

**MIAMI COMMUNITY CHARTER
SCHOOL, INC.**

A Charter School and Component Unit of the
District School Board of Miami-Dade County

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2010

King & Walker, CPAs, PL

Certified Public Accountants

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MIAMI COMMUNITY CHARTER SCHOOL, INC.

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KING & WALKER, CPAs, PL

Certified Public Accountants

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Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors Miami Community Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds of Miami Community Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Miami Community Charter School, Inc. as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2010, on our consideration of the Miami Community Charter School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other matters included under the heading ***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***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule 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 thereon.

Respectfully submitted,

King & Walker, CPAs

August 28, 2010
Tampa, Florida

MIAMI COMMUNITY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Miami Community Charter School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2010.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 23.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2010, the School's revenues exceeded expenses as shown on the School's statement of activities by \$498,115.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$497,481.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-Wide Financial Statements
- ✓ Fund Financial Statements
- ✓ Notes to Financial Statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and a Special Revenue Fund to account for its food service operations and certain Federal programs. For reporting purposes the General Fund and Special Revenue Fund are shown as major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue Fund to demonstrate compliance with the budget.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2009 and June 30, 2010:

	Net Assets, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-09</u>	<u>6-30-10</u>	<u>Increase (Decrease)</u>
ASSETS			
Current Assets	\$ 342,276	\$ 714,747	\$ 372,471
Capital Assets, Net	1,890,886	2,025,587	134,701
Total Assets	<u>\$ 2,233,162</u>	<u>\$ 2,740,334</u>	<u>\$ 507,172</u>
LIABILITIES			
Current Liabilities	\$ 160,286	\$ 217,266	\$ 56,980
Long-Term Liabilities	877,500	829,577	(47,923)
Total Current Liabilities	<u>1,037,786</u>	<u>1,046,843</u>	<u>9,057</u>
NET ASSETS			
Invested in Capital Assets	1,013,386	1,196,010	182,624
Unrestricted	181,990	497,481	315,491
Total Net Assets	<u>1,195,376</u>	<u>1,693,491</u>	<u>498,115</u>
Total Liabilities and Net Assets	<u>\$ 2,233,162</u>	<u>\$ 2,740,334</u>	<u>\$ 507,172</u>

Assets consist primarily of cash and the School's investment in capital assets primarily land for a new educational facility. Liabilities are comprised of payables and a loan for the purchase of land. The balance in Unrestricted Net Assets of \$497,481 may be used to meet the School's ongoing obligations.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2009 and June 30, 2010 is as follows:

	Operating Results for the Year		
	Governmental Activities		
	6-30-09	6-30-10	Increase (Decrease)
Revenues:			
Federal sources	\$ 294,872	\$ 346,385	\$ 51,513
State and Local sources	2,241,142	2,824,535	583,393
Grants, Contributions and Other	36,176	8,754	(27,422)
Total Revenues	2,572,190	3,179,674	607,484
Expenses:			
Instruction	1,205,575	1,193,636	(11,939)
Instructional Media	35,243	61,764	26,521
Instr. & Curriculum Development	4,439	8,648	4,209
Instructional Staff Development	2,400	3,477	1,077
Board of Education	189,850	301,315	111,465
School Administration	179,686	166,098	(13,588)
Facilities Acq. & Construction	260,200	308,649	48,449
Fiscal Services	87,433	101,098	13,665
Food Services	175,067	234,347	59,280
Pupil Transportation	62,206	91,770	29,564
Operation of Plant	115,567	87,107	(28,460)
Maintenance of Plant	26,894	23,865	(3,029)
Community Services	24,390	28,249	3,859
Debt Service - Interest	41,092	65,085	23,993
Unallocated Depreciation	2,690	6,451	3,761
Total Expenses	2,412,732	2,681,559	268,827
Increase/(Decrease) in Net Assets	\$ 159,458	\$ 498,115	\$ 338,657

The largest revenue source for the School is the State of Florida (83 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The School also received Federal funding for its participation in the National School Lunch program and the Title I program.

