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Combination ①

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**

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

FISCAL YEARS ENDED JUNE 30, 2010 AND 2009



**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**

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

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**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**  
(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)  
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities, major fund and the internal fund of The Downtown Miami Charter School, Inc. (the "School"), (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2010 and 2009, which collectively comprises 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 opinions on these financial statements based on our audits.

We conducted our audits 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and the internal fund of The Downtown Miami Charter School, Inc. as of June 30, 2010 and 2009, and the respective changes in financial position for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2010 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in 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 audits.

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To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 24 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedure do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

GLSC & Company, PLLC

August 16, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Downtown Miami Charter School, Inc. ("School"), we offer readers of the School this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2010.

Management's discussion and analysis is included at the beginning of the audited financial statements to provide, in layman's term, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the financial statements and other supplementary information that presents all the School's revenue and expenditures by program for the General Fund and the Internal Fund, which is accounted for as a Trust Fund.

### **FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations.

The School's current year of operations generated an increase in net assets of \$226,870 as compared to an increase in net assets of \$123,044 last year. The overall condition of the funds and governmental activities remains stable for the School.

The assets of the School exceeded its liabilities at June 30, 2010 by approximately \$955,680. Of this amount, approximately \$819,137 was unrestricted.

### **USING THIS ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 the School's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all *governmental activities* that are principally supported by grants and entitlements from the State for full-time equivalent funding. The School does not have any *business-type activities*. The governmental activities of the School primarily include instructional and support services.

The government-wide financial statements can be found on pages 8 through 10 of the report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### USING THIS ANNUAL REPORT (CONTINUED)

#### 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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's funds comprise of the General Fund, a governmental fund, and the Internal Fund, a fiduciary fund.

#### 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 outflow 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 School's near-term financing requirements.

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

The School maintains only one governmental fund type, which is the general fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The School adopts an annual budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

#### Fiduciary Funds

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are used to account for the School's Internal Fund and are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own activities. The accounting used for fiduciary funds is much like that used for government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 15 and 16 of this report.

#### Notes to the Financial Statements

The notes 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 through 24 of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information* concerning budgetary information for the School's general fund. Required supplementary information can be found on pages 25 and 26 of this report.

Our auditor has provided reasonable assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Supplementary Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts listed in the table of contents.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the eighth year of operations and as such, a comparative of government-wide data will be presented. The School's net assets were \$955,680 at June 30, 2010. Of this amount, \$819,137 was unrestricted and \$136,543 was invested in capital assets. The School's net assets were \$728,810 at June 30, 2009. Of this amount, \$626,958 was unrestricted and \$101,852 was invested in capital assets.

Our analysis of the financial statements of the School begins below. The Statement of Net Assets and the Statement of Activities report information about the School's activities that will help answer questions about the position of the School. A comparative analysis is provided.

#### **Net Assets**

A summary of the School's Net Assets is presented in Table A-1 and a summary of the changes in net assets is presented in Table A-2

**Table A-1**

*Summary of net assets*

	Fiscal Year <u>2010</u>	Fiscal Year <u>2009</u>
Current assets	\$ 1,282,887	\$ 1,045,158
Capital assets, net	<u>136,543</u>	<u>101,852</u>
Total assets	1,419,430	1,147,010
Current liabilities	<u>463,750</u>	<u>418,201</u>
Investment in capital assets, net of related debt	136,543	101,852
Unrestricted net assets	<u>819,137</u>	<u>626,958</u>
Total net assets	<u>\$ 955,680</u>	<u>\$ 728,810</u>

