

MANAGEMENT AND
COMPLIANCE AUDITS

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**RIVER CITIES COMMUNITY
CHARTER SCHOOL
MIAMI, FLORIDA**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

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RIVER CITIES COMMUNITY CHARTER SCHOOL
(A Charter School Under River Cities Community Charter School, Inc)

3405 NW 27th Avenue
Miami, FL 33142

2008-2009

BOARD OF DIRECTORS

Doretta Crooks, Board Co-Chair
Lisette Piedra, Board Co-Chair
Kathy San Marty, Board Member

SCHOOL ADMINISTRATION

Connie Crawford-Rodriguez, School Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
River Cities Community Charter School
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of River Cities Community Charter Schools, (the "School") 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 River Cities Community Charter School 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 24, 2009, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 4 through 10 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Verdeja & DeCarmos, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 24, 2009

Management's Discussion and Analysis
River Cities Community Charter School
June 30, 2009

The corporate officers of River Cities Community Charter School, Inc. (the "School") have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2009 by \$32,624 (net assets).
2. At year-end, the School had current assets on hand of \$87,582.
3. The School's expenditures exceeded its revenues by \$35,802 on a governmental basis.
4. The School secured donated equipment, computers and supplies valued at \$17,000.
5. The School was approved for a \$175,000 line of credit loan for leasehold improvements. The balance drawn at June 30, 2009 was \$30,000.

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, 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 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 as soon as the underlying event resulting in the change 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 6-7 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. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Government 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 budget for its general fund basis. 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 13-16 of this report.

The agency fund statement provides information about the financial relationship in which the School acts solely as an agent for the benefit of others. The School is fiduciary for assets that belong to others, such as the student activity funds. The School is responsible for ensuring that the assets reported in these activity funds are used only for the intended purposes and by those for whom the assets are contributed. The School excludes these activities from the Statement of Net Assets because it cannot use these funds to finance its operations. The agency fund statement can be found on page 16 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 17-22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a school's financial position. In the case of the School, assets exceeded liabilities by \$32,624 at the close of its first complete fiscal year. A summary of the School's net assets as of June 30, 2009 follows:

	2009
Cash and cash equivalents	\$ 16,143
Due from governmental or other agencies	56,745
Deposit receivable	8,860
Prepaid expenses and other assets	5,834
Capital assets, net	59,706
Total Assets	<u>\$ 147,288</u>
Accounts and wages payable and accrued liabilities	\$ 37,786
Deferred revenue	46,878
Note payable	30,000
Total Liabilities	<u>\$ 114,664</u>
Invested in capital assets, net of related debt	\$ 29,706
Unrestricted	2,918
Total Net Assets	<u>\$ 32,624</u>

At the end of the fiscal year, the School is able to report positive balances in the categories of net assets with a net increase for the year.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2009 follows:

	<u>2009</u>
REVENUES	
Program Revenues	\$ 98,122
Operating grants and contributions	
General revenues	156,400
Fundraising and other revenue	91,422
Total Revenues	<u>\$ 345,944</u>
 EXPENSES	
Instructional services	\$ 75,855
Instructional staff training services	300
Board	3,030
School administration	21,448
Fiscal services	6,462
Food services	7,828
Central services	14,289
Pupil transportation services	9,860
Operation of plant	179,317
Unallocated depreciation and write-off	3,651
Total Expenses	<u>\$ 322,040</u>
 Change in Net Assets	 \$ 23,904
 Net Assets at Beginning of Year	 <u>8,720</u>
Net Assets at End of Year	<u>\$ 32,624</u>

The School's total revenues totaled \$345,944. Even though the School operated with limited student enrollment of 25 students; it was able to generate additional revenue from rental income and donations. The major expenditures for the year were related to the School's zoning application process through Miami-Dade County to obtain necessary approvals for the use of its permanent facility. Additionally, the School was able to keep its administrative costs low because the School's principal performed both instructional and administrative functions and several parent volunteers donated countless hours to assist in the operation of the School. The School's Net Assets were \$32,624 for the year. If the School computed its Change in Net Assets before Unallocated Depreciation, (a non-cash expense) of \$3,651, its Change in Net Assets would be an increase in Net Assets of \$27,555.

Accomplishments

The School did not receive a grade for the 2008-2009 school year due to its limited enrollment. All students enrolled in the School for 2008-2009 were sixth graders. Nevertheless, FCAT results were analyzed and the data collected from the 2008-2009 school year will serve as a baseline against which to measure the data collected for 2009-2010. Adequate Yearly Progress will be determined based on this data.

