

**MIAMI COMMUNITY CHARTER  
MIDDLE SCHOOL**

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

**INDEPENDENT AUDITOR'S REPORT**

*for the fiscal year ended JUNE 30, 2011*

**King & Walker, CPAs, PL**

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*Certified Public Accountants*

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# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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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 Middle School,  
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 Middle School, ("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, 2011, 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 School as of June 30, 2011, 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, 2011, on our consideration of the School'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, 2011  
Tampa, Florida

## **MIAMI COMMUNITY CHARTER MIDDLE SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Miami Community Charter Middle School ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2011.

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 21.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2011, the School's revenues exceeded expenses as shown on the School's statement of activities by \$130,396.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$146,182.

### **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 is shown as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General 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, 2010 and June 30, 2011:

	Governmental Activities		
	6-30-10	6-30-11	Increase (Decrease)
<b>ASSETS</b>			
Current Assets	\$ 190,145	\$ 432,847	\$ 242,702
Capital Assets, Net	22,468	38,005	15,537
Total Assets	<u>\$ 212,613</u>	<u>\$ 470,852</u>	<u>\$ 258,239</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 158,822	\$ 286,665	\$ 127,843
Total Current Liabilities	<u>158,822</u>	<u>286,665</u>	<u>127,843</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Debt	22,468	38,005	15,537
Unrestricted	<u>31,323</u>	<u>146,182</u>	<u>114,859</u>
Total Net Assets	<u>53,791</u>	<u>184,187</u>	<u>130,396</u>
Total Liabilities and Net Assets	<u>\$ 212,613</u>	<u>\$ 470,852</u>	<u>\$ 258,239</u>

Assets consist primarily of cash which is offset mainly by a temporary loan made by Miami Community Charter High School, Inc., a related party. The School also reported an unrestricted net asset balance of \$146,182.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2010 and June 30, 2011 are as follows:

	<b>Operating Results for the Year</b>		
	<b>Governmental Activities</b>		
	6-30-10	6-30-11	Increase (Decrease)
<b>Revenues:</b>			
Federal sources	\$ 65,098	\$ 87,754	\$ 22,656
State and Local sources	658,379	984,063	325,684
Grants, Contributions and Other	8	8,537	8,529
<b>Total Revenues</b>	<b>723,485</b>	<b>1,080,354</b>	<b>356,869</b>
<b>Expenses:</b>			
Instruction	222,889	389,436	166,547
Instructional Media	3,094	25,223	22,129
Board of Education	55,836	62,602	6,766
School Administration	169,924	176,492	6,568
Facilities Acq. & Construction	95,081	189,619	94,538
Fiscal Services	25,739	34,539	8,800
Food Services	30,907	-	(30,907)
Operation of Plant	56,345	55,337	(1,008)
Maintenance of Plant	4,950	-	(4,950)
Community Services	6,638	16,710	10,072
<b>Total Expenses</b>	<b>671,403</b>	<b>949,958</b>	<b>278,555</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 52,082</b>	<b>\$ 130,396</b>	<b>\$ 78,314</b>

The largest revenue source for the School is the State of Florida (86 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 Title I program and Educations Jobs Fund program (8 percent).

An increase in enrollment level of approximately 50 percent over the prior year, was the major factor in increased revenues. Expenses increased due to the start of construction of a new education facility and additional instructional staff resulting from the increased enrollment.

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

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$146,182.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2011, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were approximately equal to what was originally anticipated.