**Table A-2**

*Summary of changes in net assets*

	Fiscal Year <u>2010</u>	Fiscal Year <u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 169,802	\$ 477,003
Operating grants and contributions	592,212	309,855
Capital grants and contributions	314,920	355,375
General Revenues:		
FTE	3,895,292	3,854,841
Investment income and miscellaneous	<u>1,398</u>	<u>5,043</u>
Total revenues	<u>4,973,624</u>	<u>5,002,117</u>
Expenses:		
Instructional services	2,079,919	2,193,652
Support services	352,513	365,589
Operation of non-instructional services	942,793	1,015,374
Operation and maintenance of plant	<u>1,371,529</u>	<u>1,304,458</u>
Total expenses	<u>4,746,754</u>	<u>4,879,073</u>
Increase in net assets	<u>\$ 226,870</u>	<u>\$ 123,044</u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As noted above and in the statement of activities on pages 9 and 10, the cost of all governmental activities during the year ended June 30, 2010 and 2009 was \$4,746,754 and \$4,879,073, respectively. The majority of these activities were financed through general revenues of \$3,896,690 and \$3,859,884, which consist primarily of FTE funding from the State.

See "Financial Highlights" on page 3 of this report, for a further explanation of the reason for the increase in net assets.

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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 fund* 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 School's eighth fiscal year of operations, fund balance of the general fund was \$819,137. The general fund is the chief operating fund and only fund of the School.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for June 30, 2010 and 2009:

**Table B-1**

*Summary of condensed Balance Sheet*

	Fiscal Year 2010	Fiscal Year 2009
Total assets	<u>\$ 1,282,887</u>	<u>\$ 1,045,158</u>
Total liabilities	<u>463,750</u>	<u>418,201</u>
Total fund balance	<u>819,137</u>	<u>626,957</u>
Total liabilities and fund balance	<u>\$ 1,282,887</u>	<u>\$ 1,045,158</u>

**Table B-2**

*Summary of condensed statement of revenues, expenditures, and changes in fund balance*

	Fiscal Year 2010	Fiscal Year 2009
Total Revenues	\$ 4,973,624	\$ 5,002,117
Total Expenditures	<u>4,781,445</u>	<u>4,859,885</u>
Excess of revenues over expenditures	<u>\$ 192,179</u>	<u>\$ 142,232</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. There was an amendment to the budget during the fiscal year ended June 30, 2010.

The general fund actual revenues were \$4,973,624 for the fiscal year ended June 30, 2010. That amount is above the budget estimates due primarily to the fact that the actual FTE revenue per student was greater than the estimate used for the budget.

The actual expenditures of the general fund were \$4,781,445 for the fiscal year ended June 30, 2010. This is below the budget estimates primarily due to the lower instructional and administrative expenses.

### CAPITAL ASSETS

At June 30, 2010, the School had \$362,684 invested in furniture, fixtures, computer equipment and leasehold improvements of which approximately \$226,141 has been depreciated, which resulted in a net book value of \$136,543. Total additions for the year were \$108,099.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida has approved a flat budget for education funding for the FEFP program in the fiscal year 2010-2011. However, in order to be conservative, this funding was budgeted with a 2% reduction from the previous year. Capital outlay revenue was also budgeted conservatively with a 9% reduction from the previous year. The State of Florida has reduced its administrative fee to be calculated on the first 250 students rather than the first 500 students which will allow for an increase in the district fee refund received by the School. Student enrollment is expected to remain at approximately the same level as the prior year.

For expenditures, the budget includes technology enhancements and building improvements that will be covered by the School's fund balance. In addition, the budget includes a new Math program that is consistent with Next Generation Sunshine State Standards. The tutoring program will also be expanded in the 2010-2011 plan to include additional students which will effect both revenues and expenditures.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Hillary Daigle, Controller, Charter Schools USA, 6245 N. Federal Highway, 5<sup>th</sup> Floor, Ft. Lauderdale, Florida 33308.