The administration, in conjunction with staff, the Board of Directors and the SAC, has made collecting data and evidence of learning a priority for the 2009-2010 school year. The School will be using additional funds for professional training and materials that have been proven to be effective in improving test scores for other schools in Miami-Dade. All teachers have received training for FCAT preparation in reading, writing and mathematics.

The School will continue to provide professional development for the teachers in reading, math and writing and will purchase research-based science materials to enhance students' learning. The School will utilize the district-provided interim exams in math, reading and science, as well as district-provided software programs (such as Reading Counts, Riverdeep and FCAT Explorer) to monitor student progress. Teachers will create action plans to address deficient areas found through this data. In addition, parents of students who are not demonstrating adequate progress will be provided with additional support by way of meetings with the students' advisors.

Nonetheless, anecdotally the School shows indicators of success. Because of its small size, RCCCS offers its students a strong community-oriented environment. There is a tangible atmosphere of family and shared learning. The incoming seventh grade class began as the founding class of the School and has a strong sense of ownership. Since equal value is placed on character development as on academic development, there are specific qualities and attitudes that are a cornerstone of our curriculum and are overtly emphasized and recognized. These include qualities such as tolerance, curiosity, empathy, responsibility, caring, cooperation, risk-taking and perseverance.

The small size also allows for implementation of the concept of Advisories. Students begin the day in a small group (no more than 15 students) with an adult advisor who stays consistent for the middle school experience, thus allowing for a strong mentoring relationship that assures that all students' individual needs are addressed. This uninterrupted relationship also allows parents a vehicle to become more readily involved in their students' school life.

The School partnered with a non-profit Arts organization. Lovewell Institute for the Creative Arts, and was awarded a \$4,000 grant from the Miami-Dade County Department of Cultural Affairs to implement a week-long interdisciplinary arts workshop in which students conceived of, wrote, produced and performed an original musical theatre production. This unique learning experience also served to build self confidence and teamwork in a creative way.

School Location

During the 2008-09 school year, the School operated in a temporary facility at Charter on the Beach Middle School, in Miami Beach. For the new school year 2009-2010, the School will operate at 3405 N.W. 27th Avenue, Miami, Florida.

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, *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.

At the end of the fiscal year, the School's governmental funds reported combined ending fund balances of \$2,918.

Capital Assets

The School's investment in capital assets as of June 30, 2009 amounts to \$59,706 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture, fixtures and computer equipment.

Note Payable

In April 2009 the School signed an agreement for a note payable in the amount of \$175,000. The note is collateralized by the School's leasehold improvements. The note payable bears interest of 5.5 %. The balance drawn at June 30, 2009 was \$30,000.

General Fund Budget Analysis and Highlights

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

	General Fund Budget		Actual by Governmental Funds		
	Original Budget	Final Budget	Total All Funds	General Fund	Capital Fund
REVENUES					
State government grants	\$ 155,000	\$ 155,000	\$ 156,400	\$ 156,400	\$ -
Capital outlay funding and other grants	-	-	-	-	-
Charges for services and other grants	135,000	135,000	98,122	98,122	-
Interest and other income	65,000	65,000	91,422	91,422	-
TOTAL REVENUE	\$ 355,000	\$ 355,000	\$ 345,944	\$ 345,944	-
EXPENDITURES					
Instructional services	\$ 100,150	\$ 100,150	\$ 98,159	\$ 98,159	\$ -
Instructional and curriculum development services	5,000	5,000	-	-	-
Instructional staff training services	5,000	5,000	300	300	-
Board	7,500	7,500	3,030	3,030	-
General administration	-	-	-	-	-
School administration	25,000	25,000	21,448	21,448	-
Facilities acquisition, construction & other capital outlay	55,000	55,000	41,053	41,053	-
Fiscal services	1,000	1,000	6,462	6,462	-
Food services	8,000	8,000	7,828	7,828	-
Central services	7,750	7,750	14,289	14,289	-
Pupil transportation services	18,000	18,000	9,860	9,860	-
Operation of plant	85,000	85,000	179,317	179,317	-
Maintenance of plant	5,000	5,000	-	-	-
Debt services	-	-	-	-	-
TOTAL EXPENDITURES	322,400	322,400	381,746	381,746	-
Net change in fund balance	\$ 32,600	\$ 32,600	\$ (35,802)	\$ (35,802)	\$ -

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Connie Crawford, Principal located at 3405 NW 27th Avenue, Miami, FL 33142.

