

**MIAMI COMMUNITY
CHARTER SCHOOL**

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, 2012

King & Walker, CPAs, PL

Certified Public Accountants

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MIAMI COMMUNITY CHARTER SCHOOL

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Members:
Florida Institute of CPAs
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Government Audit Quality Center

709 W. Azeele St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

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

To the Board of Directors Miami Community Charter 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 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, 2012, 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, 2012, 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 24, 2012, 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 24, 2012
Tampa, Florida

MIAMI COMMUNITY CHARTER SCHOOL
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 ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2012.

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 24.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the School's expenses exceeded revenues as shown on the School's statement of activities by \$201,458.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$690,668.

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, 2011 and June 30, 2012:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-11	6-30-12	Increase (Decrease)
ASSETS			
Current Assets	\$ 1,348,325	\$ 906,226	\$ (442,099)
Capital Assets, Net	2,179,992	2,628,896	448,904
Total Assets	\$ 3,528,317	\$ 3,535,122	\$ 6,805
LIABILITIES			
Current Liabilities	\$ 181,736	\$ 215,558	\$ 33,822
Long-Term Liabilities	-	174,441	174,441
Total Current Liabilities	181,736	389,999	208,263
NET ASSETS			
Invested in Capital Assets, Net of Debt	2,179,992	2,454,455	274,463
Unrestricted	1,166,589	690,668	(475,921)
Total Net Assets	3,346,581	3,145,123	(201,458)
Total Liabilities and Net Assets	\$ 3,528,317	\$ 3,535,122	\$ 6,805

Assets consist primarily of cash and the School's investment in capital assets primarily land for a new educational facility. Liabilities are comprised mainly of salaries & wages payable and a long-term capital lease payable.

The balance in Unrestricted Net Assets of \$690,668 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, 2011 and June 30, 2012 is as follows:

	Operating Results for the Year		
	Governmental Activities		
	6-30-11	6-30-12	Increase (Decrease)
Revenues:			
Federal sources	\$ 480,653	\$ 463,986	\$ (16,667)
State and Local sources	2,907,093	3,124,007	216,914
Grants, Contributions and Other	230,742	30,849	(199,893)
Total Revenues	3,618,488	3,618,842	354
Expenses:			
Instruction	1,246,164	1,799,737	553,573
Pupl Personnel Services	-	27,998	27,998
Instructional Media	39,516	22,445	(17,071)
Instr. & Curriculum Development	9,989	4,255	(5,734)
Instructional Staff Training	7,974	2,300	(5,674)
Instructional-Related Technology	-	33,089	33,089
Board of Education	201,320	256,527	55,207
School Administration	243,442	285,863	42,421
Facilities Acq. & Construction	224,180	215,000	(9,180)
Fiscal Services	109,392	127,217	17,825
Food Services	315,236	379,300	64,064
Pupil Transportation	164,400	197,566	33,166
Operation of Plant	108,708	326,316	217,608
Maintenance of Plant	36,015	25,943	(10,072)
Community Service	36,411	35,440	(971)
Interest	14,251	-	(14,251)
Unallocated Depreciation	14,306	81,304	66,998
Debt Transferred to Parent Corporation	(805,906)	-	805,906
Total Expenses	1,965,398	3,820,300	1,854,902
Increase/(Decrease) in Net Assets	\$ 1,653,090	\$ (201,458)	\$ (1,854,548)

The largest revenue source for the School is the State of Florida (83%). 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 (13 percent) for its participation in the National School Lunch program, Title I program and Education Jobs Fund program.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$690,668.

BUDGETARY HIGHLIGHTS

The General Fund budget for the fiscal year ended June 30, 2012, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its General Fund budget. For the fiscal year ended June 30, 2012, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 25 for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$2,628,896 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, construction in progress, assets under capital lease and land. Additional information regarding the School's capital assets can be found in note 4 to the financial statements.

REQUESTS FOR INFORMATION

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

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 665,151
Loan Receivable	152,658
Prepaid Expenses and Deposits	88,417
Total Current Assets	<u>906,226</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	72,430
Assets Under Capital Lease, Net	179,830
Land	1,665,717
Construction in Progress	710,919
Total Capital Assets, Net	<u>2,628,896</u>
TOTAL ASSETS	<u><u>\$ 3,535,122</u></u>
LIABILITIES	
Salaries and Wages Payable	\$ 181,553
Accounts Payable	10,151
Loan Payable	23,854
Long Term Liabilities:	
Capital Lease Payable, due after one year	119,679
Capital Lease Payable, due within one year	54,762
Total Liabilities	<u>389,999</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,454,455
Unrestricted	690,668
Total Net Assets	<u>3,145,123</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,535,122</u></u>

