

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**

(A COMPONENT UNIT OF  
THE SCHOOL BOARD OF MIAMI-DADE COUNTY)

FISCAL YEARS ENDED JUNE 30, 2008 AND 2007



**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**

(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3-7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statements of Net Assets	8
Statements of Activities	9-10
Fund Financial Statements:	
Balance Sheets – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12-13
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statements of Activities	14
Fiduciary Statements:	
Statements of Fiduciary Net Assets – Internal Funds	15
Statements of Changes in Fiduciary Net Assets – Internal Funds	16
Notes to Financial Statements	17-23
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	24
Notes to Budgetary Comparison Schedule	25
SUPPLEMENTARY AUDITORS' REPORT	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26-27
MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	28-29
SCHEDULE OF FINDINGS	30



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)  
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities, major fund and the internal fund of The Downtown Miami Charter School, Inc. (the "School") as of and for the fiscal years ended June 30, 2008 and 2007, (a component unit of the School Board of Miami-Dade County), which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these special-purpose 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 audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and the internal fund of The Downtown Miami Charter School, Inc. as of June 30, 2008 and 2007, and the respective changes in financial position for the fiscal 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 a report dated August 29, 2008 on our consideration of the School's internal control over financial reporting and our tests of their 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 in 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 audits.

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.

The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3 through 7, and pages 24 and 25, respectively, 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.

GLSC & Company, PLLC

August 29, 2008



**GLSC & COMPANY, PLLC**  
*certified public accountants*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Downtown Miami Charter School, Inc. ("School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2008.

Management's discussion and analysis is included at the beginning of the audited financial statements to provide, in layman's term, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the financial statements and other supplementary information that presents all the School's revenue and expenditures by program for the General Fund and the Internal Fund, which is accounted for as a Trust Fund.

### **FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations.

The School's current year of operations generated an increase in net assets of \$136,405 as compared to an increase in net assets of \$476,154 for the year ended June 30, 2007. The overall condition of the funds and governmental activities remains stable for the School.

The assets of the School exceeded its liabilities at June 30, 2008 by approximately \$605,766. Of this amount, \$484,726 was unrestricted.

### **USING THIS ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The 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 themselves.

#### **Government-Wide Financial Statements**

The *government-wide financial 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 information on all the School's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. 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 information showing how the government'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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all *governmental activities* that are principally supported by grants and entitlements from the State for full-time equivalent funding. The School does not have any *business-type activities*. The governmental activities of the School primarily include instructional and support services.

The government-wide financial statements can be found on pages 8 through 10 of the report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL REPORT (CONTINUED)

#### 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 School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's funds comprise of the General Fund, a governmental fund, and the Internal Fund, a fiduciary 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 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 a 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 governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains only one governmental fund type, which is the general fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The School adopts an annual budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

#### Fiduciary Funds

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are used to account for the School's Internal Fund and are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own activities. The accounting used for fiduciary funds is much like that used for government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 15 through 16 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 17 through 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 budgetary information for the School's general fund. Required supplementary information can be found on pages 24 and 25 of this report.

Our auditors have provided reasonable assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditors regarding the Supplementary Information identified above. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts listed in the table of contents.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the sixth year of operations and as such, a comparative of government-wide data will be presented. The School's net assets were \$605,766 at June 30, 2008. Of this amount, \$484,726 was unrestricted and \$121,040 was invested in capital assets. The School's net assets were \$469,361 at June 30, 2007. Of this amount, \$425,857 was unrestricted and \$43,504 was invested in capital assets.

Our analysis of the financial statements of the School begins below. The Statement of Net Assets and the Statement of Activities reports information about the School's activities that will help answer questions about the position of the School. A comparative analysis is provided.

#### **Net Assets**

A summary of the School's Net Assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2.