### **CAPITAL ASSETS**

The School's capital assets consisted solely of capitalized expenditures for construction in progress of \$38,005 attributable to the start of the construction of a new educational facility. No depreciation is reported for construction in progress.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Miami Community Charter Middle School'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 MIDDLE SCHOOL**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

*June 30, 2011*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 373,384
Due From Other Agency	22,227
Loan Receivable	36,636
Prepaid Expenses	<u>600</u>
Total Current Assets	<u>432,847</u>
Capital Assets:	
Construction in Progress	<u>38,005</u>
Total Capital Assets, Net	<u>38,005</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 470,852</u></u></b>
<b>LIABILITIES</b>	
Salaries and Wages Payable	\$ 43,505
Accounts Payable	15
Loan Payable	<u>243,145</u>
Total Liabilities	<u>286,665</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	38,005
Unrestricted	<u>146,182</u>
Total Net Assets	<u>184,187</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 470,852</u></u></b>

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

**MIAMI COMMUNITY CHARTER MIDDLE SCHOOL**  
**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, 2011*

	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	\$ 389,436	\$ -	\$ 87,754	\$ -	\$ (301,682)	\$ (301,682)
Instructional Media	25,223				(25,223)	(25,223)
Board of Education	62,602				(62,602)	(62,602)
School Administration	176,492				(176,492)	(176,492)
Facilities Acquisition & Construction	189,619			69,578	(120,041)	(120,041)
Fiscal Services	34,539				(34,539)	(34,539)
Operation of Plant	55,337				(55,337)	(55,337)
Community Service	16,710				(16,710)	(16,710)
<b>Total Governmental Activities</b>	<b><u>\$ 949,958</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 87,754</u></b>	<b><u>\$ 69,578</u></b>	<b><u>(792,626)</u></b>	<b><u>(792,626)</u></b>
General Revenues:						
State and Local sources					914,485	914,485
Other					8,537	8,537
					<u>923,022</u>	<u>923,022</u>
Change in Net Assets					130,396	130,396
Net Assets - July 1, 2010					53,791	53,791
Net Assets - June 30, 2011					<u>\$ 184,187</u>	<u>\$ 184,187</u>

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

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

***BALANCE SHEET - GOVERNMENTAL FUNDS***

*June 30, 2011*

	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 373,384	\$ -	\$ 373,384
Due From Other Agency	7,012	15,215	22,227
Loan Receivable	36,636		36,636
Due From Other Funds	15,215		15,215
Prepaid Expenses	600		600
<b>TOTAL ASSETS</b>	<b><u>\$ 432,847</u></b>	<b><u>\$ 15,215</u></b>	<b><u>\$ 448,062</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salary and Wages Payable	\$ 43,505	\$ -	\$ 43,505
Accounts Payable	15		15
Loan Payable	243,145		243,145
Due To Other Funds		15,215	15,215
<b>Total Liabilities</b>	<b><u>286,665</u></b>	<b><u>15,215</u></b>	<b><u>301,880</u></b>
Fund Balances:			
Nonspendable	600		600
Spendable - Unassigned	145,582		145,582
<b>Total Fund Balances</b>	<b><u>146,182</u></b>	<b><u>-</u></b>	<b><u>146,182</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 432,847</u></b>	<b><u>\$ 15,215</u></b>	<b><u>\$ 448,062</u></b>

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

**MIAMI COMMUNITY CHARTER MIDDLE SCHOOL  
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, 2011*

<b>Total Fund Balances - Governmental Funds</b>	\$ 146,182
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.	<u>38,005</u>
<b>Total Net Assets - Governmental Activities</b>	<u><u>\$ 184,187</u></u>

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

**MIAMI COMMUNITY CHARTER MIDDLE SCHOOL  
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, 2011*

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues</b>			
Intergovernmental:			
Federal Through State & Local	\$ -	\$ 87,754	\$ 87,754
State and Local	984,063		984,063
Contributions and Other	8,537		8,537
Total Revenues	<u>992,600</u>	<u>87,754</u>	<u>1,080,354</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	301,682	87,754	389,436
Instructional Media	25,223		25,223
Board of Education	62,602		62,602
School Administration	176,492		176,492
Facilities Acquisition & Construction	189,619		189,619
Fiscal Services	34,539		34,539
Operation of Plant	55,337		55,337
Community Service	16,710		16,710
Fixed Capital Outlay:			
Facilities Acquisition & Construction	15,537		15,537
Total Expenditures	<u>877,741</u>	<u>87,754</u>	<u>965,495</u>
Net Change in Fund Balance	114,859		114,859
Fund Balances, July 1, 2010	<u>31,323</u>	<u>-</u>	<u>31,323</u>
Fund Balances, June 30, 2011	<u>\$ 146,182</u>	<u>\$ -</u>	<u>\$ 146,182</u>