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

MIAMI COMMUNITY CHARTER 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, 2012

	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	\$ 1,799,737	\$ -	\$ 103,172	\$ -	\$ (1,696,565)	\$ (1,696,565)
Pupil Personnel Services	27,998				(27,998)	(27,998)
Instructional Media	22,445				(22,445)	(22,445)
Instruction & Curriculum Development	4,255				(4,255)	(4,255)
Instructional Staff Training	2,300				(2,300)	(2,300)
Instructional-Related Technology	33,089				(33,089)	(33,089)
Board of Education	256,527				(256,527)	(256,527)
School Administration	285,863				(285,863)	(285,863)
Facilities Acquisition & Construction	215,000			166,023	(48,977)	(48,977)
Fiscal Services	127,217				(127,217)	(127,217)
Food Services	379,300	4,919	360,814		(13,567)	(13,567)
Pupil Transportation	197,566				(197,566)	(197,566)
Operation of Plant	326,316				(326,316)	(326,316)
Maintenance of Plant	25,943				(25,943)	(25,943)
Community Service	35,440	7,902			(27,538)	(27,538)
Unallocated Depreciation	81,304				(81,304)	(81,304)
Total Governmental Activities	<u>\$ 3,820,300</u>	<u>\$ 12,821</u>	<u>\$ 463,986</u>	<u>\$ 166,023</u>	<u>(3,177,470)</u>	<u>(3,177,470)</u>
General Revenues:						
State and Local sources					2,953,065	2,953,065
Other					22,947	22,947
					<u>2,976,012</u>	<u>2,976,012</u>
Change in Net Assets					(201,458)	(201,458)
Net Assets - July 1, 2011					3,346,581	3,346,581
Net Assets - June 30, 2012					<u>\$ 3,145,123</u>	<u>\$ 3,145,123</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Major Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 665,151	\$ -	\$ 665,151
Due From Other Funds		3,239	3,239
Loan Receivable	152,658		152,658
Prepaid Expenses and Deposits	88,417		88,417
TOTAL ASSETS	<u><u>\$ 906,226</u></u>	<u><u>\$ 3,239</u></u>	<u><u>\$ 909,465</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salary and Wages Payable	\$ 179,316	\$ 2,237	\$ 181,553
Accounts Payable	9,149	1,002	10,151
Due To Other Funds	3,239		3,239
Loan Payable	23,854		23,854
Total Liabilities	<u>215,558</u>	<u>3,239</u>	<u>218,797</u>
Fund Balances:			
Spendable - Unassigned	602,251		602,251
Nonspendable	88,417	-	88,417
Total Fund Balances	<u>690,668</u>	<u>-</u>	<u>690,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 906,226</u></u>	<u><u>\$ 3,239</u></u>	<u><u>\$ 909,465</u></u>

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

**MIAMI COMMUNITY CHARTER 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, 2012

Total Fund Balances - Governmental Funds	\$ 690,668
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.	2,628,896
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(174,441)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 3,145,123</u></u>

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

MIAMI COMMUNITY CHARTER 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, 2012

	General Fund	Major Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through State & Local	\$ -	\$ 463,986	\$ 463,986
State and Local	3,119,088	4,919	3,124,007
Contributions and Other	30,849		30,849
Total Revenues	3,149,937	468,905	3,618,842
Expenditures			
Current - Education:			
Instruction	1,696,565	103,172	1,799,737
Pupil Personnel Services	27,998		27,998
Instructional Media	22,445		22,445
Instruction & Curriculum Development	4,255		4,255
Instructional Staff Training	2,300		2,300
Instructional-Related Technology	33,089		33,089
Board of Education	256,527		256,527
School Administration	285,863		285,863
Facilities Acquisition & Construction	215,000		215,000
Fiscal Services	127,217		127,217
Food Services	-	379,300	379,300
Pupil Transportation	197,566		197,566
Operation of Plant	326,316		326,316
Maintenance of Plant	25,943		25,943
Community Service	35,440		35,440
Fixed Capital Outlay:			
Facilities Acquisition & Construction	252,805		252,805
Other Capital Outlay	277,403		277,403
Debt Service:			
Principal	65,333		65,333
Interest	-		-
Total Expenditures	3,852,065	482,472	4,334,537
Excess (Deficiency) of Revenues			
Over Expenditures	(702,128)	(13,567)	(715,695)
Other Financing Sources (Uses):			
Proceeds from Long Term Debt	239,774		239,774
Transfers In/(Out)	(13,567)	13,567	-
Total Other Financing Sources (Uses):	226,207	13,567	239,774
Net Change in Fund Balances	(475,921)	-	(475,921)
Fund Balances, July 1, 2011	1,166,589	-	1,166,589
Fund Balances, June 30, 2012	\$ 690,668	\$ -	\$ 690,668

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

**MIAMI COMMUNITY CHARTER 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, 2012***

Net Change in Fund Balances - Governmental Funds	\$	(475,921)
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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 (\$530,208) in excess of depreciation expense (\$81,304) in the current year.		448,904
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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.		65,333
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Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Assets.		(239,774)
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Change in Net Assets - Governmental Activities	\$	(201,458)
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The accompanying notes to the financial statements are an integral part of this statement.