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF NET ASSETS

June 30,

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 1,210,409	\$ 942,308
Receivables	40,822	75,515
Prepays and other assets	31,656	27,335
Capital assets:		
Improvements other than buildings	17,965	17,965
Machinery and equipment	344,719	236,620
Less accumulated depreciation	(226,141)	(152,733)
Total assets	<u>\$ 1,419,430</u>	<u>\$ 1,147,010</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 236,728	\$ 248,247
Wages payable	<u>227,022</u>	<u>169,953</u>
Total liabilities	<u>463,750</u>	<u>418,200</u>
<u>NET ASSETS</u>		
Invested in capital assets	136,543	101,852
Unrestricted net assets	<u>819,137</u>	<u>626,958</u>
Total net assets	<u>\$ 955,680</u>	<u>\$ 728,810</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities Total</u>
<b>Governmental activities:</b>					
Instructional services	\$ (1,899,464)	\$ -	\$ 306,984	\$ -	\$ (1,592,480)
Pupil guidance	(45,453)	-	-	-	(45,453)
Pupil personnel services	(150,001)	-	-	-	(150,001)
Instruction and curriculum development services	(8,350)	-	-	-	(8,350)
Board	(12,500)	-	-	-	(12,500)
School administration	(359,049)	-	-	-	(359,049)
Fiscal services	(616,236)	-	-	-	(616,236)
Food services	(325,883)	20,497	285,228	-	(20,158)
Central services	(674)	-	-	-	(674)
Operation of plant	(1,137,690)	-	-	314,920	(822,770)
Maintenance of plant	(134,465)	-	-	-	(134,465)
Community services	(56,989)	149,305	-	-	92,316
Total activities	<u>\$ (4,746,754)</u>	<u>\$ 169,802</u>	<u>\$ 592,212</u>	<u>\$ 314,920</u>	<u>(3,669,820)</u>
<b>General revenues:</b>					
FTE non-specific revenues					3,895,292
Unrestricted investment income and miscellaneous					<u>1,398</u>
Total general revenues					<u>3,896,690</u>
Change in net assets					226,870
Net assets, beginning					<u>728,810</u>
Net assets, ending					<u>\$ 955,680</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities Total</u>
<b>Governmental activities:</b>					
Instructional services	\$ (1,986,138)	\$ -	\$ 309,855	\$ -	\$ (1,676,283)
Pupil Guidance	(46,703)	-	-	-	(46,703)
Pupil personnel services	(131,646)	-	-	-	(131,646)
Instructional media services	(25,736)	-	-	-	(25,736)
Instruction and curriculum development services	(3,431)	-	-	-	(3,431)
Board	(12,000)	-	-	-	(12,000)
School administration	(353,589)	-	-	-	(353,589)
Fiscal services	(673,011)	-	-	-	(673,011)
Food services	(332,717)	277,707	-	-	(55,010)
Central services	(9,645)	-	-	-	(9,645)
Operation of plant	(1,155,500)	-	-	355,375	(800,125)
Maintenance of plant	(92,164)	-	-	-	(92,164)
Community services	(56,793)	199,296	-	-	142,503
Total activities	<u>\$ (4,879,073)</u>	<u>\$ 477,003</u>	<u>\$ 309,855</u>	<u>\$ 355,375</u>	<u>(3,736,840)</u>
<b>General revenues:</b>					
FTE non-specific revenues					3,854,841
Unrestricted investment income and miscellaneous					<u>5,043</u>
Total general revenues					<u>3,859,884</u>
Change in net assets					123,044
Net assets, beginning					<u>605,766</u>
Net assets, ending					<u>\$ 728,810</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
BALANCE SHEETS - GOVERNMENTAL FUND

June 30,

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash	\$ 1,210,409	\$ 942,308
Receivables	40,822	75,515
Prepays and other assets	31,656	27,335
Total assets	<u>\$ 1,282,887</u>	<u>\$ 1,045,158</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$ 236,540	\$ 221,059
Due to internal fund	188	27,188
Wages payable	227,022	169,953
Total liabilities	<u>463,750</u>	<u>418,200</u>
Fund Balance:		
Restricted for deposits	13,781	9,460
Unreserved designated	270,315	173,354
Unreserved and undesignated	535,041	444,144
Total fund balance	819,137	626,958

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Net fund balance of governmental activities