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	<u>2009</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 16,143
Due from governmental or other agencies	56,745
Deposit receivable	8,860
Prepaid expenses and other assets	<u>5,834</u>
Total current assets	87,582
CAPITAL ASSETS	
Building and improvements	41,053
Less accumulated depreciation	(171)
Furniture, fixtures and computer equipment	22,304
Less accumulated depreciation	<u>(3,480)</u>
Total capital assets, net	<u>59,706</u>
TOTAL ASSETS	<u><u>\$ 147,288</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 37,786
Deferred revenue	46,878
Note payable - current portion	<u>6,925</u>
Total current liabilities	91,589
Note payable - long term portion	<u>23,075</u>
TOTAL LIABILITIES	114,664
NET ASSETS	
Invested in capital assets, net of related debt	29,706
Unreserved	<u>2,918</u>
TOTAL NET ASSETS	32,624
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 147,288</u></u>

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
 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	
Governmental Activities:					
Instructional services	\$ 75,855	\$ -	\$ 30,113	\$ -	\$ (45,742)
Instructional staff training services	300	-	300	-	-
Board	3,030	-	3,030	-	-
School administration	21,448	-	1,219	-	(20,229)
Facilities acquisition & construction	-	-	13,533	-	13,533
Fiscal services	6,462	-	5,505	-	(957)
Food services	7,828	-	-	-	(7,828)
Central services	14,289	-	8,424	-	(5,865)
Pupil transportation services	9,860	-	-	-	(9,860)
Operation of plant	179,317	-	35,998	-	(143,319)
Unallocated depreciation expense	3,651	-	-	-	(3,651)
Total Governmental Activities	<u>322,040</u>	<u>-</u>	<u>98,122</u>	<u>-</u>	<u>(223,918)</u>
GENERAL REVENUES:					
Government grants not restricted to specific programs					156,400
Fundraising and other revenue					<u>91,422</u>
Total general revenues					247,822
Change in Net Assets					23,904
NET ASSETS - BEGINNING					<u>8,720</u>
NET ASSETS - ENDING					<u>\$ 32,624</u>

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
 BALANCE SHEET- GOVERNMENTAL FUNDS
 JUNE 30, 2009

	2009		
	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 16,143	\$ -	\$ 16,143
Due from governmental or other agencies	56,745	-	56,745
Deposit receivable	8,860	-	8,860
Prepaid expenses and other assets	5,834	-	5,834
TOTAL ASSETS	\$ 87,582	\$ -	\$ 87,582
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued liabilities	\$ 37,786	\$ -	\$ 37,786
Deferred revenue	46,878	-	46,878
TOTAL LIABILITIES	84,664	-	84,664
FUND BALANCE			
Unreserved	2,918	-	2,918
TOTAL FUND BALANCE	2,918	-	2,918
TOTAL LIABILITIES AND FUND BALANCE	\$ 87,582	\$ -	\$ 87,582

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balance - Governmental Funds \$ 2,918

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

Capital assets of \$63,357, net of accumulated depreciation of \$3,651 used in governmental activities are not financial resources and therefore are not reported in the fund. 59,706

Long-term liabilities of \$30,000 are not due and payable in the current period and therefore, are not reported in the funds. (30,000)

Total Net Assets - Governmental Activities \$ 32,624

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	2009		
	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
State government grants	\$ 156,400	\$ -	\$ 156,400
Charges for services and other grants	98,122	-	98,122
Other income	91,422	-	91,422
TOTAL REVENUES	\$ 345,944	\$ -	\$ 345,944
EXPENDITURES			
Current:			
Instructional services	\$ 98,159	\$ -	\$ 98,159
Instructional staff training services	300	-	300
Board	3,030	-	3,030
School administration	21,448	-	21,448
Fiscal services	6,462	-	6,462
Food services	7,828	-	7,828
Central services	14,289	-	14,289
Pupil transportation services	9,860	-	9,860
Operation of plant	179,317	-	179,317
Capital Outlay:			
Facilities acquisition and renovation	41,053	-	41,053
Other capital outlay	-	-	-
Debt Service:			
Redemption of principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	381,746	-	381,746
Excess (Deficiency) of revenues over expenditures	(35,802)	-	(35,802)
OTHER FINANCING SOURCES			
Proceeds from long-term financing	30,000	-	30,000
Total other financing sources	30,000	-	30,000
Net change in fund balance	(5,802)	-	(5,802)
Fund balance at beginning of year	8,720	-	8,720
Fund balance at end of year	\$ 2,918	\$ -	\$ 2,918

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net Change in Fund Balance - Governmental Funds \$ (5,802)

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 \$63,357 exceeded depreciation of \$3,651. 59,706

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds of \$30,000 exceeded repayments of \$0 in the current period. (30,000)

Change in Net Assets of Governmental Activities \$ 23,904

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

**RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

River Cities Community Charter School, (the “School”) is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is comprised of 3 members.