**Table A-1**  
*Summary of net assets*

	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
Current assets	\$ 880,251	\$ 716,301
Capital assets, net	<u>121,040</u>	<u>43,504</u>
Total assets	<u>1,001,291</u>	<u>759,805</u>
Current liabilities	<u>395,525</u>	<u>290,444</u>
Investment in capital assets, net of related debt	121,040	43,504
Unrestricted net assets	<u>484,726</u>	<u>425,857</u>
Total net assets	<u>\$ 605,766</u>	<u>\$ 469,361</u>

**Table A-2**  
*Summary of changes in net assets*

	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 456,233	\$ 321,351
Operating grants and contributions	256,470	122,978
Capital grants and contributions	423,691	598,658
General Revenues:		
FTE	3,718,645	3,756,457
Investment income and miscellaneous	<u>7,592</u>	<u>13,605</u>
Total revenues	<u>4,862,631</u>	<u>4,813,049</u>
Expenses:		
Instructional services	2,109,593	1,905,800
Support services	353,502	317,937
Operation of non-instructional services	1,001,561	961,405
Operation and maintenance of plant	<u>1,261,571</u>	<u>1,151,753</u>
Total expenses	<u>4,726,226</u>	<u>4,336,895</u>
Increase in net assets	<u>\$ 136,405</u>	<u>\$ 476,154</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted above and in the statement of activities on pages 9 and 10, the cost of all governmental activities during the year ended June 30, 2008 and 2007 was \$4,726,226 and \$4,336,895, respectively. The majority of these activities were financed through general revenues of \$3,726,237 and \$3,770,062, which consist primarily of FTE funding from the State.

See "Financial Highlights" on page 3 of this report, for a further explanation of the reason for the increase in net assets.

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

**Governmental funds.** The focus of the School's *governmental 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 a government's net resources available for spending at the end of the fiscal year.

At the end of the School's sixth fiscal year of operations, fund balance of the general fund was \$484,726. The general fund is the chief operating fund of the School.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for June 30, 2008 and 2007:

**Table B-1**

*Summary of condensed Balance Sheet*

	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
Total assets	<u>\$ 880,251</u>	<u>\$ 716,301</u>
Total liabilities	<u>395,525</u>	<u>290,444</u>
Total fund balance	<u>484,726</u>	<u>425,857</u>
Total liabilities and fund balance	<u>\$ 880,251</u>	<u>\$ 716,301</u>

**Table B-2**

*Summary of condensed statement of revenues, expenditures, and changes in fund balance*

	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
Total Revenues	\$ 4,862,631	\$ 4,813,049
Total Expenditures	<u>4,803,762</u>	<u>4,335,209</u>
Excess of revenues over expenditures	<u>\$ 58,869</u>	<u>\$ 477,840</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **MAJOR GOVERNMENTAL FUNDS, BUDGETING AND OPERATING HIGHLIGHTS**

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There were no amendments to the budget during the fiscal year ended June 30, 2008.

The general fund actual revenues were \$4,862,631 for the fiscal year ended June 30, 2008. That amount exceeded the budget estimates due primarily to the fact that the actual FTE revenue per student was greater than the estimate used for the budget.

The actual expenditures of the general fund were \$4,803,762 for the fiscal year ended June 30, 2008. That is below the budget estimates primarily due to the lower instructional and administrative expenses.

### **CAPITAL ASSETS**

At June 30, 2008, the School had \$212,541 invested in furniture, fixtures, computer equipment and leasehold improvements of which approximately \$91,501 has been depreciated, which resulted in a net book value of \$121,040. Total additions for the year were \$132,155.

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

The State of Florida has approved a decrease in education funding of approximately 2% for the FEFP program for the fiscal year 2008-2009. However, an additional decrease in December may be likely. Capital outlay revenue is expected to remain roughly the same as the prior year. Student enrollment is expected to remain at approximately the current level. These factors were considered in preparing the School's budget for fiscal year 2008-2009.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lorrie Davidson, Vice President of School Finance, Charter Schools USA, 6245 N. Federal Highway, 5<sup>th</sup> Floor, Ft. Lauderdale, Florida 33308.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF NET ASSETS