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

**MIAMI COMMUNITY CHARTER MIDDLE SCHOOL  
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, 2011***

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	114,859
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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 (\$15,537) in excess of depreciation expense (\$0) in the current year.

15,537

<b>Change in Net Assets - Governmental Activities</b>	\$	<u><u>130,396</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ **Reporting Entity**

Miami Community Charter Middle School, Inc. 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 operates one charter school approved by its sponsor, the District School Board of Miami-Dade County, Florida. The reporting entity consists of this charter, Miami Community Charter Middle School (School"). 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 has been made effective for the 2007-08 school year and is effective until June 30, 2012, is subject to annual review, and may be renewed by mutual agreement between the School and the District for up to an additional 15 years. 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.

#### ➤ **Allocation of Common Expenses**

The School shares the same physical location with Miami Community Charter High School, a related party through common control, and common expenditures. These common expenditures have been allocated between the Schools based on student enrollment.

Expenditures that are subject to allocation include, but are not limited to the following functional categories:

- Instruction

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

- Instructional Media
- Administration
- Operation of Plant

The process of the allocation of common expenses takes place when the expenses are recorded based on a methodical and non-discriminatory basis.

### ➤ **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.

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 fund is 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.

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.

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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 and Investments**

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.

The School's deposits must be placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### ➤ 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.

### ➤ Fund Balance

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. The School has prepaid expenses of \$600 classified as nonspendable. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its remaining fund balance of \$145,582 as Spendable-Unassigned on its Balance Sheet – Governmental Funds.

### ➤ 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 (FTE) students reported by the School during designated full-time equivalent 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

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2011, the School reported 153 unweighted FTE and 154.09 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.

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 amount 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 funds for Charter School Capital Outlay funds and Education

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Jobs Fund program recorded in the General Fund and Special Revenue Fund, respectively. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

### 3. LOAN RECEIVABLE – RELATED PARTY

The School reported a receivable of \$36,636 due from the Miami Community Charter 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 AND PAYABLES

At June 30, 2011, the School's Special Revenue Fund owed the General Fund \$15,215 for expenditures paid by the General Fund awaiting reimbursement. The amounts for interfund receivables and payables are netted together and not reported in the statement of net assets and statement of activities.

### 5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 22,468	\$ 15,537	\$ -	\$ 38,005
Governmental Activities Capital Assets	<u>22,468</u>	<u>15,537</u>	<u>-</u>	<u>38,005</u>

### 6. LOAN PAYABLE – RELATED PARTY

The School reported a liability of \$243,145 to the Miami Community Charter High School, 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.

### 7. 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 \$1,800 for the year ended June 30, 2011 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 MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 8. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The School's Federal, State and local revenue for the 2010-11 fiscal year is as follows:

Source	Amount
<i>FEDERAL:</i>	
Educations Jobs Fund	\$ 30,430
Title I Program	57,324
Total Federal Revenue	<u>\$ 87,754</u>
 <i>STATE:</i>	
Florida Education Finance Program	\$ 609,413
Categorical Educational Programs:	
Class Size Reduction	140,825
Supplementary Academic Instruction	52,122
Transportation	13,272
ESE Guaranteed Allocation	12,197
Instructional Materials	12,020
Reading Instruction	5,610
Safe School	4,143
Charter School Capital Outlay	69,578
School Recognition Funds	7,613
Discretionary Lottery	550
Total State Revenue	<u>\$ 927,343</u>
 <i>LOCAL:</i>	
Discretionary Millage	56,720
Total Local Revenue	<u>56,720</u>
Total State and Local Revenue	<u>\$ 984,063</u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$45,344.