The general operating authority of River Cities Community Charter School, (the “School”) is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida (the “School Board”). The current charter is effective until June 30, 2017. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least 90 days prior to the School’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

These financial statements are for the year ended June 30, 2009, when 25 students were enrolled in grades sixth through eighth at the School for the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities.

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 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, namely, the general, special revenue funds and capital project are reported as separate columns in the fund financial statements:

General Fund – used to account for the full-time equivalent (FTE) revenue received from the School Board and the expenditures incurred under the School contract with the School Board. In addition, it is used to account for unrestricted contributions, interest income grants and other income.

Capital Projects Fund – used to account for Capital Outlay funds and School Infrastructure Thrift (SIT) funds. These funds have been segregated to account for renovation to the existing facility or the acquisition of new facilities.

RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of River Cities Community Charter School., (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) 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 or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide 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.

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 current liabilities. The School 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 principal and interest which are reported as expenditures in the year due.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services, and capital outlay).

Cash and Cash Equivalents

The School’s cash is considered to be cash on hand and demand deposits, with original maturities of three months or less.

Due from Other Government or Agency

Due from other government agency consists of amounts due from the Miami-Dade County Public School Board and from the School’s landlord. All amounts are expected to be collected and an allowance for doubtful accounts is not necessary.

RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation and Amortization

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. The School capitalization levels are \$750 on tangible personal property. Other costs incurred for repairs and maintenance is expensed as incurred. 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:

Furniture and equipment	7 Years
Computer equipment and software	5 Years
Leasehold and improvements	20 Years

Long-term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities. Long term liabilities are due in more than one year.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Financing costs are reported as expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditure and are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Revenue Sources

Revenues for operations will be received primarily from the District School Board of Miami-Dade County (the "School Board") 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 School Board. 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 the School 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 the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of School facilities.

The School may also receive 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.

**RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 - 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 3 – INCOME TAXES

The School 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.

NOTE 4 –CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2009:

	Balance 07/01/08	Additions	Deletions	Balance 06/30/08
Capital Assets				
Building and Improvements	\$ -	\$ 41,053	\$ -	\$ 41,053
Furniture and Equipment	-	22,304	-	22,304
Total Capital Assets		63,357		63,357
Less Accumulated Depreciation				
Building and Improvements	\$ -	(\$ 171)	\$ -	(\$ 171)
Furniture and Equipment	-	(3,480)	-	(3,480)
Total Accumulated Depreciation		(3,651)		(3,651)
Capital Assets, net	\$ -	\$ 59,706	\$ -	\$ 59,706

Depreciation expense for the year ended June 30, 2009 was \$3,651.

NOTE 5 – NOTES PAYABLE

On April 16, 2009, the School obtained a note payable in the amount of \$175,000. The note is collateralized by the School's leasehold improvements. The agreement allows the School to draw on the loan amount as needed. At June 30, 2009, the amount drawn and outstanding was \$30,000.

The School's obligation under notes payable consists of the following:

	Balance 07/01/08	Additions	Retirements	Balance 06/30/08
Note Payable, issued on April 16, 2009, with monthly payments of principal and interest totaling \$698, bearing interest of 5.5%. The note matures on April 15, 2013.	\$ -	\$ 30,000	\$ -	\$ 30,000

**RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 – NOTES PAYABLE (Continued)

Maturities of long-term debt are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2010	\$ 6,925
2011	7,315
2012	7,730
2013	8,030
Total	<u>\$ 30,000</u>

NOTE 6 – DEPOSITS POLICY AND CREDIT RISK

It is the School’s policy to maintain its cash and cash equivalents in major banks and in high grade investments.

As of June 30, 2009, the carrying amount of the School’s cash deposit accounts was \$16,143 (operating) bank balance. The amount of deposits not insured by the Federal Depository Insurance Corporation (FDIC) or collateralized, and therefore subject to custodial credit risk was \$0 at year end.

NOTE 7 – GRANTS

In the normal course of operations, the School receives grant funds from various federal, state and local agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not reflected in these financial statements.

NOTE 8- DEFERRED REVENUE

The School received a Federal Charter School Start Up grant through the Florida Department of Education in the amount of \$135,000. At June 30, 2009, the School had spent \$98,122. As of June 30, 2009, the School had \$36,878 remaining to be spent. The School also received \$10,000 as an advance for renting its facilities. These amounts are included in the Statement of Net Assets as deferred revenue.