June 30,

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 763,848	\$ 550,290
Receivables	106,800	152,811
Prepays and other assets	9,603	13,200
Capital assets:		
Improvements other than buildings	13,784	6,830
Machinery and equipment	198,757	73,555
Less accumulated depreciation	<u>(91,501)</u>	<u>(36,881)</u>
Total assets	<u>\$ 1,001,291</u>	<u>\$ 759,805</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 123,984	\$ 67,017
Wages payable	<u>271,541</u>	<u>223,427</u>
Total liabilities	<u>395,525</u>	<u>290,444</u>
<u>NET ASSETS</u>		
Invested in capital assets	121,040	43,504
Unrestricted net assets	<u>484,726</u>	<u>425,857</u>
Total net assets	<u>\$ 605,766</u>	<u>\$ 469,361</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities Total</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>		
Governmental activities:						
Instructional services	\$ (1,928,377)	\$ -	\$ 256,470	\$ -	\$ -	\$ (1,671,907)
Pupil Guidance	(42,451)	-	-	-	-	(42,451)
Pupil personnel services	(128,955)	-	-	-	-	(128,955)
Instructional media services	(5,694)	-	-	-	-	(5,694)
Instruction and curriculum development services	(4,116)	-	-	-	-	(4,116)
Board	(16,000)	-	-	-	-	(16,000)
School administration	(337,502)	-	-	-	-	(337,502)
Fiscal services	(579,223)	-	-	-	-	(579,223)
Food services	(343,271)	242,294	-	-	-	(100,977)
Central services	(3,615)	-	-	-	-	(3,615)
Operation of plant	(1,125,846)	-	-	423,691	-	(702,155)
Maintenance of plant	(135,725)	-	-	-	-	(135,725)
Community services	(63,145)	213,939	-	-	-	150,794
Capital outlay	(12,307)	-	-	-	-	(12,307)
Total activities	<u>\$ (4,726,226)</u>	<u>\$ 456,233</u>	<u>\$ 256,470</u>	<u>\$ 423,691</u>	<u>\$ -</u>	<u>(3,589,832)</u>
General revenues:						
FTE non-specific revenues						3,718,645
Unrestricted investment income and miscellaneous						<u>7,592</u>
Total general revenues						<u>3,726,237</u>
Change in net assets						<u>136,405</u>
Net assets, beginning						<u>469,361</u>
Net assets, ending						<u>\$ 605,766</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u> <u>Governmental Activities Total</u>
Governmental activities:					
Instructional services	\$ (1,815,340)	\$ 265,626	\$ 122,978	\$ -	\$ (1,426,736)
Pupil personnel services	(89,018)	-	-	-	(89,018)
Instruction and curriculum development services	(814)	-	-	-	(814)
Instructional staff training services	(628)	-	-	-	(628)
Board	(10,100)	-	-	-	(10,100)
School administration	(307,837)	-	-	-	(307,837)
Fiscal services	(501,854)	-	-	-	(501,854)
Food services	(324,421)	55,725	-	-	(268,696)
Central services	(4,836)	-	-	-	(4,836)
Operation of plant	(1,067,594)	-	-	598,658	(468,936)
Maintenance of plant	(84,159)	-	-	-	(84,159)
Community services	(123,253)	-	-	-	(123,253)
Capital Outlay	(7,041)	-	-	-	(7,041)
Total activities	<u>\$ (4,336,895)</u>	<u>\$ 321,351</u>	<u>\$ 122,978</u>	<u>\$ 598,658</u>	<u>(3,293,908)</u>
General revenues:					
FTE non-specific revenues					3,756,457
Unrestricted investment income and miscellaneous					<u>13,605</u>
Total general revenues					<u>3,770,062</u>
Change in net assets					<u>476,154</u>
Net assets (deficit), beginning					<u>(6,793)</u>
Net assets, ending					<u>\$ 469,361</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30,

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 763,848	\$ 550,290
Receivables	106,800	152,811
Prepays and other assets	9,603	13,200
Total assets	\$ 880,251	\$ 716,301
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 123,984	\$ 67,017
Wages payable	271,541	223,427
Total liabilities	395,525	290,444
Fund Balance:		
Unreserved Designated	173,354	
Unreserved and Undesignated	311,372	425,857
Total fund balance	484,726	425,857
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.	121,040	43,504
Net fund balance of governmental activities	\$ 605,766	\$ 469,361

