

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.

(A COMPONENT UNIT OF THE DISTRICT SCHOOL  
BOARD OF MIAMI DADE COUNTY)

Miami Beach, Florida

Basic Financial Statements and  
Independent Auditors' Report

June 30, 2009

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Charter on the Beach Middle School, Inc.

1211 Marseille Drive  
Miami Beach, Florida 33141  
(786) 258-2505

2008-2009

**Administration**

Director: Gladys Palacio

**Board of Directors**

Chairperson Pablo Landi

Treasurer Eduardo Gomez

Secretary Diego Ramirez

Board Members  
Emily Beech  
Gretchen Ellis  
Sabrina Pastor  
Calixto Navarro

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Charter on the Beach Middle School, Inc.  
Miami Beach, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Charter on the Beach Middle School, Inc. a Component Unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Charter on the Beach Middle School, Inc., as of June 30, 2009 and the respective changes in financial position 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 September 9, 2009, on our consideration of Charter on the Beach Middle School, Inc.'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.

The Management's Discussion and Analysis (MD&A) on pages 4 through 9 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—budget to actual on page 21 and 22 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 9, 2009

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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As management of Charter on the Beach Middle School (CBMS), we offer readers of CBMS's financial statements this narrative overview and analysis of the financial activities of the CBMS for the year ended June 30, 2009.

CBMS provided middle school education for 98 students in grades seven through eighth under a charter sponsored by the District School Board of Miami-Dade County, Florida.

Charter on the Beach Middle School is located on a 14,000 sq.ft. property in the North Beach Community of Miami Beach. The school's address is 1211-1219 Marseille Drive, Miami Beach, Florida and is on an inter-coastal canal. The campus consists of two one story buildings built in 1952, which were converted from apartments to a school. The (2) buildings stand side by side and each have (6) rooms. The 1211 side of the property consist of school office and (4) classrooms with one room and (1) classroom with (3) rooms. The 1219 side of the property consist of (1) classroom with (3) rooms, (4) classrooms with one room and (1) cafeteria with (3) available rooms. Each classroom has its own bathroom. The building has (16) total bathrooms of which (2) have been converted for handicap use to comply with ADA Compliance. A security alarm system as well as security cameras have been implemented throughout the building to provide security. The campus has a large area in the back of the property overlooking a canal. The campus is a place where kids come to learn and where a dedicated staff is committed to the education of each and every child in every aspect of their lives. We strive to make sure that each and every child receives the individual attention to grow intellectually, physically and morally.

CBMS is a start-up charter school that opened its doors to serve students in the 2007-08 school year. Due to limited funding, the school encountered much difficulty in completing renovations to its school facility and obtaining the Certificate of Occupancy in time for the school year. Because it was a start-up charter school, financial institutions were not willing to lend funds needed to complete facility renovations and other financings sources, therefore, funding in the form of loans from the school's Director and other related parties became the primary funding sources to complete the facility and help subsidize operating expenses.

In its first year of operations, CBMS served 45 students in grades seven and eighth, which generated less than anticipated FTE funding to meet operational expenses. Also, because students had to be transported to temporary locations prior to the school's facility being finalized for occupancy, high transportation costs were incurred. In addition rent cost also doubled in those months since additional rent had to be paid to provide a location for the children to learn. The result of this was that a large deficit position was created.

Although the school entered the 2008-2009 school year in a deficit position the following factors helped to improve CBMS's financial position during the 2008-2009 school year and will help the school remain open in future school years::

- 95% of the 7th grade students returned for the 2008-2009 school year to the 8<sup>th</sup> grade
- Student enrollment increased by 100%, which generated twice the FTE funding. Student enrollment is expected to remain consistent for the 2009-2010 school year.
- Rental and utilities income from River Cities Charter School helped to generate additional funds during the 2008-2009 school year.

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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- The number of students being transported increased significantly during the 2008-2009 school year which doubled the categorical allocation for transportation. However, because the buses were under utilized in the first year, the daily cost of busing the students did not increase. This is also applicable for the 2009-2010 school year.
- CBMS was approved by the National School Lunch Program, over 75% of the students at CBMS qualified for free/reduced lunch, CBMS received reimbursement for these student lunches which were not reimbursed the previous year.
- Because CBMS qualified for the NSLP and over 75% of the children qualified for free/reduced lunch, CBMS now qualifies for Title I Funds; the school can qualify as early as December 2009 for these funds.
- Charter on the Beach has been approved to receive \$17,000.00 in funding from ERATE in order to upgrade our wireless system in the entire building so the children can have access throughout the school grounds.