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Miami Community Charter School ("School") a component unit of the District School Board of Miami-Dade County, Florida. The School is sponsored by its charter-holder, Miami Community Charter School, Inc., 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, 2015 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

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 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.

➤ 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,

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

➤ **Cash 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.

➤ **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
Assets Under Capital Lease	5 years

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Net Assets and Fund Balance Classification**

Government-wide financial statements

Net assets are classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ 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, 2012, the School reported 491.50 unweighted FTE and 541.09 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

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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. LOAN RECEIVABLE – RELATED PARTY

The School reported a receivable of \$152,658 due from 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 given to partially fund current operations of the Miami Community Charter Middle School. The School expects to receive repayment of this loan within one year from the financial statement date. Terms of the repayment plan have not yet been established.

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2012, the School's General Fund owed the Special Revenue Fund \$3,239, for expenditures accrued under the food service program. General Fund transferred \$13,567 to the Special Revenue Fund to provide financial support for the School's food service program. These amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net assets and statement of activities.

4. 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:				
Land	\$ 1,665,717	\$ -	\$ -	\$ 1,665,717
Construction in Progress	458,114	252,805	-	710,919
Total Capital Assets Not Being Depreciated	<u>2,123,831</u>	<u>252,805</u>	<u>-</u>	<u>2,376,636</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	84,911	37,629	-	122,540
Assets Under Capital Lease	-	239,774	-	239,774
Total Capital Assets Being Depreciated	<u>84,911</u>	<u>277,403</u>	<u>-</u>	<u>362,314</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(28,750)	(21,360)	-	(50,110)
Assets Under Capital Lease	-	(59,944)	-	(59,944)
Total Accumulated Depreciation	<u>(28,750)</u>	<u>(81,304)</u>	<u>-</u>	<u>(110,054)</u>
Total Capital Assets Being Depreciated, Net	<u>56,161</u>	<u>196,099</u>	<u>-</u>	<u>252,260</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,179,992</u>	<u>\$ 448,904</u>	<u>\$ -</u>	<u>\$ 2,628,896</u>

Unallocated depreciation expense for the fiscal year was \$81,304.

5. LOAN PAYABLE – RELATED PARTY

The School reported a liability of \$23,854 payable to Miami Community Charter Middle 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. Terms of the repayment plan have not yet been established.

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

6. OBLIGATIONS UNDER CAPITAL LEASE

The School is currently leasing computers and computer equipment with an asset value of \$239,774.

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	65,333	54,762	10,571
2014	65,333	58,080	7,253
2015	65,332	61,599	3,733
Total Minimum Lease Payments	<u>\$ 195,998</u>	<u>\$ 174,441</u>	<u>\$ 21,557</u>

The imputed interest rate is 6.06 percent.

7. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Capital Lease Payable	\$ -	\$ 239,774	\$ (65,333)	\$ 174,441	\$ 54,762
Total Governmental Activities	<u>\$ -</u>	<u>\$ 239,774</u>	<u>\$ (65,333)</u>	<u>\$ 174,441</u>	<u>\$ 54,762</u>

8. 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, 2012, 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.

9. 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 \$1,686 for the year ended June 30, 2012 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

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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.

10. 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 2009-10 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</u>	<u>Amount</u>
2013	221,000
2014	227,000
2015	38,000
Total Minimum Payments Required	<u>\$ 486,000</u>

Rental expenditures under this lease for the fiscal year were \$215,000.

11. 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, 2012, were \$77,686.

The School entered into a contract for the period July 1, 2011, to June 30, 2015, with School Development Group. The contract calls for School Development Group to provide the School with general management of the School's operations, negotiate operational contracts with vendors, and manage business dealings of the School with outside entities. The contract is cancellable with 60 days written notice. An annual fee is to be 3.5% of the School's monthly FEFP revenue less the District's administrative fee, to be paid in monthly installments. Fees under this agreement incurred to School Development Group during the fiscal year amounted to \$104,974.