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

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**  
 (a component unit of the School Board of Miami-Dade County)  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>Revenues:</b>	
Local	\$ 4,398,806
Local grants and other	<u>463,825</u>
Total revenues	<u>4,862,631</u>
<b>Expenditures:</b>	
Instructional services	1,928,377
Pupil Guidance services	42,451
Pupil personnel services	128,955
Instructional medial services	5,694
Instruction and curriculum development services	4,116
Board	16,000
School administration	337,502
Fiscal services	579,223
Food service	343,271
Central services	3,615
Operation of plant	1,071,227
Maintenance of plant	135,725
Community services	63,145
Capital outlay	<u>144,462</u>
Total expenditures	<u>4,803,762</u>
Excess of revenues over expenditures	<u>58,869</u>
Net change in fund balance	<u>58,869</u>
Fund balance at beginning of year	<u>425,857</u>
Fund balance at end of year	<u>\$ 484,726</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Revenues:	
Local	\$ 4,451,880
Local grants and other	<u>361,169</u>
Total revenues	<u>4,813,049</u>
Expenditures:	
Instructional services	1,815,340
Pupil personnel services	89,018
Instruction and curriculum development services	814
Instruction staff training services	628
Board	10,100
School administration	307,837
Fiscal services	501,854
Food service	324,421
Central services	4,836
Operation of plant	1,049,739
Maintenance of plant	84,159
Community services	123,253
Capital outlay	<u>23,210</u>
Total expenditures	<u>4,335,209</u>
Excess of revenues over expenditures	<u>477,840</u>
Net change in fund balances	<u>477,840</u>
Fund balance (deficit) at beginning of year	<u>(51,983)</u>
Fund balance at end of year	<u>\$ 425,857</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2008</u>
Amounts reported for governmental activities in the statement of activities are are different because:	
Net change in fund balances- total governmental funds	\$ 58,869
Fixed asset additions capitalized	132,155
Depreciation expense - general fund	<u>(54,619)</u>
Change in net assets of governmental activities	<u>\$ 136,405</u>
	<u>2007</u>
Net change in fund balances- total governmental funds	\$ 477,840
Fixed asset additions capitalized	16,168
Depreciation expense - general fund	<u>(17,854)</u>
Change in net assets of governmental activities	<u>\$ 476,154</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF FIDUCIARY NET ASSETS - INTERNAL FUNDS

June 30,

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 32,430	\$ 18,408
Receivables	<u>-</u>	<u>30</u>
Total assets	<u>\$ 32,430</u>	<u>\$ 18,438</u>
 <u>NET ASSETS</u>  		
Net Assets:		
Held in trust for student activities	<u>\$ 32,430</u>	<u>\$ 18,438</u>
Total net assets	<u>\$ 32,430</u>	<u>\$ 18,438</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
INTERNAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<b>Additions:</b>		
Student activities	\$ 118,650	\$ 78,208
Total additions	<u>118,650</u>	<u>78,208</u>
 <b>Deletions:</b>		
<b>Student activities:</b>		
Classes	28,665	19,023
General	75,994	57,078
Total deletions	<u>104,658</u>	<u>76,101</u>
Change in net assets	<u>13,992</u>	<u>2,107</u>
Net assets at beginning of year	<u>18,438</u>	<u>16,331</u>
Net assets at end of year	<u>\$ 32,430</u>	<u>\$ 18,438</u>

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

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

On February 14, 2002, the Miami-Dade County School Board approved the applications submitted by the Board of Directors of The Downtown Miami Charter School, Inc. for the creation of The Downtown Miami Charter School (the School). The Downtown Miami Charter School, Inc. (the Organization) is a non-profit organization incorporated under the laws of Florida to operate a charter school organized pursuant to Section 228.056 of the Florida Statutes. The governing body of the School is the Organization's Board of Directors.

The School operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the School Board). The Downtown Miami Charter School's charter was approved by the Board of Directors on February 14, 2002 and is effective until June 30, 2012. The charter may be renewed for up to an additional fifteen (15) years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least 90 days prior to the charter's termination. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the Organization is considered a component unit of the School Board of Miami-Dade County and is included in the School Board's Comprehensive annual financial report.

