

Theodore R. and Thelma A. Gibson
Charter School, Inc.
(A Charter School and Component Unit
of the School Board of Miami Dade County, Florida)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2013

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Theodore R. and Thelma A. Gibson Charter School

W/L #: 2060

1698 NW 4th Avenue
Miami, Florida 33136

2012-2013

Board Of Directors

Edith Georgi Houlihan, Chair and President
Charles Gibson
Christine Paullette Deruelle
Sondra Wallace
Loretta Ward

School Administration

Fareed Khan, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Theodore R. and Thelma A. Gibson Charter School, Inc.
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School (the "School"), a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2013, which collectively comprises the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 each major fund of at June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, 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, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

HLB Davis, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

Management's Discussion and Analysis
Theodore R. and Thelma A. Gibson Charter School
June 30, 2013

The corporate officers of the Theodore R. and Thelma A. Gibson Charter School (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2013 by \$ 75,039 (net assets).
2. At year-end, the School had current assets on hand of \$297,117.
3. The net assets of the School increased by \$ 4,567 during the year.
4. The unassigned fund balance at year end was \$57,844.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2013 are presented in accordance with GASB Codification Section 2200. The financial statements have 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 themselves.

Government-Wide Financial Statements

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

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reported as *net assets*. Over time increases or decreases in net assets may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, 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 can be found on pages 9 – 10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

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

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$75,039 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2013 and 2012 follows:

	2013	2012
Cash	\$ 258,668	\$ 165,066
Due from management company	-	-
Prepaid expenses	19,097	800
Due from other agencies	2,111	100,628
Deposits receivable	17,241	17,241
Capital Assets	255,857	302,340
Total Assets	<u>\$ 552,974</u>	<u>\$ 586,075</u>
Salaries and wages payable	\$ 90,446	\$ 78,463
Accounts payable	-	27,677
Due to other government agencies	112,489	-
Long-term debt to management company	275,000	409,463
Total Liabilities	<u>\$ 477,935</u>	<u>\$ 515,603</u>
Invested in Capital Assets, net of related debt	\$ -	\$ -
Unrestricted	75,039	70,472
Total Net Assets	<u>\$ 75,039</u>	<u>\$ 70,472</u>

At the end of the fiscal year, the School is able to report positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 72,979	\$ 73,163
Capital Outlays and Contributions	70,510	107,507
Charges for Services	16,311	26,792
Lunch Program	142,603	123,810
General Revenues		
FTE nonspecific revenues	1,473,669	1,589,018
Other revenue	660,481	506,236
Total Revenues	<u>\$ 2,436,553</u>	<u>\$ 2,426,526</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 1,190,359	\$ 1,159,095
Pupil personnel services	-	21
Instructional Staff Training	2,226	8,247
Board	11,265	12,520
School Administration	465,176	446,640
Facilities Acquisition and Construction	7,870	7,870
Fiscal Services	38,400	42,225
Food Services	178,070	144,176
Central Services	67,102	53,525
Operation of Plant	408,431	460,173
Maintenance of Plant	49,512	62,195
Community Services	13,575	26,947
Total Expenses	<u>\$ 2,431,986</u>	<u>\$ 2,423,634</u>
Increase (decrease) in Net Assets	4,567	2,892
Net Assets at Beginning of Year	<u>70,472</u>	<u>67,580</u>
Net Assets at End of Year	<u>\$ 75,039</u>	<u>\$ 70,472</u>

Operation

Theodore R. and Thelma A. Gibson Charter School's revenues and expense increased by \$10,027 and \$8,352 respectively. The School had an increase in its net assets of \$4,567 for the year.

School Location and Lease of Facility

The school leases a facility at 1698 NW 4th Avenue, Miami, Florida 33136

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

Accomplishments

The 2012-2013 school year was a year of much growth and success for the Theodore R. and Thelma A. Gibson Charter School (Gibson Charter School).

In addition to celebrating it's 10th year of operations, Gibson Charter School experienced strong academic gains throughout all subject areas, which led to substantial point increases for the school's grade. Gibson Charter School proudly closed the school year with a high "C".