MIAMI COMMUNITY CHARTER SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

12. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and Local revenue:

<u>Source</u>	<u>Amount</u>
<i><u>FEDERAL:</u></i>	
Title I Program	\$ 101,844
Education Jobs Fund	1,328
National School Lunch & Breakfast	360,814
Total Federal Revenue	<u>\$ 463,986</u>
 <i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 1,892,402
Categorical Educational Programs:	
Class Size Reduction	642,397
Supplementary Academic Instruction	160,063
Transportation	59,435
Instructional Materials	36,802
ESE Guaranteed Allocation	15,148
Safe School	13,824
Capital Outlay	166,023
Discretionary Lottery	1,663
Miscellaneous State Revenue	721
Total State Revenue	<u>2,988,478</u>
 <i><u>LOCAL:</u></i>	
Student Lunches	4,919
Discretionary Millage	130,610
Total Local Revenue	<u>135,529</u>
Total State and Local Revenue	<u>\$ 3,124,007</u>

As provided in the charter school contract and Florida Department of Education Rules, the District has charged the School an administrative fee on FEFP revenue for the first 250 FTE, which totaled \$75,085.

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

13. 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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

14. 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.

15. 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.

16. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

MIAMI COMMUNITY CHARTER 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 & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2012

	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 State and Local	\$ -	\$ -	\$ -	\$ -	\$ 444,024	\$ 463,986	\$ 463,986	\$ -
Contributions and Other	3,049,018	3,119,088	3,119,088	-	7,453	4,919	4,919	-
Total Revenues	<u>3,195,594</u>	<u>3,149,937</u>	<u>3,149,937</u>	<u>-</u>	<u>451,477</u>	<u>468,905</u>	<u>468,905</u>	<u>-</u>
Expenditures:								
Current - Education:								
Instruction	1,564,790	1,696,565	1,696,565	-	195,800	103,172	103,172	-
Pupil Personnel Services		27,998	27,998	-			-	-
Instructional Media		22,445	22,445	-			-	-
Instruction & Curriculum Development	8,846	4,255	4,255	-			-	-
Instructional Staff Training	10,304	2,300	2,300	-			-	-
Instructional-Related Technology	114,693	33,089	33,089	-			-	-
Board of Education	157,562	256,527	256,527	-			-	-
School Administration	269,660	285,863	285,863	-			-	-
Facilities Acquisition & Construction	215,000	215,000	215,000	-			-	-
Fiscal Services	130,651	127,217	127,217	-			-	-
Food Services	92,446	-	-	-	255,677	379,300	379,300	-
Pupil Transportation	161,155	197,566	197,566	-			-	-
Operation of Plant	110,504	326,316	326,316	-			-	-
Maintenance of Plant	34,740	25,943	25,943	-			-	-
Community Service		35,440	35,440	-			-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	56,091	252,805	252,805	-			-	-
Other Capital Outlay	6,357	277,403	277,403	-			-	-
Debt Service:								
Principal		65,333	65,333	-			-	-
Interest		-	-	-			-	-
Total Expenditures	<u>2,932,799</u>	<u>3,852,065</u>	<u>3,852,065</u>	<u>-</u>	<u>451,477</u>	<u>482,472</u>	<u>482,472</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/Under Expenditures	<u>262,795</u>	<u>(702,128)</u>	<u>(702,128)</u>	<u>-</u>	<u>-</u>	<u>(13,567)</u>	<u>(13,567)</u>	<u>-</u>
Other Financing Sources (Uses):								
Proceeds from Long Term Debt	-	239,774	239,774	-			-	-
Transfers In/(Out)	-	(13,567)	(13,567)	-	-	13,567	13,567	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>226,207</u>	<u>226,207</u>	<u>-</u>	<u>-</u>	<u>13,567</u>	<u>13,567</u>	<u>-</u>
Net Changes in Fund Balances	262,795	(475,921)	(475,921)	-	-	-	-	-
Fund Balances, July 1, 2011	1,166,589	1,166,589	1,166,589	-	-	-	-	-
Fund Balances, June 30, 2012	<u>\$ 1,429,384</u>	<u>\$ 690,668</u>	<u>\$ 690,668</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

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Government Audit Quality Center

709 W. Azeele St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

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,
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 ("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, 2012, 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, 2012, 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,

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

August 24, 2012
Tampa, Florida



Members:
Florida Institute of CPAs
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Government Audit Quality Center

709 W. Azelee St.
Tampa, FL 33606
office (813) 892-4274 fax (813) 253-0951
www.KingandWalker.com

**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,
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 (“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, 2012, and have issued our report thereon dated August 24, 2012.

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 24, 2012. 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 findings and recommendations in the prior audit.

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.), 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.

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,

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

August 24, 2012
Tampa, Florida

MIAMI COMMUNITY CHARTER 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, 2012

The following is the School's response to the item in the Management Letter dated August 24, 2012, as required by Rule 10.857, Rules of the Auditor General:

No response required.