#### Financial Highlights

- CBMS's had total assets of \$137,318 as of June 30, 2009 including capital assets, net of depreciation of \$109,086.
- The School had an increase in its net assets of \$399 for the year ended June 30, 2009.
- The School had an increase in its fund balance of \$107,149 for the year ended June 30, 2009 resulting from excess revenues over expenditures of \$11,480 and other financing sources of \$95,760.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CBMS's basic financial statements. CBMS's financial statements for the period ended June 30, 2009 are presented under GASB 34. 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 CBMS's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information on how CBMS'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 10 - 11 of this report.

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CBMS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the CBMS are governmental funds. *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 a government's near-term financing requirements.

CBMS adopts an annual appropriated budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

The basic government fund financial statements can be found on pages 12-15 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 - 20 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, liabilities exceeded assets by \$105,718 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2009 follows:

	2009	2008
Cash	\$ 610	\$
Accounts receivable	3,365	-
Prepaid expenses	1,707	-
Deposits	22,550	22,500
Capital Assets	<u>109,086</u>	<u>137,435</u>
Total Assets	<u>\$137,318</u>	<u>\$159,935</u>
Current liabilities	\$ 67,728	\$ 169,214
Long-term payable to other governments	<u>175,308</u>	<u>96,838</u>
Total Liabilities	<u>243,036</u>	<u>266,052</u>
Invested in capital assets, net of related debt	-	137,435
Unrestricted	<u>(105,718)</u>	<u>(243,552)</u>
Total Net Assets	<u>(\$105,718)</u>	<u>(\$106,117)</u>



CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

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A summary and analysis of CBMS's revenues and expenses for the period ended June 30, 2009 follows.

	<u>2009</u>	<u>2008</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 28,407	\$287,659
General Revenues		
Government Grants Not Restricted	549,121	308,029
Fundraising and other	<u>31,475</u>	<u>16,360</u>
Total Revenues	<u>609,003</u>	<u>612,048</u>
EXPENSES		
Instruction	224,695	274,715
Instruction and Curriculum		
Development Services		
Instructional Staff Training Services		
Board	6,000	-
General Administration	39,302	15,386
School Administration	45,057	86,010
Fiscal Services	5,975	51,233
Food Services	28,498	12,751
Central Services		
Pupil Transportation Services	38,283	38,506
Operation of Plant	174,068	179,233
Maintenance of Plant	39,826	29,517
Community Service	5,061	2,901
Interest and finance charges	<u>1,839</u>	<u>27,913</u>
Total Expenses	<u>608,604</u>	<u>718,165</u>
Increase(decrease) – in net assets	399	(106,117)
Net Assets at Beginning	(106,117)	-
Net Assets at End	<u>(105,718)</u>	<u>(106,117)</u>

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
 (A Component Unit of the School Board of Miami-Dade County)  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2009

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**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

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

**Governmental funds.** The focus of CBMS's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the CBMS's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**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
<b>REVENUES</b>			
Program Revenues			
Capital Outlay			
Charges for services			
General Revenues			
FTE Nonspecific Revenues	577,101	577,101	577,528
Other Revenues	47,975	47,975	26,345
Total Revenues	<u>\$ 625,076</u>	<u>\$ 625,076</u>	<u>\$ 603,873</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities:			
Instruction	248,905	248,905	209,580
Instructional Media Services			
Instructional Staff Training Services			
Board	6,000	6,000	6,000
General Administration	18,200	18,200	39,302
School Administration	45,325	45,325	45,057
Fiscal Services	2,200	2,200	5,975
Food Services	40,998	40,998	28,498
Central Services	17,017	17,017	
Pupil Transportation Services	38,283	38,283	38,283
Operation of Plant	185,403	185,403	174,068
Maintenance of Plant	4,500	4,500	20,742
Capital Outlay:			
Facilities Acquisition and Construction			5,850
Debt Service:			17,290
Redemption of Principal			1,839
Interest			
Total Current Expenditures	<u>\$ 606,831</u>	<u>\$ 606,831</u>	<u>\$ 592,484</u>

### **Accomplishments**

On a school climate survey completed by parents, parents rated Charter on the Beach with an average grade A-, students rated the school as a B+. Although the school grade for Charter on the Beach was an "F", we had significant gains with our lowest 25% of our students, 67% made gains in reading and 57% in Math. We have a full staff of highly qualified and motivated teachers which are committed to turning the school around and working with each and every student. All our teachers are participating in Professional Development Training and giving their 110% to making a difference in the student lives.