In addition to overall academic success, the past school year brought Gibson Charter School students recognition for various accomplishments including, the newly-founded Robotics team placing 4th in regional competition against high performing local and prestigious private schools. The middle school also took pride in the fact that 90% of Algebra I students passed the end-of-year state exam. Gibson Charter School also became an official Police Athletic League (PAL) site offering supervised afterschool activities for students.

Over the past year, Gibson Charter School has been successful in establishing strong business ties with prominent companies throughout South Florida. These relationships have helped by providing sponsorships for much needed support in academics and programs related to the curriculum and enrichments.

Located just a few blocks north from Theodore Gibson Park in the heart of Overtown Miami, Gibson Charter School was founded by Mrs. Thelma A. Gibson in honor of her late husband and civil rights activist Reverend Theodore Gibson. Reverend Gibson was a visionary who worked hard to improve the quality of life for people in South Florida, he believed in unity and opportunity for all. The school's move to Overtown in August of 2009 fulfilled its founder's dream in bringing quality education to children in one of Miami's most impoverished communities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of the School's *governmental 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, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$94,182. The fund balance unassigned and available for spending at the School's discretion is \$57,844. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2013 amounts to \$255,857 (net of accumulated depreciation). This investment in capital assets includes improvements, textbooks and materials, and furniture, fixtures and equipment. As of June 30, 2013, the School had long-term debt totaling \$275,000 associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with the School's budget.

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Federal Sources	\$ 64,308	73,000	\$ 72,979
Lunch Program	123,000	142,000	142,603
Capital Outlay	71,500	70,500	70,510
Charges for Services	10,080	15,000	16,311
General Revenues			
FTE nonspecific revenues	1,485,000	1,470,000	1,473,669
Other revenue	500,000	660,000	660,481
Total Revenues	<u>\$ 2,253,888</u>	<u>\$ 2,430,500</u>	<u>\$ 2,436,553</u>
EXPENSES			
Component Unit Activities:			
Instruction	1,064,308	1,141,000	\$ 1,134,773
Instructional Staff Training	2,500	2,500	
Services			2,226
Board	12,000	12,000	11,265
School Administration	400,000	468,000	464,843
Fiscal Services	40,000	40,000	38,400
Food Services	123,000	175,000	175,060
Central Services	68,000	68,000	67,102
Operation of Plant	396,500	398,500	396,144
Maintenance of Plant	37,660	52,000	49,512
Community Services	10,080	15,000	13,575
Total Current Expenses	<u>\$ 2,154,048</u>	<u>\$ 2,372,000</u>	<u>\$ 2,352,900</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC 6340 Sunset Drive, Miami, Florida 33143.

Theodore R. and Thelma A. Gibson Charter School

Statement of Net Assets

June 30, 2013

Assets

Current assets:

Cash	\$	258,668
Prepaid expenses and other assets		36,338
Due from other government agencies		<u>2,111</u>
		297,117

Capital assets, depreciable		546,111
Less: accumulated depreciation		<u>(290,254)</u>
		<u>255,857</u>

Total Assets	\$	<u><u>552,974</u></u>
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Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$	90,446
Due to other government agencies		<u>112,489</u>
		202,935

Long-term notes payable to management company		<u>275,000</u>
Total Liabilities		477,935

Net assets:

Invested in capital assets, net of related debt		-
Unrestricted		<u>75,039</u>
Total Net Assets		<u>75,039</u>

Total Liabilities and Net Assets	\$	<u><u>552,974</u></u>
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The accompanying notes are an integral part of this financial statement.