Expenses increased due to the costs associated with future financing agreements, increased enrollment and increased facility costs.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$497,481.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2010, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual revenue and expenditures were more than originally budgeted amounts due to an increase in enrollment.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$2,025,587 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, construction in progress, and land. Additional information regarding the School's capital assets can be found in note 5 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Miami Community Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Financial Services, Inc., P.O. Box 250 Bonifay, FL 32425.

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

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 487,319
Due From Other Agency	93,725
Loan Receivable	106,203
Prepaid Expenses and Deposits	<u>27,500</u>
Total Current Assets	<u>714,747</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	59,697
Land	1,665,717
Construction in Progress	<u>300,173</u>
Total Capital Assets, Net	<u>2,025,587</u>
TOTAL ASSETS	<u><u>\$ 2,740,334</u></u>
LIABILITIES	
Salaries and Wages Payable	\$ 101,519
Accounts Payable	79,111
Loan Payable	36,636
Long Term Liabilities:	
Note Payable, due within one year	<u>829,577</u>
Total Liabilities	<u>1,046,843</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt Unrestricted	<u>1,196,010</u> <u>497,481</u>
Total Net Assets	<u>1,693,491</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,740,334</u></u>

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

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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 1,193,636	\$ -	\$ 162,093.00	\$ -	\$ (1,031,543)	\$ (1,031,543)
Instructional Media	61,764				(61,764)	(61,764)
Instruction & Curriculum Development	8,648				(8,648)	(8,648)
Instructional Staff Training	3,477				(3,477)	(3,477)
Board of Education	301,315				(301,315)	(301,315)
School Administration	166,098				(166,098)	(166,098)
Facilities Acquisition & Construction	308,649			192,805	(115,844)	(115,844)
Fiscal Services	101,098				(101,098)	(101,098)
Food Services	234,347	11,075	184,292		(38,980)	(38,980)
Pupil Transportation	91,770				(91,770)	(91,770)
Operation of Plant	87,107				(87,107)	(87,107)
Maintenance of Plant	23,865				(23,865)	(23,865)
Community Service	28,249	4,704			(23,545)	(23,545)
Interest on Debt	65,085				(65,085)	(65,085)
Unallocated Depreciation	6,451				(6,451)	(6,451)
Total Governmental Activities	\$ 2,681,559	\$ 15,779	\$ 346,385	\$ 192,805	(2,126,590)	(2,126,590)
General Revenues:						
State and Local sources					2,620,655	2,620,655
Other					4,050	4,050
					2,624,705	2,624,705
Change in Net Assets					498,115	498,115
Net Assets - July 1, 2009					1,195,376	1,195,376
Net Assets - June 30, 2010					\$ 1,693,491	\$ 1,693,491

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Major Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 487,319	\$ -	\$ 487,319
Due From Other Funds		6,829	6,829
Due From Other Agency	93,725		93,725
Loan Receivable	106,203		106,203
Prepaid Expenses and Deposits	27,500		27,500
TOTAL ASSETS	<u><u>\$ 714,747</u></u>	<u><u>\$ 6,829</u></u>	<u><u>\$ 721,576</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salary and Wages Payable	\$ 101,519	\$ -	\$ 101,519
Accounts Payable	72,282	6,829	79,111
Due To Other Funds	6,829		6,829
Loan Payable	36,636		36,636
Total Liabilities	<u>217,266</u>	<u>6,829</u>	<u>224,095</u>
Fund Balances:			
Undesignated	<u>497,481</u>	<u>-</u>	<u>497,481</u>
Total Fund Balances	<u>497,481</u>	<u>-</u>	<u>497,481</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 714,747</u></u>	<u><u>\$ 6,829</u></u>	<u><u>\$ 721,576</u></u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
*June 30, 2010***

Total Fund Balances - Governmental Funds	\$ 497,481
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	2,025,587
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(829,577)</u>
Total Net Assets - Governmental Activities	<u>\$ 1,693,491</u>