### **Programs the students participated in:**

Last year the Close Up Foundation awarded CBMS a various grants and 20 of our students were able to participate in a week trip to our nation's capital where students were able to learn about our government and see hands on the way our government works. Many of our students had never been on a plane or away from home, the sense of pride and independence that this gave our students will remain with them for years to come.

Also many of students completed community projects which included:

- Visits to Nursing homes where the children preformed for the residents.
- Meeting with Holocaust survivors.
- A day of working at daycare center with young children mentoring them.
- Fund raising events at the school to benefit the school.
- Beach clean up on the weekends.
- Working at Humane Society

Charter on the Beach has been approved to receive \$17,000.00 in funding from ERATE in order to upgrade our wireless system in the entire building so the children can have access throughout the school grounds.

Charter on the Beach has qualified for Title I funding and has received \$25,000 in additional funding for supplemental materials to benefit the children.

A new science lab is being built at the school and many of the classrooms have been updated with new lighting.

### **Request for Information**

This financial report is designed to provide a general overview of the CBMS's finances for all those with an interest in the CBMS's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to Gladys Palacio, Director, Doctors Charter School, Charter on the Beach Middle School, Inc. - 1211 Marseille Drive, Miami Beach, Florida 33141. Telephone number: (786) 258-2505.

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

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**Assets**

Current Assets	
Cash	\$ 610
Accounts receivable	3,365
Prepaid expenses	1,707
Deposits receivable	<u>22,550</u>
	28,232
Non-Current Assets:	
Capital assets, depreciable, net of accumulated depreciation	<u>109,086</u>
Total Assets	<u><u>\$ 137,318</u></u>

**Liabilities and Net Assets**

Current Liabilities:	
Accounts payable	\$ 29,725
Accrued liabilities	<u>38,003</u>
	67,728
Long-term payable	<u>175,308</u>
Total Liabilities	243,036
Net Assets:	
Invested in capital assets, net of related debt	-
Unrestricted	<u>(105,718)</u>
Total Net Assets	<u>(105,718)</u>
Total Liabilities and Net Assets	<u><u>\$ 137,318</u></u>

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

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

2009					
FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Component Unit Activities:</b>					
Instruction	\$ 224,695	\$ -	\$ 28,407	\$ -	\$ (196,288)
Instruction and Curriculum Development	-	-	-	-	-
Instructional Staff Training Services	-	-	-	-	-
Board	6,000	-	-	-	(6,000)
General Administration	39,302	-	-	-	(39,302)
School Administration	45,057	-	-	-	(45,057)
Fiscal Services	5,975	-	-	-	(5,975)
Food Services	28,498	-	-	-	(28,498)
Central Services	-	-	-	-	-
Pupil Transportation Services	38,283	-	-	-	(38,283)
Operation of Plant	174,068	-	-	-	(174,068)
Maintenance of Plant	39,826	-	-	-	(39,826)
Community Services	5,061	-	-	-	(5,061)
Interest and finance charges	1,839	-	-	-	(1,839)
<b>Total Component Unit Activities</b>	<u>608,604</u>	<u>-</u>	<u>28,407</u>	<u>-</u>	<u>(580,197)</u>
General revenues:					
					549,121
					26,345
					<u>5,130</u>
					399
					<u>(106,117)</u>
					<u>\$ (105,718)</u>

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

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
 (A Component Unit of the School Board of Miami-Dade County)  
 BALANCE SHEET  
 JUNE 30, 2009