Theodore R. and Thelma A. Gibson Charter School

Statement of Activities
For the Year Ended June 30, 2013

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,190,359	\$ -	\$ 72,979	\$ -	\$ (1,117,380)
Pupil Personnel Services	-	-	-	-	-
Instructional staff training services	2,226	-	-	-	(2,226)
Board	11,265	-	-	-	(11,265)
School administration	465,176	-	-	-	(465,176)
Facilities acquisition	7,870	-	-	-	(7,870)
Fiscal services	38,400	-	-	-	(38,400)
Food services	178,070	1,017	142,603	-	(34,450)
Central services	67,102	-	-	-	(67,102)
Operation of plant	408,431	-	-	70,510	(337,921)
Maintenance of plant	49,512	-	-	-	(49,512)
Community Services	13,575	15,294	-	-	1,719
Total governmental activities	<u>2,431,986</u>	<u>16,311</u>	<u>215,582</u>	<u>70,510</u>	<u>(2,129,583)</u>
General revenues:					
FTE nonspecific revenues					1,473,669
In-kind and other revenue					<u>660,481</u>
Change in net assets					4,567
Net assets, beginning					<u>70,472</u>
Net assets, ending					<u>\$ 75,039</u>

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

Theodore R. and Thelma A. Gibson Charter School

Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 258,668	\$ -	\$ 258,668
Due from other government agencies	-	2,111	2,111
Due from funds	2,111	-	2,111
Prepaid expenses and other assets	36,338	-	36,338
Total Assets	<u>\$ 297,117</u>	<u>\$ 2,111</u>	<u>\$ 299,228</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 90,446	\$ -	\$ 90,446
Due to other government agencies	112,489	-	112,489
Due to other funds	-	2,111	2,111
Total Liabilities	<u>202,935</u>	<u>2,111</u>	<u>205,046</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	36,338	-	36,338
Unassigned	57,844	-	57,844
	<u>94,182</u>	<u>-</u>	<u>94,182</u>
Total Liabilities and Fund Balance	<u>\$ 297,117</u>	<u>\$ 2,111</u>	<u>\$ 299,228</u>

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

Theodore R. and Thelma A. Gibson Charter School

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
For the Year Ended June 30, 2013

Total Fund Balance - Governmental Funds \$ 94,182

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

Capital assets of \$546,111 net of accumulated depreciation of \$290,254 used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 255,857

The proceeds from debt issuance provides current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (275,000)

Total Net Assets - Governmental Activities \$ 75,039

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

Theodore R. and Thelma A. Gibson Charter School

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental
For the Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State passed through local	\$ 1,473,669	\$ -	\$ 1,473,669
State capital outlay funding	-	70,510	70,510
Federal sources	-	72,979	72,979
Federal lunch program	-	142,603	142,603
Student lunch fees	-	1,017	1,017
Charges for services	15,294	-	15,294
Other revenue	660,481	-	660,481
Total Revenues	<u>2,149,444</u>	<u>287,109</u>	<u>2,436,553</u>
Expenditures:			
Current			
Instruction	1,069,054	65,719	1,134,773
Pupil Personnel Services	-	-	-
Instructional staff training services	2,226	-	2,226
Board	11,265	-	11,265
Facilities acquisition and construction	-	-	-
School administration	464,843	-	464,843
Fiscal services	38,400	-	38,400
Food services	-	175,060	175,060
Central services	67,102	-	67,102
Operation of plant	325,634	70,510	396,144
Maintenance of plant	49,512	-	49,512
Community services	13,573	-	13,573
Capital Outlay:			
Other capital outlay	25,351	7,254	32,605
Debt Service:			
Repayment of Principal	384,463	-	384,463
Total Expenditures	<u>2,451,423</u>	<u>318,543</u>	<u>2,769,966</u>
Excess of revenues over expenditures	(301,979)	(31,434)	(333,413)
Other financing sources			
Transfers in and (out)	(31,434)	31,434	-
Long term proceeds from management company	250,000	-	250,000
Net change in fund balance	(83,413)	-	(83,413)
Fund Balance at beginning of year	177,595	-	177,595
Fund Balance at end of year	<u>\$ 94,182</u>	<u>\$ -</u>	<u>\$ 94,182</u>

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

Theodore R. and Thelma A. Gibson Charter School

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balance - Governmental Funds \$ (83,413)

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 as depreciation expense until fully depreciated. When capital assets are disposed or become impaired, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. This is the amount by which capital outlays of \$32,605 differed from depreciation expense of \$79,086. (46,483)

The proceeds from debt issuance provides current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. This is the amount by which repayments of \$384,463 exceeds advances of \$250,000 exceeds . 134,463