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

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

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

For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Major Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal Through State & Local	\$ -	\$ 346,385	\$ 346,385
State and Local	2,813,460	11,075	2,824,535
Contributions and Other	8,754		8,754
Total Revenues	<u>2,822,214</u>	<u>357,460</u>	<u>3,179,674</u>
Expenditures			
Current - Education:			
Instruction	1,031,543	162,093	1,193,636
Instructional Media	61,764		61,764
Instruction & Curriculum Development	8,648		8,648
Instructional Staff Training	3,477		3,477
Board of Education	301,315		301,315
School Administration	166,098		166,098
Facilities Acquisition & Construction	308,649		308,649
Fiscal Services	101,098		101,098
Food Services		234,347	234,347
Pupil Transportation	91,770		91,770
Operation of Plant	87,107		87,107
Maintenance of Plant	23,865		23,865
Community Service	28,249		28,249
Fixed Capital Outlay:			
Facilities Acquisition & Construction	87,413		87,413
Other Capital Outlay	53,739		53,739
Debt Service:			
Principal	47,923		47,923
Interest	65,085		65,085
Total Expenditures	<u>2,467,743</u>	<u>396,440</u>	<u>2,864,183</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>354,471</u>	<u>(38,980)</u>	<u>315,491</u>
Other Financing Sources:			
Transfers In/(Out)	<u>(38,980)</u>	<u>38,980</u>	<u>-</u>
Total Other Financing Sources:	<u>(38,980)</u>	<u>38,980</u>	<u>-</u>
Net Change in Fund Balance	315,491		315,491
Fund Balances, July 1, 2009	181,990	-	181,990
Fund Balances, June 30, 2010	<u><u>\$ 497,481</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 497,481</u></u>

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

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Governmental Funds	\$	315,491
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays (\$141,152) in excess of depreciation expense (\$6,451) in the current year.		134,701
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		47,923
Change in Net Assets - Governmental Activities	\$	498,115

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ Reporting Entity

The 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 governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of six members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida, ("District"). The current charter is effective until June 30, 2010 and is subject to annual review and may be renewed by mutual agreement between the School and the District. The School's charter has been renewed for an additional five year term through June 30, 2015. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District 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 District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ Basis of Presentation

Government-Wide Financial Statements - Government-Wide Financial Statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for the School's food service operations and certain Federal grant program resources.

All other governmental funds are non-major and are presented in the aggregate.

➤ Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using 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. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. 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. Under the modified

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Budgets and Budgetary Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ **Deposits**

Cash deposits consist of demand deposits and a money market account with a financial institution. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. At June 30, 2010, the School's uninsured cash balances totaling \$237,319 were exposed to custodial credit risk.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

➤ Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, 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 (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during designated full-time equivalent (FTE) student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62, Florida Statutes is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2010, the School reported 392.50 unweighted FTE and 418.81 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state 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.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

2. **DUE FROM OTHER AGENCY**

The amounts Due from Other Agency included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from the Florida Department of Education for the Charter School Capital Outlay recorded in the General Fund. These receivables are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

3. **LOAN RECEIVABLE**

The School reported a receivable of \$106,203 due from the Miami Community Charter High School, Inc., a related party through common control, in its Statement of Net Assets and Balance Sheet – Governmental Funds. This amount represents a temporary zero interest demand loan given to partially fund current operations of the Miami Community Charter Middle School, Inc. The School expects to receive repayment of this loan within one year from the financial statement date; however terms of the repayment plan have not yet been established.

4. **INTERFUND RECEIVABLES/PAYABLES**

At June 30, 2010, the School's General Fund owed the Special Revenue Fund \$6,829, for expenditures accrued under the food service program. These amounts are netted together and not reported in the statement of net assets.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,665,717	\$ -	\$ -	\$ 1,665,717
Construction in Progress	212,760	87,413	-	300,173
Total Capital Assets Not Being Depreciated	1,878,477	87,413	-	1,965,890
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	20,402	53,739	-	74,141
Total Capital Assets Being Depreciated	20,402	53,739	-	74,141
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(7,993)	(6,451)	-	(14,444)
Total Accumulated Depreciation	(7,993)	(6,451)	-	(14,444)
Total Capital Assets Being Depreciated, Net	12,409	47,288	-	59,697
Governmental Activities Capital Assets, Net	\$ 1,890,886	\$ 134,701	\$ -	\$ 2,025,587

Unallocated depreciation expense for the 2009-10 fiscal year was \$6,451.