	2009			Total Governmental Funds
	General Fund	Special Revenue Fund	Non-major fund fundraising	
<b><u>Assets</u></b>				
Cash	\$ 541	\$ -	\$ 69	\$ 610
Accounts receivable	3,365	-	-	3,365
Prepaid expenses	1,707	-	-	1,707
Deposits receivable	22,550	-	-	22,550
Total Assets	<u>\$ 28,163</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 28,232</u>
<b><u>Liabilities</u></b>				
Accounts payable	29,725	-	-	29,725
Accrued liabilities	38,003	-	-	38,003
Total Liabilities	<u>67,728</u>	<u>-</u>	<u>-</u>	<u>67,728</u>
<b><u>Fund balance</u></b>				
Unreserved	<u>(39,565)</u>	<u>-</u>	<u>69</u>	<u>(39,496)</u>
Total Fund Balance	<u>(39,565)</u>	<u>-</u>	<u>69</u>	<u>(39,496)</u>
Total Liabilities and Fund Balance	<u>\$ 28,163</u>	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 28,232</u>

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

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2009

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Total Fund Balance - Governmental Funds \$ (39,496)

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

Capital assets of \$191,456 net of accumulated depreciation of \$82,370 used in governmental activities are not financial resources and therefore are not reported in the fund. 109,086

Long-term debt is a current resource to government funds, but increases in long-term liabilities in the statement of net assets. (175,308)

Total Net Assets - Governmental Activities \$ (105,718)

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

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.

(A Component Unit of the School Board of Miami-Dade County)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009

	2009			
	General Fund	Special Revenue Fund	Non-major fund fundraising	Total Governmental Funds
<b>Revenues:</b>				
National school lunch	\$ -	\$ 28,407	\$ -	\$ 28,407
State passed through local	549,121	-	-	549,121
Fundraising and other	-	-	5,130	5,130
Other revenues	26,345	-	-	26,345
<b>Total Revenues</b>	<b>\$ 575,466</b>	<b>\$ 28,407</b>	<b>\$ 5,130</b>	<b>\$ 609,003</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 209,580	\$ -	\$ -	\$ 209,580
Instructional and Curriculum Development	-	-	-	-
Instructional Staff Training Services	-	-	-	-
Board	6,000	-	-	6,000
General Administration	39,302	-	-	39,302
School Administration	45,057	-	-	45,057
Fiscal Services	5,975	-	-	5,975
Food Services	-	28,498	-	28,498
Central Services	-	-	-	-
Pupil Transportation Services	38,283	-	-	38,283
Operation of Plant	174,068	-	-	174,068
Maintenance of Plant	20,742	-	-	20,742
Community Services	-	-	5,061	5,061
Interest and finance charges	1,839	-	-	1,839
<b>Capital Outlay:</b>				
Facilities Acquisition and Construction	5,850	-	-	5,850
<b>Debt Service:</b>				
Redemption of Principal Interest	17,290	-	-	17,290
<b>Total Expenditures</b>	<b>563,986</b>	<b>28,498</b>	<b>5,061</b>	<b>597,545</b>
Excess (deficit) of Revenues Over Expenditures	11,480	(91)	69	11,458
<b>Other financing sources</b>				
Debt restructured to long-term	95,760	-	-	95,760
Transfer in and (out)	(91)	91	-	-
Net change in fund balance	107,149	-	69	107,218
Fund Balance at beginning of year	(146,714)	-	-	(146,714)
Fund Balance at end of year	<b>\$ (39,565)</b>	<b>\$ -</b>	<b>\$ 69</b>	<b>\$ (39,496)</b>

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



CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
 (A Component Unit of the School Board of Miami-Dade County)  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2009

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Change in Fund Balance - Governmental Funds \$ 107,218

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. This is the amount by which capital outlays of \$5,850 differed from depreciation expense of \$34,199. (28,349)

Restructuring of debt to long-term provides current resources to government funds, but increases long-term liabilities in the statement of net assets. (95,760)

Redemption of long-term debt is a current expenditure to government funds, but decreases in long-term liabilities in the statement of net assets. 17,290

Change in Net Assets of Governmental Activities \$ 399

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

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Charter on the Beach Middle School, Inc. (CBMS), is a not-for-profit corporation organized in the State of Florida. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the “District”). The current charter expires on June 30, 2015. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miami Beach, Florida for children from seventh through eighth grade and is funded by the District.

