194,000
Due thereafter	<u>202,000</u>
Total minimum lease payments	<u>\$1,095,000</u>

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

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**NOTE F - RISK MANAGEMENT PROGRAMS**

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

**NOTE G - CONTINGENCIES**

The school receives funding through the Sponsor based upon the number of full time equivalent (FTE) students enrolled. The accuracy of data compiled supporting FTE counts is subject to audit, and if found in error, could result in refunds or in decreases of future funding allocations. It is the opinion of management the amount of revenue which may be returned due to errors in the FTE count, if any, will not be material to the financial position of the School. In addition, the continued operation of the School is dependent upon an agreement with the Sponsor.

**NOTE H - COMMITMENTS**

The School has a contract with a professional services company which provides accounting and financial services, and other assistance to the School at a fixed percentage (3%) of the net FEFP revenue collected from the Sponsor. Approximately \$52,000 was paid for these professional services during the fiscal year. The contract began in July 2004 and can be cancelled by either party with thirty days advance notice.

The School has a contract with a company for project management services (provider) related to the development of the new educational facility (Note I). The terms of the agreement require payment of \$8,000 monthly through June 30, 2009. A total of \$48,000 was paid for these services during the year. The provider may cancel the agreement upon ninety days written notice to the School, and the School may cancel the agreement upon breach of the contract by the provider.

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit**  
**of the Miami-Dade County School Board**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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**NOTE I - SUBSEQUENT EVENTS**

Subsequent to June 30, 2008, the School purchased land in order to construct a kindergarten through grade 8 education facility. The land was purchased for approximately \$1,370,000 of which the school financed approximately \$880,000. The School is in the process of allocating and transferring a portion of the land cost and related debt to Miami Community Charter Middle School (Note D).

**REQUIRED SUPPLEMENTARY INFORMATION**

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)**  
**For the Year Ended June 30, 2008**

	Original and Final Budget	Actual	Over (Under)
<b>REVENUES</b>			
Intergovernmental			
FEFP funds	\$ 2,290,198	\$ 1,972,420	\$ (317,778)
Charter school capital outlay	175,500	156,795	(18,705)
Title I	76,170	92,800	16,630
National school lunch program	56,862	100,979	44,117
Charges for services	11,870	44,551	32,681
Miscellaneous	29,792	29,989	197
<b>Total revenues</b>	<u>2,640,392</u>	<u>2,397,534</u>	<u>(242,858)</u>
<b>EXPENDITURES</b>			
Current - Education			
Basic instruction	1,044,979	892,232	(152,747)
Board administration	163,382	143,245	(20,137)
Community services	17,522	17,256	(266)
Exceptional instruction	13,763	6,781	(6,982)
Facility services	258,611	333,416	74,805
Fiscal services	99,635	82,659	(16,976)
Food services	180,197	137,754	(42,443)
Institutional staff training	6,737	2,205	(4,532)
Instruction and curriculum development	7,082	--	(7,082)
Maintenance of plant	10,934	21,867	10,933
Operation of plant	104,418	124,313	19,895
Pupil transportation	43,095	48,600	5,505
School administration	251,435	132,629	(118,806)
Debt service - interest	--	4,775	4,775
<b>Total expenditures</b>	<u>2,201,790</u>	<u>1,947,732</u>	<u>(254,058)</u>
<b>Excess of revenues over expenditures</b>	438,602	449,802	11,200
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>511,101</u>	<u>511,101</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 949,703</u>	<u>\$ 960,903</u>	<u>\$ 11,200</u>

**INDEPENDENT AUDITOR'S 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**

Board of Directors  
Miami Community Charter School, Inc.  
Florida City, Florida

We have audited the financial statements of the governmental activities and general fund of Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 18, 2008. 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.

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

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

Our consideration of 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*.

As required by Section 218.39(4), Florida Statutes, and defined in Chapter 10.850, Rules of the Auditor General, we have issued a separate management letter dated September 18, 2008, which should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the board of directors, management and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Creel, LLP*

September 18, 2008

## MANAGEMENT LETTER

Board of Directors  
Miami Community Charter School, Inc.  
Florida City, Florida

We have audited the financial statements of the governmental activities and general fund of the Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 18, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated September 18, 2008, should be considered in conjunction with this “management letter”.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require that the “management letter” address the following matters:

The Rules of the Auditor General (Section 10.854 (1) (e) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations in the preceding annual financial audit report. Except as noted in Attachment A, the recommendations made in the preceding annual financial audit report have been resolved to our satisfaction.

The Rules of the Auditor General (Section 10.854 (1) (e) 2.) require a statement as to whether the charter school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. None of the conditions described in Section 218.503(1), Florida Statutes, were met.

The Rules of the Auditor General (Section 10.854 (1) (e) 3.) require recommendations to improve the School's financial management. We are submitting for your consideration the recommendation described in Attachment B.

The Rules of the Auditor General (Section 10.854 (1) (e) 4.) require disclosure in the management letter 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 determination of financial statement amounts that is less than material but more than inconsequential. No items were noted requiring disclosure.

The Rules of the Auditor General (Section 10.854 (1) (e) 5.) require disclosure in the management letter of the following matters, based on the auditor's professional judgment, that are inconsequential to the determination of financial statement amounts considering both quantitative and qualitative factors, including the following: a. violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred; b. improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and c. control deficiencies that are not significant deficiencies, including, but not limited to: 1) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), 2) failures to properly record financial transactions, or 3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. See Attachment B.

The Rules of the Auditor General (Section 10.854 (1) (e) 6.) require disclosure of the name or official title of the charter school, which is Miami Community Charter School, Inc.

As required by the Rules of the Auditor General (Section 10.854 (1) (e) 7. a.), we have applied financial condition assessment procedures pursuant to Rule 10.855(10). No deteriorating financial conditions were noted.

This report is intended solely for the information and use of the board of directors, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

*O'Sullivan Greel, LLP*

September 18, 2008

STATUS OF PRIOR YEAR RECOMMENDATIONS

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**2007-1 Authorized check signers**

We noted that signature card information at the bank was not updated to reflect changes in authorized check signers. In this instance, a former board member still had check signing authority. In an effort to maintain strong controls, we suggest management annually review the authorized check signers on record with the bank and make necessary updates as soon as possible.

Management's Response:

We agree with the finding and are in the process to correct this matter.

CURRENT YEAR RECOMMENDATIONS

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2008-1 Agreement for repayment of advances

During the current school year, Miami Community Charter Middle School began operating a middle school under a charter agreement with the Miami-Dade County School Board at the same location as Miami Community Charter School, Inc. (School). The middle school shares the School's classroom space, instructional materials, teachers, and has an identical Board of Directors membership. During the year, the School incurred expenses on behalf of the middle school totaling approximately \$308,000, for which the School expects repayment. However, there was not a formal agreement between the parties outlining the repayment terms. We recommend the specific terms be documented in the form of a note receivable to clearly establish the nature of, and responsibilities under, this agreement.

Management's Response:

We agree with the finding and are in the process of finalizing a promissory note.