	136,543	101,852
	<u>\$ 955,680</u>	<u>\$ 728,810</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues:	
State and federal	\$ 4,781,230
Local grants and other	<u>192,394</u>
Total revenues	<u>4,973,624</u>
Expenditures:	
Instructional services	1,899,464
Pupil guidance services	45,453
Pupil personnel services	150,001
Instruction and curriculum development services	8,350
Board	12,500
School administration	331,237
Fiscal services	616,236
Food services	325,883
Central services	674
Operation of plant	1,092,095
Maintenance of plant	134,465
Community services	56,989
Capital outlay	<u>108,098</u>
Total expenditures	<u>4,781,445</u>
Excess of revenues over expenditures	192,179
Fund balance at beginning of year	<u>626,958</u>
Fund balance at end of year	<u>\$ 819,137</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Revenues:	
State and federal	\$ 4,514,800
Local grants and other	<u>487,317</u>
Total revenues	<u>5,002,117</u>
Expenditures:	
Instructional services	1,981,699
Pupil guidance services	46,703
Pupil personnel services	131,646
Instructional medial services	25,736
Instruction and curriculum development services	3,431
Board	12,000
School administration	340,575
Fiscal services	673,011
Food service	332,717
Central services	9,645
Operation of plant	1,094,269
Maintenance of plant	92,164
Community services	56,793
Capital outlay	<u>59,496</u>
Total expenditures	<u>4,859,885</u>
Excess of revenues over expenditures	142,232
Fund balance at beginning of year	<u>484,726</u>
Fund balance at end of year	<u>\$ 626,958</u>

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



THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
RECONCILIATION OF THE STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2010</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances- total governmental fund	\$ 192,179
Fixed asset additions capitalized	108,099
Depreciation expense - operation of plant	<u>(73,408)</u>
Change in net assets of governmental activities	<u>\$ 226,870</u>
	<u>2009</u>
Net change in fund balances- total governmental fund	\$ 142,232
Fixed asset additions capitalized	42,044
Depreciation expense - operation of plant	<u>(61,232)</u>
Change in net assets of governmental activities	<u>\$ 123,044</u>

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF FIDUCIARY NET ASSETS - INTERNAL FUNDS

June 30,

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 9,664	\$ 1,546
Due from general fund	188	27,188
Total assets	\$ 9,852	\$ 28,734
<u>NET ASSETS</u>		
Net Assets:		
Held in trust for student activities	\$ 9,852	\$ 28,734
Total net assets	\$ 9,852	\$ 28,734

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

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS  
INTERNAL FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>
<b>Additions:</b>		
Student activities	\$ 69,066	\$ 55,701
Total additions	<u>69,066</u>	<u>55,701</u>
 <b>Deletions:</b>		
<b>Student activities:</b>		
Classes	67,954	43,450
General	<u>19,994</u>	<u>15,947</u>
Total deletions	<u>87,948</u>	<u>59,397</u>
Change in net assets	(18,882)	(3,696)
Net assets at beginning of year	<u>28,734</u>	<u>32,430</u>
Net assets at end of year	<u>\$ 9,852</u>	<u>\$ 28,734</u>

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

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
 (A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)  
 NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

On February 14, 2002, the Miami-Dade County School Board approved the applications submitted by the Board of Directors of The Downtown Miami Charter School, Inc. for the creation of The Downtown Miami Charter School. The Downtown Miami Charter School, Inc. (the "School") is a non-profit organization incorporated under the laws of Florida to operate a charter school organized pursuant to Section 228.056 of the Florida Statutes. The governing body of the School is the Organization's Board of Directors.

The School operates under a charter of the sponsoring school district, the Miami-Dade County School Board (the School Board). The Downtown Miami Charter School's charter was approved by the Board of Directors on February 14, 2002 and is effective until June 30, 2012. The charter may be renewed for up to an additional fifteen (15) years by mutual written agreement between the School and the School Board. 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 charter's termination.

Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the Organization is considered a component unit of the School Board of Miami-Dade County and is included in the School Board's comprehensive annual financial report.