These financial statements are for the year ended June 30, 2009 when approximately 98 students were enrolled for the school year.

**Basic Financial Statements**

The basic financial statements include both 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 and changes in net assets. These statements report information for CBMS as a whole. 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 which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

*Fund Financial Statements*

Fund financial statements are provided for each major governmental fund. Non-major funds are summarized into a single column.

CBMS reports the following major funds:

- General Fund – used to account for the full-time equivalent (FTE) revenue received from the District and the expenditures incurred under the charter with the District. In addition, it accounts for unrestricted contributions, interest income and other income
- Special Revenue Fund – used to account for resources legally restricted to specifically approved expenditures.

**NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, CBMS reports the following non-major fund:

- Fundraising Fund – used to account for revenues from fundraising events and other private sources which are designated to finance particular functions and activities in accordance with administrative requirements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of CBMS are prepared in accordance with generally accepted accounting principles (GAAP). CBMS's 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) opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

The government-wide financial statements report using the economic resources measurement focus and the 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. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Government-wide financial statements also report capital assets and long-term debt.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. 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 current liabilities. CBMS considers revenues to be available if they are collected within 90 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt and other liabilities which are reported as expenditures when the obligations are expected to be liquidated with expendable available financial resources.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the period, expenditures were controlled at the function level.

**NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash**

Cash and cash equivalents include cash on hand, demand deposits and any short-term investments with original maturities of three months or less from the date of acquisition. At June 30, 2009, CBMS had an overdrawn balance in cash.

**Capital Assets**

CBMS's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the statement of net assets in the government-wide financial statements. Donated assets are stated at fair value on the date donated. CBMS generally capitalizes assets with a cost of more than \$750 for tangible personal property and more than \$1,500 for improvements other than buildings. 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 over the estimated useful life of the asset. 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 the statement of activities. Estimated useful lives, in years, for depreciable assets are as follows:

Building and Fixed Equipment	10 Years
Furniture and Fixtures	5 Years
Computer software	3 Years

Pursuant to the Florida Statutes, any capital assets purchased with funds provided by the District would revert to the District upon termination of the charter. Management maintains records of such purchases. During the year ended June 30, 2009 \$5,850 of FTE funds were used to purchase capital assets.

**Revenue Sources**

Revenues for operations are received primarily from the District pursuant to the funding provisions included in the CBMS's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, CBMS 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 Florida Education Finance Program. Funding for CBMS is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by CBMS during the designated full-time equivalent student survey periods.

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 – INCOME TAXES**

CBMS has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), effective August 13, 2004. Accordingly, no tax provision has been made in the accompanying financial statements.

**NOTE 3 – CONTINGENCIES AND CONCENTRATIONS**

CBMS received 89% of its revenues from the District. These funds are subject to audit by the District and the State of Florida, the purpose of which is to ensure compliance with conditions precedent to funding. Any liabilities for reimbursement that may arise as a result of these audits are not reflected in the financial statements.

**NOTE 4 – CHANGES IN CAPITAL ASSETS**

The following schedule provides a summary of changes in capital assets for year ended June 30, 2009:

	<u>Balance at Inception</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance 6/30/08</u>
Capital Assets:				
Furniture and fixtures	\$41,375	-	-	\$41,375
Building and fixed equipment	102,770	5,850	-	108,620
Computer software	<u>41,461</u>	<u>-</u>	<u>-</u>	<u>41,461</u>
Total Capital Assets	185,606	5,850		191,456
Less Accumulated Depreciation:				
Furniture and fixtures	(16,334)	(7,155)	-	(23,489)
Building and fixed equipment	(10,277)	(19,083)	-	(29,360)
Computer software	<u>(21,560)</u>	<u>(7,961)</u>	<u>-</u>	<u>(29,521)</u>
Total Accumulated Depreciation	<u>(48,171)</u>	<u>(34,199)</u>	<u>-</u>	<u>(82,370)</u>
Capital Assets	<u>\$137,435</u>			<u>\$109,086</u>

Depreciation expense for the period ended June 30, 2009 was \$34,199 and has been allocated to various functions in the Statement of Activities.