6. LONG-TERM DEBT

All long-term debt represents amounts to be repaid from governmental activities. As of June 30, 2010, the Schools long-term debt consisted of the following notes payable:

<u>Building Hope...A Charter School Facilities Fund</u>	<u>Balance at 6-30-10</u>
Promissory Note bearing a 6.75% variable interest rate maturing May 1, 2011. The borrower shall make 11 principal and interest payments of \$9,631.55 starting June 1, 2010 and one final principal and interest payment of \$784,349.44 on May 1, 2011.	<u>\$ 829,577</u>

Amounts payable for the note payable is as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	<u>\$ 879,376</u>	<u>\$ 829,577</u>	<u>\$ 49,799</u>
Total	<u>\$ 879,376</u>	<u>\$ 829,577</u>	<u>\$ 49,799</u>

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

7. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance 7/1/2009	Additions	Deductions	Balance 6/30/2010	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 877,500	\$ -	\$ (47,923)	\$ 829,577	\$ 829,577
Total Governmental Activities	<u>\$ 877,500</u>	<u>\$ -</u>	<u>\$ (47,923)</u>	<u>\$ 829,577</u>	<u>\$ 829,577</u>

8. LOAN PAYABLE

The School reported a liability of \$36,636 to the Miami Community Charter Middle School, Inc., a related party through common control, in its Statement of Net Assets and Balance Sheet – Governmental Funds. This amount represents a temporary zero interest demand loan received to partially fund current operations of the School. The School expects to repay this loan within one year from the financial statement date; however terms of the repayment plan have not yet been established.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2010, may be impaired.

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

10. PENSION PLAN

The School participated in a defined contribution tax sheltered annuity 401(k) plan for employees with more than three months of service with the School. Contributions made by the School totaled \$611 for the year ended June 30, 2010 were computed at 1.5% on wages paid to each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

11. LEASE COMMITMENTS

The School leases its educational facility under a noncancelable operating lease expiring in August 2014. This lease contains an option to renew for an additional five year period. Annual rent is based on enrollment at specified per student amounts ranging from \$500 per student in fiscal year 2008-09 to \$675 per student in fiscal year 2013-14. The following is a schedule by years of future minimum classroom rental payments required based on current enrollment levels:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2011	209,000
2012	215,000
2013	221,000
2014	227,000
2015	38,000
Total Minimum Payments Required	<u>910,000</u>

Rental expenditures under this lease for the 2009-10 fiscal year were \$ 205,658.

12. PROFESSIONAL SERVICE CONTRACTS

The School entered into an annual contract for professional services with School Financial Services, Inc. to perform various financial, accounting, and purchasing services. The contract is cancellable by either party with 30 days written notice. The professional fees for the year ended June 30, 2010, were \$67,356.

The School has a contract with a company for project management services with Educational Facilities Solutions related to the development of a new educational facility. The contract terms require monthly payments of \$8,000 through June 30, 2010. The contract is cancellable by the company with 90 days written notice to the School, and the School may cancel the contract upon breach of contract by the company. The professional fees for the year ended June 30, 2010, were \$96,000.

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

13. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The School's Federal, State and local revenue for the 2009-10 fiscal year is as follows:

<u>Source</u>	<u>Amount</u>
<i><u>FEDERAL:</u></i>	
Title I Program	\$ 162,093
National School Lunch & Breakfast	184,292
Total Federal Revenue	<u>\$ 346,385</u>
 <i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 1,709,817
Categorical Educational Programs:	
Class Size Reduction	483,868
Supplementary Academic Instruction	133,084
Transportation	42,058
Instructional Materials	31,175
ESE Guaranteed Allocation	12,463
Safe School	11,453
Capital Outlay	192,805
School Recognition Program	23,936
Florida Teachers' Lead Program	3,152
Discretionary Lottery	1,119
Total State Revenue	<u>2,644,930</u>
 <i><u>LOCAL:</u></i>	
Student Lunches	11,075
Discretionary Millage	168,530
Total Local Revenue	<u>179,605</u>
Total State and Local Revenue	<u>\$ 2,824,535</u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$129,678.