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

### 9. FACILITY LEASE – RELATED PARTY

On October 1, 2010, Miami Community Charter School, Inc. (a related party through common control), issued \$7,700,000 of bonded debt to construct an educational facility to be leased to Miami Community Charter Middle School and Miami Community Charter High School. On October 1, 2010 both Schools entered into long-term lease agreements commencing July 1, 2011 and ending June 30, 2041. Payment terms of the lease are to be equal to the debt service payments on the bonds, contribution to the renewal and replacement reserve, and maintenance and other expenses. The proportions of contributions by both Schools to the monthly lease payments are based on student enrollment. Projected enrollment in both Schools is approximately equal, and the following schedule of future lease payments reflects this apportionment.

# MIAMI COMMUNITY CHARTER MIDDLE SCHOOL

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Annual required minimum lease payments are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Annual Amount</u>
2012	285,000
2013	285,000
2014	323,400
2015	322,600
2016	324,000
2017-2021	1,610,050
2022-2026	1,553,575
2027-2031	1,554,900
2032-2036	1,551,850
2037-2041	1,866,900
Total	<u><u>9,677,275</u></u>

### 10. 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.

### 11. 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 collectability of any related receivables at June 30, 2011, 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.

### 12. 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.

### 13. 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 MIDDLE SCHOOL**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2011*

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>				
Intergovernmental:				
Federal through Local	\$ -	\$ -	\$ -	\$ -
State and Local	978,607	984,063	984,063	-
Contributions and Other		8,537	8,537	-
<b>Total Revenues</b>	<u>978,607</u>	<u>992,600</u>	<u>992,600</u>	<u>-</u>
<b>Expenditures:</b>				
Current - Education:				
Instruction	342,796	301,682	301,682	-
Instructional Media		25,223	25,223	-
Instruction & Curriculum Development	401	-	-	-
Instructional Staff Training	966	-	-	-
Board of Education	55,504	62,602	62,602	-
School Administration	181,081	176,492	176,492	-
Facilities Acquisition & Construction	77,614	189,619	189,619	-
Fiscal Services	37,322	34,539	34,539	-
Food Services	59,339	-	-	-
Pupil Transportation	31,006	-	-	-
Operation of Plant	59,664	55,337	55,337	-
Maintenance of Plant	9,902	-	-	-
Community Service	4	16,710	16,710	-
Fixed Capital Outlay:				
Facilities Acquisition	15,536	15,537	15,537	-
<b>Total Expenditures</b>	<u>871,135</u>	<u>877,741</u>	<u>877,741</u>	<u>-</u>
Net Changes in Fund Balances	107,472	114,859	114,859	-
Fund Balances, July 1, 2010	31,323	31,323	31,323	-
<b>Fund Balances, June 30, 2011</b>	<u>\$ 138,795</u>	<u>\$ 146,182</u>	<u>\$ 146,182</u>	<u>\$ -</u>

See Independent Auditor's Report.

# KING & WALKER, CPAs, PL

*Certified Public Accountants*

David M. King, CPA  
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## **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 Middle School,  
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 Middle School, ("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, 2011, 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, 2011, 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 deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 2011  
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  
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## **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 Middle School,  
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 Middle School ("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, 2011, and have issued our report thereon dated August 28, 2011.

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, 2011. 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. There were no prior audit findings.

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.

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.), requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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.

Our audit disclosed 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 Middle School.

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,

*King & Walker, CPAs*

August 28, 2011  
Tampa, Florida

**MIAMI COMMUNITY CHARTER MIDDLE SCHOOL**  
**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, 2011**

The following is the School's response to the item in the Management Letter dated August 28, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.