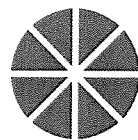


MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE MIAMI-DADE COUNTY SCHOOL BOARD

FINANCIAL STATEMENTS

JUNE 30, 2007



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**MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
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**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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**MIAMI COMMUNITY CHARTER SCHOOL, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
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O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants  
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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major funds of Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board, as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the School as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2007 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 10 and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Funds on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*O'Sullivan Creel, LLP*

August 31, 2007

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2007**

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Our discussion and analysis of Miami Community Charter School, Inc. (School) financial performance provides an overview of the School's financial activities for the year ended June 30, 2007. Please read it in conjunction with the School's financial statements which immediately follow this discussion.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements

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

The *statement of net assets* presents the School's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents the change in the School's net assets during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

### Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School only has one category of funds – governmental funds.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2007**

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*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Federal Start-Up Grant funds, which are both considered to be major funds.

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

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 15 - 22 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results. Required supplementary information is on page 23 of this report.



**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2007**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

Miami Community Charter School, Inc.'s Net Assets

	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 600,546	\$ 313,008
Capital Assets	<u>20,370</u>	<u>13,333</u>
Total Assets	<u>620,916</u>	<u>326,341</u>
Liabilities - Current	89,445	118,126
Net Assets:		
Invested in Capital Assets	20,370	13,333
Unrestricted	<u>511,101</u>	<u>194,882</u>
Total Net Assets	<u>\$ 531,471</u>	<u>\$ 208,215</u>

The Invested in Capital Assets (4 percent) reflects the School's investment in capital assets. The School uses these assets to provide services to the students; consequently, these assets are not available for future spending. The remaining balance, Unrestricted (96 percent), may be used to meet the School's ongoing obligations.

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit**  
**of the Miami-Dade County School Board**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**June 30, 2007**

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

	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues		
Charges for services	\$ 29,892	\$ 29,636
Operating and capital grants	141,923	257,042
General revenues		
FEFP	1,783,143	1,273,177
Other revenues	<u>31,757</u>	<u>25,093</u>
Total revenues	1,986,715	1,584,948
Expenses:		
Basic instruction	822,709	888,408
Exceptional instruction	8,847	--
Instruction and curriculum development	3,715	5,564
Pupil transportation	32,113	31,390
Fiscal services	78,164	--
Facility services	146,706	109,869
Maintenance of plant	14,334	6,283
Food services	133,756	83,778
Instructional staff training	779	--
Board administration	147,683	78,905
School administration	156,509	112,447
Operation of plant	98,919	50,637
Community services	<u>19,225</u>	<u>--</u>
Total expenses	<u>1,663,459</u>	<u>1,367,279</u>
Increase in Net Assets	323,256	217,669
Net Assets, beginning of year	<u>208,215</u>	<u>(9,454)</u>
Net Assets, end of year	<u>\$ 531,471</u>	<u>\$ 208,215</u>

General revenues are earned based upon student enrollment, measured twice during the school year. The increase in general revenues was the result of approximately a 25% increase in the number of students. Significant expenses include salary and related benefits, as well as rental of the School facility.

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2007**

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

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

As of June 30, 2007, the School's governmental funds reported combined ending fund balances of \$511,101, an increase of \$316,219 in comparison with the prior year. The fund balance is unreserved and is available for spending at the School's discretion.

The general fund is the chief operating fund of the School. At the end of fiscal period 2007, unreserved fund balance of the general fund was \$511,101, an increase of \$316,219 over the prior year. The key factor in this increase was an increase in student enrollment resulting in increased revenues with a limited increase in overall expenditures.

The Federal Start-Up Grant fund accounts for certain grant program resources. The School recognized revenues and expenditures of \$16,058 related to School start up activities for the period ending June 30, 2007.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

- Excess of FEFP revenue actual over budget of \$25,928 due to the budget being based on the estimates of FTE, program, and per student amounts, which were all unknown at the time of budget preparation.
- Excess of Title I revenue actual over budget of \$52,765 due to the budget being based on the assumption that the amount would be similar to the prior year, when, in fact, the School enjoyed a substantial increase.
- Excess of Basic instruction expense budget over actual of \$142,228 due to savings in teacher salaries and textbook purchases.
- Excess of Facility services expense actual over budget of \$33,706 due to additional lease expense as a direct result of the increase in student enrollment.
- Excess of Maintenance of plant expense actual over budget of \$16,487 due to work done on a modular building to be used as additional classroom space.