**Enrollment and Grade Configuration**

<u>School Name and Addresses</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
Downtown Miami Charter School 305 N. W Third Avenue, Miami, FL 33128	K- 6	614	Candace Chewning (July 2007 – June 2008)

**Board of Directors**

The Board of Directors of the Downtown Miami Charter School, Inc. consists of the following members:

Matthew B. Gorson	Chairperson
Dana Nottingham	Board Member
Wanda Mendez	Board Member
Sharmaine Tyler-Luke	Board Member
Dr. Cary Otero	Board Member

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The School's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School. *Governmental activities*, are supported by Full-Time Equivalent (FTE) dollars and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. FTE dollars and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

The School's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

The general fund is the school's operating fund and is considered its only major fund. It accounts for all financial resources of the school, except for those required to be accounted for in another fund. In addition, the school uses a fiduciary type fund. The Internal Fund accounts for fundraising and other student activities held in trust for the benefit of the students.

Amounts reported as *program revenues* include 1) charges to School for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all FTE dollars.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

**d. Assets, Liabilities and Net Assets**

**1. Cash and Cash Equivalents**

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

**2. Receivables**

All intergovernmental receivables are considered to be collectible. No allowance for uncollectibles is considered necessary.

**3. Capital Assets**

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

	<u>Years</u>
Improvement other than buildings	30
Machinery and equipment	10

**4. Fund Equity/Net Assets (Deficit)**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The government-wide financial statements utilize a net asset presentation. Net asset are categorized as investment in capital assets (net of related debt) and restricted and unrestricted.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Assets, Liabilities and Net Assets (Continued)**

**4. Fund Equity/Net Assets (Deficit) (Continued)**

*Investment in Capital Assets (net of related debt)* - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Assets* – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The School would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

*Unrestricted Net Assets (Deficit)* - represent unrestricted liquid assets.

**e. Revenue Sources**

Revenues for current operations are received primarily from the Miami-Dade County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter, the School reports the number of full-time equivalent students and related data to the District. Under the provisions of Section 1011.62, of the Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

**f. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgetary Information***

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund. All annual appropriations lapse at fiscal year end. The original budget and any subsequent amendments are approved by the Board of Directors. For the fiscal year ended June 30, 2008, there were no amendments to the original budget.

**3. DEPOSITS & INVESTMENTS**

The School does not have a written investment policy; however, follows Florida Statutes 218.415(17) which allows public entities electing not to adopt a written investment policy to invest or reinvest any surplus public funds in their control or possession in:

**3. DEPOSITS & INVESTMENTS (CONTINUED)**

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury

The School's cash and cash equivalents include cash on hand and demand deposits. At June 30, 2008, the carrying amount of the School's deposits was \$763,848, while the bank balances of such deposits were \$803,234. The School's deposit are insured up to \$100,000 by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer, to hold public funds.

*Custodian Credit Risk.* Custodian credit risk for cash deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2008, the School's custodian credit risk is approximately \$703,234. The School maintains cash with a high quality financial institution, which limit this risk.

**4. CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 6,830	\$ 6,954	\$ -	\$ 13,784
Machinery and equipment	<u>73,555</u>	<u>125,202</u>	<u>-</u>	<u>198,757</u>
Total capital assets being depreciated	<u>80,385</u>	<u>132,156</u>	<u>-</u>	<u>212,541</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,921)	(1,378)	-	(4,299)
Machinery and equipment	<u>(33,960)</u>	<u>(53,242)</u>	<u>-</u>	<u>(87,202)</u>
Total accumulated depreciation	<u>(36,881)</u>	<u>(54,620)</u>	<u>-</u>	<u>(91,501)</u>
 Total capital assets being depreciated, net	 <u>\$ 43,504</u>	 <u>\$ 77,536</u>	 <u>\$ -</u>	 <u>\$ 121,040</u>

Depreciation expense was charged to functions/programs of the School as follows:

	<u>2008</u>	<u>2007</u>
Governmental activities:		
Operation and maintenance of plant	<u>\$ 54,619</u>	<u>\$ 17,854</u>

**5. COMMITMENTS AND CONTINGENCIES**

***Lease Agreement with the Downtown Development Authority of Miami***

On April 22, 2002, the School entered into a lease agreement (the "Lease") with the Downtown Development Authority of Miami (DDA) for property (Leased Land) to be used for the sole purpose of the operation and construction of a charter school; subject to a Ground Lease Agreement with the Developer for the construction of the charter school. DDA had previously obtained the land from the City of Miami through an interlocal agreement (the "Interlocal Agreement") pursuant to Resolution No. 02-382 adopted on April 11, 2002. The Lease is subject to all provisions of the Interlocal Agreement and to the extent the Lease and the Interlocal Agreement conflicts the terms of the Interlocal Agreement will govern. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$1.00 per year as long as the land is used for charter school purpose.