Change in Net Assets of Governmental Activities \$ 4,567

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

Theodore R. and Thelma A. Gibson Charter School

Statement of Net Assets - Fiduciary Funds

June 30, 2013

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 1,982
Total Assets	<u>\$ 1,982</u>
<u>Liabilities</u>	
Due to students and clubs	\$ 1,982
Total Liabilities	\$ 1,982
<u>Net assets</u>	<u>\$ -</u>

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Theodore R. and Thelma A. Gibson Charter School (the "School"), is a component unit of the School Board of Miami-Dade County, Florida (the "District"). The Schools charter is held by Theodore R. and Thelma A. Gibson Charter School, Inc. a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Theodore R. and Thelma A. Gibson Charter School, Inc., which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2017 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charters expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School is located in Doral, Florida for students from kindergarten through fifth grade. These financial statements are for the year ended June 30, 2013, when on average 256 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Note 1 – Summary of Significant Accounting Policies (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

Agency Fund – accounts for resources of the School's Internal Fund, which is used to administer monies collected at the schools in connection with school, student athletics, class, and club activities.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 – Summary of Significant Accounting Policies (continued)

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. Available means 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 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using 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). Revisions to the annual budget are approved by the Board.

Deposits and Investments

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy; however the School invests excess deposit funds in collateralized repurchase agreements. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. All deposits and investments in repurchase agreements are carried at cost plus accrued interest.

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

Outstanding balances between funds are reported as “due to/from other funds. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund to the General Fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	15 Years
Furniture, Equipment	5 Years
Textbooks	3 Years

Long –Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Note 1 – Summary of Significant Accounting Policies (continued)

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, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the 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 the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

In addition, the School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. 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. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. There is an opportunity to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

Note 1 – Summary of Significant Accounting Policies (continued)

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Income Taxes

Theodore R. and Thelma A. Gibson Charter School, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2013, which is the date the financial statements were available to be issued.

Government-wide financial statements

Equity is classified as net assets and displayed in three (3) components:

- a) Invested 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 attributable to the acquisition or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There are no restricted net assets at year end.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 1 – Summary of Significant Accounting Policies (continued)

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 properly reported within one of the fund balance categories list below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of 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).
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School’s general fund.

Order of Fund Balance Spending Policy

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

Deposits

The School maintains its cash and cash equivalents in major financial institutions. As of June 30, 2013, the bank balance of the School's deposits was \$118,839.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2013, there were no bank balances in excess of the FDIC's coverage.

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2013:

	<u>Balance 07/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/13</u>
Capital Assets:				
Building Improvements	\$ 157,237	\$ -	\$ -	\$ 157,237
Furniture, equipment and textbooks	<u>356,270</u>	<u>32,605</u>	-	<u>388,874</u>
Total Capital Assets	<u>513,507</u>	<u>32,605</u>	-	<u>546,111</u>
Less Accumulated Depreciation:				
Building Improvements	(17,764)	(10,117)	-	(27,881)
Furniture, equipment and textbooks	<u>(193,403)</u>	<u>(68,970)</u>	-	<u>(262,373)</u>
Total Accumulated Depreciation	<u>(211,167)</u>	<u>(79,086)</u>	-	<u>(290,254)</u>
Capital Assets, net	<u>\$ 302,340</u>	<u>\$ (46,481)</u>	<u>\$ -</u>	<u>\$ 255,857</u>

Note 3 –Capital Assets (continued)

For the fiscal year ended June 30, 2013, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	55,586
School administration		333
Facilities acquisition and construction		7,870
Food services		3,011
Maintenance and Operation of plant		12,287
Total Depreciation Expense	\$	<u>79,086</u>

Note 4 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2013, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2013, the School incurred approximately \$115,000 in management fees which was fully granted by the management company.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

Fernando Zulueta, President
Magdalena Fresen, Vice President and Treasurer
Ignacio Zulueta, Vice President
Collette Papa, Secretary

Note 5 – Long Term Debt and Grant Revenues

During the year, the School entered into three line of credit promissory notes with Academica Dade, LLC and Academica Management, LLC, respectively, totaling \$250,000 and bearing no interest. As of June 30, 2013, the total balance due to Academica Dade, LLC and Academica Management, LLC was \$275,000, respectively, and was secured by the School’s fixed assets. Total amounts awarded to the School during 2013 were \$659,250, which includes approximately \$115,000 of waived management fees and \$544,463 of previously issued long-term debt.