**Miami Community Charter School, Inc.  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
June 30, 2007**

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- Excess of Board Administration expense actual over budget of \$18,393 due to legal and auditing fees being higher than anticipated.
- Excess of Operation of plant expense actual over budget of \$26,978 due to the increase in custodial staff during the fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The School's investment in capital assets as of June 30, 2007 amounts to \$20,370 net of accumulated depreciation. This investment in capital assets includes furniture, fixtures, equipment, and construction in progress. There were no major capital asset events during the year. The School has entered into a contract to purchase a modular building to be used as additional classroom space.

The School has no outstanding debt.

**ECONOMIC FACTORS**

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2008 include:

- Continued funding from FEFP.
- Continued increase in enrollment.
- A separate legal entity will be operating a middle school on the School's site.

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 537,934
Prepaid expenses	62,612
Capital assets, net	20,370
<b>Total assets</b>	<b>\$ 620,916</b>
<b>LIABILITIES</b>	
Accrued expenses	\$ 68,902
Accounts payable	20,543
<b>Total liabilities</b>	<b>89,445</b>
<b>NET ASSETS</b>	
Invested in capital assets	20,370
Unrestricted	511,101
<b>Total net assets</b>	<b>531,471</b>
<b>Total liabilities and net assets</b>	<b>\$ 620,916</b>

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

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2007**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Basic instruction	\$ 822,709	\$ --	\$ 141,923	\$ (680,786)
Exceptional instruction	8,847	--	--	(8,847)
Instruction and curriculum development	3,715	--	--	(3,715)
Pupil transportation	32,113	--	--	(32,113)
Fiscal services	78,164	--	--	(78,164)
Facility services	146,706	--	--	(146,706)
Maintenance of plant	14,334	--	--	(14,334)
Food services	133,756	2,452	--	(131,304)
Instructional staff training	779	--	--	(779)
Board administration	147,683	--	--	(147,683)
School administration	156,509	--	--	(156,509)
Operation of plant	98,919	--	--	(98,919)
Community services	19,225	27,440	--	8,215
	<u>\$ 1,663,459</u>	<u>\$ 29,892</u>	<u>\$ 141,923</u>	<u>\$ (1,491,644)</u>
<b>General Revenues</b>				
FEFP funds				1,783,143
Miscellaneous				31,757
Total general revenues				<u>1,814,900</u>
Change in net assets				323,256
Net assets, beginning of year				208,215
Net assets, end of year				<u>\$ 531,471</u>

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

**Miami Community Charter School, Inc  
A Charter School and Component Unit of  
Miami-Dade County School Board  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2007**

	General	Federal Grant	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 537,934	\$ --	\$ 537,934
Prepaid expenses	62,612	--	62,612
<b>Total assets</b>	<u>\$ 600,546</u>	<u>\$ --</u>	<u>\$ 600,546</u>
<b>LIABILITIES</b>			
Accrued expenses	\$ 68,902	\$ --	\$ 68,902
Accounts payable	20,543	--	20,543
<b>Total liabilities</b>	<u>89,445</u>	<u>--</u>	<u>89,445</u>
<b>FUND BALANCE</b>			
Reserved for prepaids	62,612	--	62,612
Unreserved fund balance	448,489	--	448,489
<b>Total fund balance</b>	<u>511,101</u>	<u>--</u>	<u>511,101</u>
<b>Total liabilities and fund balance</b>	<u>\$ 600,546</u>	<u>\$ --</u>	

Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the governmental funds. The cost of the assets is  
\$23,508 and the accumulated depreciation is \$3,138.

	<u>20,370</u>
Net assets of governmental activities	<u>\$ 531,471</u>

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

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2007**

	General	Federal Grant	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental			
FEFP funds	\$ 1,783,143	\$ --	\$ 1,783,143
Federal charter school start up grant	--	16,058	16,058
Title 1	125,865	--	125,865
Charges for services	29,892	--	29,892
Miscellaneous	31,757	--	31,757
<b>Total revenues</b>	<u>1,970,657</u>	<u>16,058</u>	<u>1,986,715</u>
<b>EXPENDITURES</b>			
Current - Education			
Basic instruction	805,064	16,058	821,122
Exceptional instruction	8,847	--	8,847
Instruction and curriculum development	3,715	--	3,715
Pupil transportation	32,113	--	32,113
Fiscal services	78,164	--	78,164
Facility services	146,706	--	146,706
Maintenance of plant	22,958	--	22,958
Food services	133,756	--	133,756
Instructional staff training	779	--	779
Board administration	147,683	--	147,683
School administration	156,509	--	156,509
Operation of plant	98,919	--	98,919
Community services	19,225	--	19,225
<b>Total expenditures</b>	<u>1,654,438</u>	<u>16,058</u>	<u>1,670,496</u>
<b>Excess of revenues over expenditures</b>	316,219	--	316,219
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>194,882</u>	<u>--</u>	
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 511,101</u>	<u>\$ --</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$8,624) exceeded depreciation (\$1,587) in the current period.