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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**NOTE 5 – RELATED PARTY TRANSACTIONS**

CBMS's director and certain family members of the director have made advances to the school to support its operations. These advances have been recorded as long-term payables as there is no specific repayment terms. ✓

The advances had a beginning balance (June 30, 2008) of \$96,838. During the year \$95,760 of additional long-term debt was added (See below) and \$17,290 was repaid. Thus, the ending balance of long-term debt is \$175,308.

During the year, \$95,760 of commercial credit card debt was restructured as long-term debt pursuant to Chapter 13 bankruptcy of the School's Director. The Director had used personal credit to obtain the credit cards for the School.

Pursuant to the School charter agreement with the District, CBMS pays a management fee of 5% of qualifying revenues to the District. During the school year ended June 30, 2008, fees paid to the District totaled \$15,401.

**NOTE 6 – COMMITMENTS**

The School entered into a lease agreement for its building including all ancillary facilities, outdoor areas and other improvements. Current monthly rent payments under the agreement are approximately \$7,866 plus insurance costs of approximately \$1,641 per month. This lease expires on June 14, 2010.

For the 2008 - 2009 school year, rent and insurance expense on the facility totaled \$98,768, including late fees and other expenses. Future minimum payments under these leases are as follows:

<u>Year ended June 30,</u>	
2010	\$114,084

**REQUIRED SUPPLEMENTARY INFORMATION**

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2009

	General Fund		
	Original Budget	Final Budget	Actual
<b>Revenues:</b>			
State passed through local	548,694	548,694	549,121
Other revenues	47,975	47,975	26,345
<b>Total Revenues</b>	<b>\$ 596,669</b>	<b>\$ 596,669</b>	<b>\$ 575,466</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Instruction	\$ 248,905	\$ 248,905	\$ 209,580
Instructional and Curriculum Development			-
Instructional Staff Training Services			-
Board	6,000	6,000	6,000
General Administration	18,200	18,200	39,302
School Administration	45,325	45,325	45,057
Fiscal Services	2,200	2,200	5,975
Food Services	-	-	-
Central Services	17,017	17,017	-
Pupil Transportation Services	38,283	38,283	38,283
Operation of Plant	185,403	185,403	174,068
Maintenance of Plant	4,500	4,500	20,742
Community Services	-	-	-
<b>Capital Outlay:</b>			
Facilities Acquisition and Construction	-	-	5,850
<b>Debt Service:</b>			
Redemption of Principal			17,290
Interest	-	-	1,839
<b>Total Expenditures</b>	<b>\$ 565,833</b>	<b>\$ 565,833</b>	<b>\$ 563,986</b>



CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
 (A Component Unit of the School Board of Miami-Dade County)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Federal sources	\$ 28,407	\$ 28,407	\$ 28,407
Total Revenues	<u>\$ 28,407</u>	<u>\$ 28,407</u>	<u>\$ 28,407</u>
Expenditures:			
Current:			
Instruction	\$ -	\$ -	\$ -
General Administration	-	-	-
School Administration	-	-	-
Fiscal Services	-	-	-
Food Services	40,998	40,998	28,498
Operation of Plant	-	-	-
Maintenance of Plant	-	-	-
Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Total Expenditures	<u>\$ 40,998</u>	<u>\$ 40,998</u>	<u>\$ 28,498</u>

**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  
Charter on the Beach Middle School  
Miami Beach, Florida

We have audited the financial statements of Charter on the Beach Middle School, Inc. ("CBMS") as of, and for the year ended June 30, 2009 and have issued our report thereon dated September 9, 2009. 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 CBMS'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 CBMS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CBMS'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 CBMS'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 CBMS's financial statements that is more than inconsequential will not be prevented or detected by CBMS's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be control deficiencies in internal control over financial reporting.

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 CBMS'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 CBMS'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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding 1 – Audit Deadline

CBMS's audited financial statements were not submitted by August 31, 2009, which is the contractually required deadline under the Standard Charter School Contractual Agreement with the School Board of Miami-Dade County. ★

Management's response

Management is aware of the deadline and will strive to achieve a timely audit for the 2009-2010 school year.

Finding 2 – Payroll Taxes

CBMS's has not submitted payroll taxes collected from its employees totaling \$37,300. Failure to timely submit payroll taxes may subject the school to large fines and termination of its exempt status with the Internal Revenue Service. ★

Management's response

Management is in the process of establishing a payment plan with the Internal Revenue Service for all past due payroll taxes. The school will be able to submit all future payroll tax in a timely manner.