***Ground Lease Agreement Downtown Miami Charter School***

On April 22, 2002, the School entered into a lease agreement (the "Ground Lease") with DDA Charter School Developers, Inc. ("CSD") for the Leased Land mentioned in the Lease above. The Ground Lease was entered into with the understanding and agreement that CSD, at its sole cost and expense, would construct and equip the School on the Leased Land and rent the facilities back to the School. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$12.00 per year. Pursuant to the terms of the Interlocal Agreement, the School and the City authorize CSD as lessee under this Lease to pledge, mortgage or encumber its leasehold interest to a leasehold mortgagee in order to obtain financing for the construction of the charter school.

***Premises Lease Agreement***

On April 22, 2002, the School entered into a lease agreement (the "Premises Lease") with CSD for the charter school premises. The term of the Premises Lease commences on July 1, 2002 and continues for thirty (30) years. The agreement specifies the lease payments for the first five years of the lease with an adjustment on the sixth year and every lease year thereafter during the term of the lease. The rental adjustment will be adjusted upwards or downwards on the sixth year and every year thereafter based on the percentage increase or decrease of the per student full-time equivalent (FTE) credit from the preceding year.

The total non-cancelable minimum lease payments under the School's operating leases are as follows:

June 30,

2009

\$787,380

The School's rent expenditures totaled approximately \$732,000 and \$703,000 for the fiscal years ended June 30, 2008 and 2007, respectively.

**Grants**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. If through these audits, any of these agencies determines that the School has incurred expenditures disallowed under the terms and conditions of the appropriate agency, such audits could result in: (1) the denial of outstanding claims (pertaining to grants under the reimbursement method agreement by which the School uses its own funds and then files a reimbursement claim), or (2) the request for refund of monies given in advance (pertaining to those grants where grant funds are given to the School in advance).

**6. RELATED PARTY TRANSACTIONS**

***School Board***

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of five percent (5%) of the qualifying revenues of the School. During the years ended June 30, 2008 and 2007 approximately \$197,000 and \$192,000, was paid respectively to the School Board for administrative fees. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 614 and 641 full time students enrolled during the fiscal years ended June 30, 2008 and 2007, respectively. The School also receives other allowances based upon students enrolled.

***Management Operating Agreement***

The School entered into a seven year management agreement with a professional charter management company (Charter School USA) to provide management and administrative services to the School. The agreement expires on July 31, 2012. As defined under article V financial arrangements section C, Fee, the School will pay, as compensation to CSUSA, a management fee of 11%. For the first year of the agreement any revenues in excess of the 11% (fee cap) would be retained by CSUSA up to a maximum amount of \$350,000. The School's management fee expenses were approximately \$579,000 and \$531,000, including additional management fees as a result of the agreement between the school and the management company, of \$58,869 and \$23,981, for the fiscal years ended June 30, 2008 and 2007, respectively.

Management Company Information:

Name and Address:

Charter Schools USA  
6245 N. Federal Highway, 5<sup>th</sup> Floor  
Ft. Lauderdale, FL 33308

List of Principal Officers:

Chairman and CEO-Jonathan K. Hage

The School is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries property and liability insurance.

**7. DESIGNATED FUND BALANCE**

During the year, The Downtown Miami Charter School's Board of Directors designated \$173,354 of the governmental fund balance to offset fiscal year 2009 potential deficit