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2013:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Due to management Company	\$ 409,463	\$ 250,000	(\$ 384,463)	\$ 275,000

Note 6 – Related Party Transactions

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2013, administrative fees withheld by the School District totaled \$71,888.

Note 7 – Commitments and Contingencies

The School entered into an educational facilities license agreement with the Archdiocese of Miami, Inc. for its facility. Fixed initial annual payments under this agreement are \$182,670 adjusted annually based on the Consumer Price Index (CPI) plus \$700 per student, per year for every student in excess of an enrollment of 214 students at the facility. Additional property costs include repairs, maintenance and insurance. The agreement continues through August 15, 2015 with one automatic renewal for two years unless terminated as provided by in the agreement.

Note 7 – Commitments and Contingencies (continued)

For 2013, rent expense totaled \$231,860, of which approximately \$20,000 is prepaid. Future minimum payments for the full lease are as follows:

<u>Year</u>	
2013	\$182,670
2014	\$182,670

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

The School participates in a number of Federal and State grant programs which are subject to audit in accordance with Office of Management and Budget Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”. The School expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year

Note 9 – Defined Contribution Retirement Plan

The School’s personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a match of 50% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$3,898 for the year ended June 30, 2013. The School does not exercise any control or fiduciary responsibility over the Plans’ assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Theodore R. and Thelma A. Gibson Charter School

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,485,000	\$ 1,470,000	\$ 1,473,669
Charges for services	10,080	15,000	15,294
Other revenue	500,000	660,000	660,481
Total Revenues	<u>1,995,080</u>	<u>2,145,000</u>	<u>2,149,444</u>
EXPENDITURES			
Current:			
Instruction	1,000,000	1,075,000	1,069,054
Instructional Staff Training Services	2,500	2,500	2,226
Board	12,000	12,000	11,265
School Administration	400,000	468,000	464,843
Fiscal Services	40,000	40,000	38,400
Central Services	68,000	68,000	67,102
Operation of Plant	325,000	328,000	325,634
Maintenance of Plant	37,660	52,000	49,512
Community services	10,080	15,000	13,573
Total Current Expenditures	<u>1,895,240</u>	<u>2,060,500</u>	<u>2,041,609</u>
Excess of Revenues			
Over Current Expenditures	<u>99,840</u>	<u>84,500</u>	<u>107,835</u>
Debt Service:			
Redemption of Principal	360,000	385,000	384,463
Capital Outlay:			
Other Capital Outlay	25,000	26,000	25,351
Total capital outlay and debt service	<u>385,000</u>	<u>411,000</u>	<u>409,814</u>
Total Expenditures	<u>2,280,240</u>	<u>2,471,500</u>	<u>2,451,423</u>
Excess of Revenues Over Expenditures	(285,160)	(326,500)	(301,979)
Other financing sources			
Transfers in and (out)	-	(33,500)	(31,434)
Long term proceeds from management compan	230,000	250,000	250,000
Net change in fund balance	(55,160)	(110,000)	(83,413)
Fund Balance at beginning of year	<u>177,595</u>	<u>177,595</u>	<u>177,595</u>
Fund Balance at end of year	<u>\$ 122,435</u>	<u>\$ 67,595</u>	<u>\$ 94,182</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Theodore R. and Thelma A. Gibson Charter School