This report is intended solely for the information and use of management, the audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*HLB Gravis, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 9, 2009

CHARTER ON THE BEACH MIDDLE SCHOOL, INC.  
(A Component Unit of the School Board of Miami-Dade County)  
**SCHEDULE OF FINDINGS AND RESPONSES**  
JUNE 30, 2009

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**2008-1 - INTERNAL CONTROL ENVIRONMENT**

- Criteria: The accounting function of an organization should be established with appropriate controls to ensure that financial data is recorded in a complete, accurate and timely manner. These controls should include policies to establish proper authorization, segregation, risk assessment, communication and monitoring.
- Condition: CBMS's accounting controls have significantly improved overall since the last audit but certain matters need improvement. Specifically, the following accounting controls were not observed during our audit:
- Segregation of key functions
  - Documentation of adopted budget and budget monitoring
- Context: Failure to effectively implement a sound and robust internal control system increases the risk of error, omissions or fraud.
- Effect: These deficiencies resulted in a control environment that mired management or employees ability to prevent or detect misstatements on a timely basis in the normal course of performing their assigned functions. This resulted in several audit adjustment and reclassifications.
- Cause: The condition results from the lack of available personnel and resources.
- Recom-  
mendation: Management should work to continue to improve on its internal control environment and ultimately achieve the control environment desired and described in the school's charter application.
- Management  
Response: Management fully expects obtain sufficient financial resources during the 2009-2010 school year in order to properly implement the control system.

MANAGEMENT LETTER

Board of Directors of  
Charter on the Beach Middle School, Inc.

Miami Beach, Florida

We have audited the accompanying basic financial statements of Charter on the Beach Middle School, Inc. as of and from inception through June 30, 2009 and have issued our report thereon dated September 9, 2009.

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 Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters dated September 8, 2009. Disclosures in that report, if any, 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 govern the conduct of charter school 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.

The prior year finding and recommendation regarding lack of whistleblower policy has not been fully implemented.

2. 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 – 09-01 FRAUD AND WHISTLEBLOWER POLICY**

Observation 1

We did not find evidence, such as acknowledgment of receipt forms, that a fraud and whistleblower policy is well communicated throughout the organization to all employees

Recommendation

Personnel are often in the best position to identify and report fraud and abuse. Therefore, we recommend that acknowledgment forms be used to ensure that all employees are aware of the policy.

Management's response

We will implement the use of acknowledgment forms during the 2009-10 school year.

## ML – 09-02 BOARD MINUTES

### Observation

We found board minutes to lack adequate detail. In addition, we noted no evidence of public announcement of board meetings.

### Recommendation

Board minutes should be sufficiently detail to allow users to adequately determine the specifics of the topics discussed including commentary and conclusions. In addition, public announcement of board meetings should be made either by posting notices in public bulletin boards or posting on the School's webpage.

### Management's responses

We will provide further detail on our board minutes and post all scheduled board meetings either on the bulletin board or webpage.

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, 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 more than inconsequential.

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

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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

5. Section 10854.(1)(e)6., Rules of the Auditor General, requires the name or official title of the school.

The official title of the school is disclosed in the accompanying financial statements.

6. 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 financial emergency conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

Charter on the Beach Middle School has met the following conditions described in Section 218.503(1) Florida Statutes:

- Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term payments when due, as a result of a lack of funds. ✓
- Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds. ✓
- Failure to transfer at the appropriate time, due to lack of funds:
  - Taxes withheld on the income of employees and ✓
  - Employer and employee contributions for Federal social security ✓
- An unreserved or total fund balance and total net assets deficit, as reported on the balance sheet and statement of net assets on the general purpose and fund financial statements, for which sufficient resources of the local governmental entity, as reported on the balance sheet and statement of net assets on the general purpose or fund financial statements, are not available to cover the deficit. ✓

7. Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10)., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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 have determined that the school has met certain of the financial emergency conditions in Florida Statutes Section 218.503(1).

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the audit committee, the Auditor General of the State of Florida and the School Board of Miami-Dade County, and is not intended to be and should not be used by anyone other than these specified parties.

*HLB Grawen, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 9, 2009