	<u>7,037</u>
Change in net assets of governmental activities	<u>\$ 323,256</u>



**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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

**1. Reporting Entity**

Miami Community Charter School, Inc., (School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides educational services to students of Miami-Dade County in kindergarten through fifth grade. The governing body of the School is the not-for-profit corporation Board of Directors which consists 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, Miami-Dade County School Board (Sponsor) that is effective until June 30, 2009, and may be renewed for up to an additional fifteen years by mutual agreement of the parties. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter in which case the Sponsor is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown. Miami Community Charter School, Inc. is considered a component unit of the Miami-Dade County School Board.

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

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

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

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

**Miami Community Charter School, Inc.  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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

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

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

The fund financial statements report additional and detailed information about the School's operations for all funds (all funds are considered major funds). A reconciliation is provided that explains the differences between the amounts reported in the government-wide and fund financial statements.

The School reports the following major governmental funds:

General Fund - To account for all financial resources of the School not required to be accounted for in another fund.

Federal Start-Up Grant Fund - To account for a federal grant used for charter school start up activities.

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

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

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

**Miami Community Charter School, Inc.  
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June 30, 2007**

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

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

November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Florida Education Finance Program funding associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, followed by unrestricted resources as needed. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on long-term debt is recognized as an expenditure when due; and (2) expenditures related to long-term liabilities are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**4. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits and highly liquid investments with original maturities of three months or less when purchased. At June 30, 2007, the School's cash balances were comprised of demand deposit accounts.

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

---

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

**5. Capital Assets**

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

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

Furniture, fixtures, and equipment	5 - 10 years
------------------------------------	--------------

**6. Revenue Sources**

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

The School applies for and receives Federal awards for the enhancement of various educational programs. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**7. Prepaid Expenses**

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

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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

**8. Reserved Fund Balance**

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

**9. Estimates**

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

**10. Budgets and Budgetary Accounting**

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

**11. Charter Termination**

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

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE B - CONCENTRATION OF CREDIT RISK**

The School maintains its cash accounts with one financial institution. In the normal course of business, the School's cash balance may exceed the maximum coverage provided by the Federal Deposit Insurance Corporation of \$100,000. At June 30, 2007, the School's carrying amount of deposits was \$537,934 and the bank balance was \$574,599. Of the bank balance, \$474,599 was uninsured. The school does not have a custodial credit risk policy.

**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the period ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$       --	\$    8,624	\$       --	\$    8,624
Capital assets being depreciated:				
Furniture, fixtures and equipment	<u>14,884</u>	<u>      --</u>	<u>      --</u>	<u>14,884</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	<u>1,551</u>	<u>1,587</u>	<u>      --</u>	<u>3,138</u>
Total capital assets being depreciated, net	<u>13,333</u>	<u>(1,587)</u>	<u>      --</u>	<u>11,746</u>
Governmental activities capital assets, net	<u>\$ 13,333</u>	<u>\$ 7,037</u>	<u>\$       --</u>	<u>\$ 20,370</u>

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

Basic instruction	\$    1,587
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**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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**NOTE D - OPERATING LEASE**

The School leases administrative and classroom space under an operating lease expiring June 2009, with an option to renew for one additional five year period at an increased rate. The annual minimum base rent totals \$60,000 with additional payments of \$500 per year for each additional student in excess of 120 enrolled students. Effective subsequent to year-end, the annual minimum base rent was amended to include additional space payable at \$1,000 per month. Rental expense was \$135,583 for the year ended June 30, 2007.

Future minimum lease payments based on current attendance levels are estimated as follows:

Year Ending	
<u>June 30,</u>	
2008	\$ 145,000
2009	<u>145,000</u>
	<u>\$ 290,000</u>

**NOTE E - RISK MANAGEMENT PROGRAMS**

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

**NOTE F - CONTINGENCIES**

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

**Miami Community Charter School, Inc.  
A Charter School and Component Unit  
of the Miami-Dade County School Board  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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**NOTE G - COMMITMENTS**

The School has a contract with a professional services company which provides accounting and financial services, and other assistance to the School at a fixed percentage (3%) of the net FEFP revenue collected from the Sponsor. A total of \$50,820 was paid for these professional services during the fiscal year. The contract began in July 2004 and can be cancelled by either party with 30 days advance notice.