**SUPPLEMENTARY SCHEDULE**

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State FTE grants	\$ 4,317,234	\$ 4,317,234	\$ 4,398,806	\$ 81,572
Local grants and other	<u>499,991</u>	<u>499,991</u>	<u>463,825</u>	<u>(36,166)</u>
Total revenues	<u>4,817,225</u>	<u>4,817,225</u>	<u>4,862,631</u>	<u>45,406</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	2,073,889	2,073,889	1,928,377	145,512
Pupil Guidance	90,039	90,039	42,451	47,588
Pupil personnel services	59,588	59,588	128,955	(69,367)
Instruction media services	5,000	5,000	5,694	(694)
Instruction and curriculum development services	14,175	14,175	4,116	10,059
Board	11,000	11,000	16,000	(5,000)
School administration	398,412	398,412	337,502	60,910
Fiscal services	503,130	503,130	579,223	(76,093)
Food service	318,530	318,530	343,271	(24,741)
Central services	192,009	192,009	3,615	188,394
Operation of plant	1,124,719	1,124,719	1,071,227	53,492
Maintenance of plant	125,484	125,484	135,725	(10,241)
Community services	81,692	81,692	63,145	18,547
Capital outlay	<u>133,225</u>	<u>133,225</u>	<u>144,462</u>	<u>(11,237)</u>
Total expenditures	<u>5,130,892</u>	<u>5,130,892</u>	<u>4,803,762</u>	<u>327,130</u>
Excess of revenues over expenditures	(313,667)	(313,667)	58,869	372,536
Fund balances at beginning of year	<u>425,857</u>	<u>425,857</u>	<u>425,857</u>	<u>-</u>
Fund balances at end of year	<u>\$ 112,190</u>	<u>\$ 112,190</u>	<u>\$ 484,726</u>	<u>\$ 372,536</u>

See notes to budgetary comparison schedule

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2008**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end. The original budget and any subsequent amendments are approved by the Board of Directors. For the fiscal year ended June 30, 2008, there were no amendments to the original budget.

**SUPPLEMENTARY AUDITORS' REPORTS**



**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**

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

We have audited the basic financial statements of The Downtown Miami Charter School, Inc. (the School) (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2008 and 2007, and have issued our report dated August 29, 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 Downtown Miami 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization'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 considered material weakness, as defined above.

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management in the schedule of findings as item 2008-1.

The School's response to the finding identified in our audit, is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

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

GLSC & Company, PLLC

August 29, 2008





**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES  
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

We have audited the basic financial statements of The Downtown Miami Charter School, Inc. (the "School"), (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2008 and 2007, and have issued our report thereon dated August 29, 2008. 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 and Chapter 10.850, Rules of the Auditor General. We have also issued our report on compliance and on internal control over financial reporting; which is dated August 29, 2008, and should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.856(2) as required by the Auditor General for the State of Florida. Accordingly in connection with our audit of the basic financial statements of the School, as described in the first paragraph, we report the following:

1. The recommendations made in the preceding annual financial audit report were implemented.
2. The School has not met one or more of the conditions pursuant in Section 218.503(1), Florida Statutes.
3. There was one recommendation to improve the school's financial management, accounting procedures and internal controls (See item 2008-1).
4. There were no violations of laws, rules, regulations, contractual provisions or abuse that have occurred, or were likely to have occurred, that were discovered within the scope of the audit that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.
5. Based on our professional judgment, we may report on the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (a) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (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 financial statements); (2) failure to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. In connection with our audit, we did not have any such findings.

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

6. The name of the charter school is Downtown Miami Charter School.
7. Financial condition assessment procedures were performed in accordance with Rule 10.855(10). There were no deteriorating financial or financial emergency conditions noted.

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

GLSC & Company, PLLC

August 29, 2008



**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**SCHEDULE OF FINDINGS**  
**FISCAL YEAR ENDED JUNE 30, 2008**

**CURRENT YEAR FINDING**

**2008-1 Compliance with Florida Statute Section 280.17**

**CONDITION:**

The School did not prepare and file with the Florida Department of Financial Services the forms required to collateralize the cash deposits held by the financial institution in excess of the \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC).

**RECOMMENDATION:**

We recommend that the School file the required forms with the Florida Department of Financial Services to obtain collateralization of cash deposits held by the financial institution in excess of \$100,000 insured by the Federal Deposit Insurance Corporation (FDIC).

**MANAGEMENT RESPONSE:**

Management was unaware of the annual filing requirement until now. As a result, management will file the necessary documents as of September 30, 2008 as required by the Florida statute, and will continue to file on an annual basis going forward.

**Prior Year Corrected Financial Statement Findings (Internal Funds)**

Based on the results of our testing during the current fiscal year end audit, we noted that adequate steps had been taken by management to correct the comments listed below regarding financial reporting. As such, the following comment will not be repeated.

**2007-1** Internal control over disbursements of internal funds

**2005-3** School Internal Funds