Accounting policies relating to certain State revenue sources are described in Note 1.

14. RISK MANAGEMENT PROGRAMS

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

15. LEGAL MATTERS

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

16. FUNDING AND CREDIT CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2010

	General Fund				Major Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal through Local	\$ -	\$ -	\$ -	\$ -	\$ 145,309	\$ 346,385	\$ 346,385	\$ -
State and Local	2,563,279	2,813,460	2,813,460	-	6,696	11,075	11,075	-
Contributions and Other	38,245	8,754	8,754	-				
Total Revenues	2,601,524	2,822,214	2,822,214	-	152,005	357,460	357,460	-
Expenditures:								
Current - Education:								
Instruction	1,200,307	1,031,543	1,031,543	-	47,000	162,093	162,093	-
Instructional Media	38,658	61,764	61,764	-				
Instruction & Curriculum Development	4,215	8,648	8,648	-				
Instructional Staff Training	2,279	3,477	3,477	-				
Board of Education	165,373	301,315	301,315	-				
School Administration	186,057	166,098	166,098	-				
Facilities Acquisition & Construction	176,500	308,649	308,649	-				
Fiscal Services	102,353	101,098	101,098	-				
Food Services	-	-	-	-	191,524	234,347	234,347	-
Pupil Transportation	64,228	91,770	91,770	-				
Operation of Plant	105,939	87,107	87,107	-				
Maintenance of Plant	25,538	23,865	23,865	-				
Community Service	18,895	28,249	28,249	-				
Fixed Capital Outlay:								
Facilities Acquisition & Construction		87,413	87,413	-				
Other Capital Outlay		53,739	53,739	-				
Debt Service:								
Principal		47,923	47,923	-				
Interest	42,100	65,085	65,085	-				
Total Expenditures	2,132,442	2,467,743	2,467,743	-	238,524	396,440	396,440	-
Excess (Deficiency) of Revenues Over/Under Expenditures	469,082	354,471	354,471	-	(86,519)	(38,980)	(38,980)	-
Other Financing Sources:								
Transfers In/(Out)	-	(38,980)	(38,980)	-	-	38,980	38,980	-
Total Other Financing Sources:	-	(38,980)	(38,980)	-	-	38,980	38,980	-
Net Changes in Fund Balances	469,082	315,491	315,491	-	(86,519)	-	-	-
Fund Balances, July 1, 2009	181,990	181,990	181,990	-	-	-	-	-
Fund Balances, June 30, 2010	\$ 651,072	\$ 497,481	\$ 497,481	\$ -	\$ (86,519)	\$ -	\$ -	\$ -

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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*

To the Board of Directors Miami Community Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the basic financial statements of the Miami Community Charter School, Inc. ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. 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 of the School's financial statements for the fiscal year ended June 30, 2010, we considered the 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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, and other guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 28, 2010
Tampa, Florida

KING & WALKER, CPAs, PL
Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Miami Community Charter School, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the basic financial statements of the Miami Community Charter School, Inc. (“School”), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 28, 2010.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 28, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with 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 certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. All findings noted in the prior audit have been corrected.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), require that we make recommendations, present financial management, accounting procedures, and internal controls. No recommendations were noted in our audit.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- 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, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

No matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Miami Community Charter School, Inc.

This letter is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 28, 2010
Tampa, Florida

MIAMI COMMUNITY CHARTER SCHOOL, INC.
A Charter School and Component Unit of the District School Board of Miami-Dade County

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2010

The following is the School's response to the item in the Management Letter dated August 28, 2010, as required by Rule 10.857, Rules of the Auditor General:

No response required.