Prior to year-end, the School entered into a construction contract totaling approximately \$129,000, for construction and installation of a modular building to be used as additional classroom space. As of June 30, 2007, the project was in the developmental phase and a payment to the contractor of approximately \$46,000 is reflected as a prepaid item in the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**

**Miami Community Charter School, Inc.**  
**A Charter School and Component Unit of**  
**Miami-Dade County School Board**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS (UNAUDITED)**  
**For the Year Ended June 30, 2007**

	General Fund		
	Original and Final Budget	Actual	Over (Under)
<b>REVENUES</b>			
Intergovernmental			
FEFP funds	\$ 1,757,215	\$ 1,783,143	\$ 25,928
Federal charter school start up grant	--	--	--
Title 1	73,100	125,865	52,765
Charges for services	29,636	29,892	256
Miscellaneous	25,093	31,757	6,664
<b>Total revenues</b>	<u>1,885,044</u>	<u>1,970,657</u>	<u>85,613</u>
<b>EXPENDITURES</b>			
Current - Education			
Basic instruction	947,292	805,064	142,228
Exceptional instruction	--	8,847	(8,847)
Instruction and curriculum development	7,139	3,715	3,424
Pupil transportation	40,098	32,113	7,985
Fiscal services	79,694	78,164	1,530
Facility services	113,000	146,706	(33,706)
Maintenance of plant	6,471	22,958	(16,487)
Food services	124,898	133,756	(8,858)
Instructional staff training	--	779	(779)
Board administration	129,290	147,683	(18,393)
School administration	153,007	156,509	(3,502)
Operation of plant	71,941	98,919	(26,978)
Community services	23,799	19,225	4,574
<b>Total expenditures</b>	<u>1,696,629</u>	<u>1,654,438</u>	<u>42,191</u>
<b>Excess of revenues over expenditures</b>	188,415	316,219	127,804
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>194,882</u>	<u>194,882</u>	<u>--</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 383,297</u>	<u>\$ 511,101</u>	<u>\$ 127,804</u>



O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants  
316 South Baylen St. • Suite 300 • Pensacola, FL 32502

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities and major funds of Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

As required by Section 218.39(4), Florida Statutes, and defined in Chapter 10.850, Rules of the Auditor General, we have issued a separate management letter dated August 31, 2007, which should be considered in assessing the results of our audit.

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

*O'Sullivan Greel, LLP*

August 31, 2007



O'SULLIVAN CREEL, LLP  
Certified Public Accountants & Consultants  
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## MANAGEMENT LETTER

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

We have audited the financial statements of the governmental activities and major funds of the Miami Community Charter School, Inc. (School), a charter school and component unit of the Miami-Dade County School Board, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 31, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 31, 2007, should be considered in conjunction with this "management letter".

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

The Rules of the Auditor General (Section 10.854 (1) (d) 1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations in the preceding annual financial audit report. No recommendations were made in the preceding annual financial audit report.

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

The Rules of the Auditor General (Section 10.854 (1) (d) 3.) require recommendations to address deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes. No deteriorating financial conditions were noted.

The Rules of the Auditor General (Section 10.854 (1) (d) 4.) require disclosure in the management letter of the following matters, based on the auditor's professional judgment, that are inconsequential to the financial statements considering both quantitative and qualitative factors, including the following: a. violations of laws, rules, regulations, contracts, and grant provisions or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit; b. improper expenditures discovered within the scope of the financial audit; and c. deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls. See Attachment A.

The Rules of the Auditor General (Section 10.854 (1) (d) 5.) require if there are no matters described in Sections 10.854 (1) through (4) above, a statement that there were no findings or recommendations. We are submitting for your consideration the recommendations described in Attachment A.

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

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

*O'Sullivan Creel, LLP*

August 31, 2007

**CURRENT YEAR RECOMMENDATIONS**

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**2007-1 Authorized check signers**

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

Management's Response:

We agree with the recommendation and will implement procedures to maintain current check signing authorization.

**2007-2 In-Kind Contributions**

We noted contributions of instructional material and a laptop computer were not recorded in the general ledger as in-kind contributions and offsetting expenditures. Generally accepted accounting principles require such items be recorded at fair market value on the date of contribution. We recommend pertinent documents be obtained and forwarded to those responsible for recording such transactions in the general ledger.

Management's Response:

We agree with the recommendation and will implement procedures to record in-kind contributions.