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 64,308	\$ 73,000	\$ 72,979
State capital outlay funding	71,500	70,500	70,510
Federal lunch program	123,000	142,000	142,603
Charges for services	-	-	1,017
Total Revenues	<u>258,808</u>	<u>285,500</u>	<u>287,109</u>
EXPENDITURES			
Current:			
Instruction	64,308	66,000	65,719
Food Services	123,000	175,000	175,060
Operation of plant	71,500	70,500	70,510
Total Current Expenditures	<u>258,808</u>	<u>311,500</u>	<u>311,289</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>(26,000)</u>	<u>(24,180)</u>
Capital Outlay:			
Other Capital Outlay		7,500	7,254
	<u>-</u>	<u>7,500</u>	<u>7,254</u>
Total Expenditures	<u>258,808</u>	<u>319,000</u>	<u>318,543</u>
Excess of Revenues Over Expenditures	-	(33,500)	(31,434)
Other financing sources			
Transfers in and (out)		33,500	31,434
	<u>-</u>	<u>33,500</u>	<u>31,434</u>
Net change in fund balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



CERTIFIED PUBLIC ACCOUNTANTS

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 of
Theodore R. and Thelma A. Gibson Charter School, Inc.
Doral, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School (the "School") as of, and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 and correct, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate management letter dated August 30, 2013 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

MANAGEMENT LETTER

Board of Directors of
Theodore R. and Thelma A. Gibson Charter School, Inc.
Doral, Florida

We have audited the financial statements of the governmental activities and each major fund of Theodore R. and Thelma A. Gibson Charter School as of and for the year ended June 30, 2013 and have issued our report thereon dated August 30, 2013.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosure in those reports, which are dated August 30, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

2. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

In connection with our audit, we determined that Theodore R. and Thelma A. Gibson Charter School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

3. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management.

ML 13-01 – INTERNAL ACCOUNT

Observation

Control over the internal account needs improvement. We noted that activity in the School's internal fund includes both fiduciary activity and general fundraising activity. The accounting treatment is being applied in the same way for both as funds held in the School's internal account are reported as a liability and the activity is not reflected as revenues or expenses. The activity is also recorded in one general ledger account on a cash basis. In addition, we noted that the school does not currently use check requisition forms and dual signature requirements for all disbursements.

Recommendation

Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets. In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statement performed monthly. We recommend that the school implement use of check requisition forms and dual signature requirements for all disbursements.

ML 13-02 – CAPITAL ASSETS

Observation

We noted that the school uses asset manager software to keep track of capital assets and compute depreciation. We noted that there is no procedure to reconcile the capital asset totals in the asset manager to the school's trial balance.

Recommendation

We recommend that the asset manager total be reconciled to the trial balance at least annually.

4. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

In connection with our audit, we did not have any such findings.

5. Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the school.

The official title of the school is Theodore R. and Thelma A. Gibson Charter School.

6. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Theodore R. and Thelma A. Gibson Charter School 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.

We have applied such procedures and no deteriorating financial condition has been noted.

Status if Prior Year Findings and Recommendations

ML 2012-01 – Education Jobs Fund – Special Revenue Funds: During the current year audit procedures, we noted that the School implemented our recommendation and properly included all federal funds in the special revenue fund.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Miami-Dade County, Federal and other granting agencies and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Coral Gables, Florida
August 30, 2013


CERTIFIED PUBLIC ACCOUNTANTS

Theodore R. and Thelma A. Gibson Charter School

August 29th, 2013

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

ML 13-02 – INTERNAL ACCOUNT

Recommendation

Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets. In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statements performed monthly.

Management Responses

Management will adhere to auditor's recommendation and Management has assigned staff to work specifically on this project.

ML 13-02 – CAPITAL ASSETS

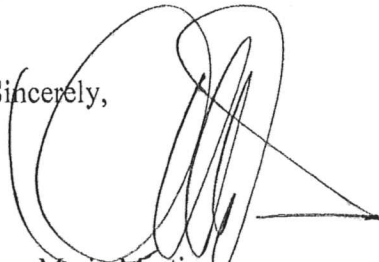
Recommendation

We recommend that the asset manager total be reconciled to the trial balance at least annually.

Management Response

While Management does reconcile the asset manager to the trial balance, Management will adhere to auditor's recommendation and reconcile the asset manager to the trial balance, at minimum, annually. Management is also purchasing a new asset manager software.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ana Maria Martinez', written over a large, faint circular stamp or watermark.

Ana Maria Martinez

Authorized Signor for Theodore R. and Thelma A. Gibson Charter School, Inc.