NOTE 9- COMMITMENTS AND CONTINGENCIES

The School leases its facilities under an operating lease expiring July 1, 2018. For the year ended June 30, 2009, the total rent expense was \$113,651. The future minimum lease payments under this agreement are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2010	\$ 244,668
2011	245,904
2012	257,556
2013	257,028
2014	269,879
2015-2018	1,161,384
Total	<u>\$ 2,436,419</u>

RIVER CITIES COMMUNITY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9- COMMITMENTS AND CONTINGENCIES (Continued)

In addition, the School sub-leased use of the facilities for a monthly payment of \$7,000 until January 2012 with annual 5% increases. Future rentals to be received under this agreement are as follows:

<u>Fiscal Years</u>	<u>Amount</u>
2010	\$ 85,750
2011	90,038
2012	54,023
Total	<u>\$ 229,811</u>

The School has encountered problems with the landlord of its permanent facility located at 6300 N.W. 77 Ct., Miami, Florida with regards to the reduction of the lease payments due to the School as a result of the Real Estate Property tax exemptions obtained on the portion of the property leased by the School. Additionally, building permit issues that have accumulated for several years before the School leased the property have prevented the School from occupying the premises and prompted the School to secure the use of a temporary facility for the 2009-10 school year while these issues are addressed with the landlord. The School has been working with its attorney to bring the issues at hand to the attention of the landlord in an effort to resolve the matters in an amicable manner without seeking litigation. Nevertheless, the School has recorded respective accruals for rent payable due under the lease along with the corresponding Real Estate Tax credit due from the landlord for the portion of the property leased by the School.

SUPPLEMENTARY INFORMATION

**RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET TO ACTUAL- GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund Budget		Actual by Governmental Funds		
	Original Budget	Final Budget	Total		
			All Funds	General Fund	Capital Fund
REVENUES					
State government grants	\$ 155,000	\$ 155,000	\$ 156,400	\$ 156,400	\$ -
Capital outlay funding and other grants	-	-	-	-	-
Charges for services and other grants	135,000	135,000	98,122	98,122	-
Interest and other income	65,000	65,000	91,422	91,422	-
TOTAL REVENUE	\$ 355,000	\$ 355,000	\$ 345,944	\$ 345,944	-
EXPENDITURES					
Instructional services	\$ 100,150	\$ 100,150	\$ 98,159	\$ 98,159	\$ -
Instructional and curriculum development services	5,000	5,000	-	-	-
Instructional staff training services	5,000	5,000	300	300	-
Board	7,500	7,500	3,030	3,030	-
General administration	-	-	-	-	-
School administration	25,000	25,000	21,448	21,448	-
Facilities acquisition, construction & other capital outlay	55,000	55,000	41,053	41,053	-
Fiscal services	1,000	1,000	6,462	6,462	-
Food services	8,000	8,000	7,828	7,828	-
Central services	7,750	7,750	14,289	14,289	-
Pupil transportation services	18,000	18,000	9,860	9,860	-
Operation of plant	85,000	85,000	179,317	179,317	-
Maintenance of plant	5,000	5,000	-	-	-
Debt services	-	-	-	-	-
TOTAL EXPENDITURES	322,400	322,400	381,746	381,746	-
Net change in fund balance	\$ 32,600	\$ 32,600	\$ (35,802)	\$ (35,802)	\$ -

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MARIO A. SARIOL, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

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
River Cities Community Charter School, Inc.
Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of River Cities Community Charter School, Inc. (the "School") 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 and have issued our report thereon dated September 24, 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 the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organizations internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

This report is intended solely for the information and use of management, board of directors, the District School Board of Miami-Dade County, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 24, 2009

MANAGEMENT LETTER

PEDRO M. DE ARMAS, C.P.A.
 OCTAVIO A. VERDEJA, C.P.A.
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 TAB VERDEJA, C.P.A.

Board of Directors of
 River Cities Community Charter School, Inc.
 Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of River Cities Community Charter School, Inc. (the "School") a component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2009, and have issued our report dated September 24, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, 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 on Compliance and Other Matters. Disclosures in that report, which is dated September 1, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which 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 reports or schedule:

- 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. There were no findings made in the preceding annual financial audit report.
- 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. In connection with our audit, we did not have any such recommendations.
- 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 findings.

- 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 amounts, 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; (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.
- Section 10.854(1) (e) 6., Rules of the Auditor General, requires the name or official title of the school. The official title of the School is River Cities Community Charter School, Inc
- 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 River Cities Community Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- 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 River Cities Community Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 24, 2009