**Enrollment and Grade Configuration**

<u>School Name and Addresses</u>	<u>Grades</u>	<u>Enrollment</u>
Downtown Miami Charter School 305 N. W Third Avenue, Miami, FL 33128	K- 6	632

**Board of Directors**

The Board of Directors of the Downtown Miami Charter School, Inc. consists of the following members:

Matthew B. Gorson	Chairperson
Meredith Nation	Board Member
Sharmaine Tyler-Luke	Board Member
Dennis Dalton	Board Member
Carlos Migoya	Board Member
Tina Van der Ven	Board Member

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b. Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School. *Governmental activities*, are supported by Full-Time Equivalent (FTE) dollars and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital requirements of a particular function. FTE dollars and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for government funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

### c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School's government-wide and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

FTE dollars, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

The general fund is the school's operating fund and is considered its only major fund. It accounts for all financial resources of the school, except for those required to be accounted for in another fund. In addition, the school uses a fiduciary type fund. The Internal Fund accounts for fundraising and other student activities held in trust for the benefit of the students.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

d. **Assets, Liabilities and Net Assets**

1. **Cash and Cash Equivalents**

The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. The School has no cash equivalents at June 30, 2010.

2. **Receivables**

All intergovernmental receivables are considered to be collectible. No allowance for uncollectibles is considered necessary.

3. **Capital Assets**

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

	<u>Years</u>
Improvement other than buildings	3
Machinery and equipment	3-5

4. **Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or 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.

The government-wide financial statements utilize a net asset presentation. Net asset are categorized as investment in capital assets (net of related debt) and restricted and unrestricted.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

d. **Assets, Liabilities and Net Assets (Continued)**

4. **Fund Equity/Net Assets (Continued)**

*Investment in Capital Assets (net of related debt)* - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

*Restricted Net Assets* – represent liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant or granting agency) limitations on their use. The School would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

*Unrestricted Net Assets* - represent unrestricted liquid assets.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

e. **Revenue Sources**

Revenues for current operations are received primarily from the Miami-Dade County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter, the School reports the number of full-time equivalent students and related data to the District. Under the provisions of Section 1011.62, of the Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. 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 full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

f. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

g. **Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

h. **Income Taxes**

The School is exempt from income tax under Section 501(c)3 of the Internal Revenue Code of 1954 (as amended); accordingly, the financial statements reflect no provision for income taxes.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h. Income Taxes (Continued)**

The School evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of June 30, 2010, the School does not believe that it has taken any tax position that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The School's federal tax returns are currently open for examination by the Internal Revenue Service. Statutes of limitations is generally three years.

**i. Date of Management Review**

The Organization has evaluated subsequent events through August 16, 2010, which is the date that the financial statements were available to be issued.

**2. DEPOSITS & INVESTMENTS**

The School does not have a written investment policy; however, management follows Florida Statutes 218.415(17) which allows public entities electing not to adopt a written investment policy to invest or reinvest any surplus public funds in their control or possession in:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a national recognized rating agency
- Interest-bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury

The School's cash includes cash on hand and demand deposits. At June 30, 2010, the carrying amount of the School's deposits were \$1,220,073, while the bank balances of such deposits were \$1,220,773. The School's deposit are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"), all cash in the bank is held in banking institutions approved by the State of Florida, State Treasurer, to hold public funds.

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institutions eligible collateral. In the event of a failure of a qualified public depository, the remaining public depository would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.



3. CAPITAL ASSETS

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 17,965	\$ -	\$ -	\$ 17,965
Machinery and equipment	<u>236,620</u>	<u>108,099</u>	<u>-</u>	<u>344,719</u>
Total capital assets being depreciated	<u>254,585</u>	<u>108,099</u>	<u>-</u>	<u>362,684</u>
Less accumulated depreciation for:				
Improvements other than buildings	(8,014)	(4,414)	-	(12,428)
Machinery and equipment	<u>(144,719)</u>	<u>(68,994)</u>	<u>-</u>	<u>(213,713)</u>
Total accumulated depreciation	<u>(152,733)</u>	<u>(73,408)</u>	<u>-</u>	<u>(226,141)</u>
 Total capital assets being depreciated, net	 <u>\$ 101,852</u>	 <u>\$ 34,691</u>	 <u>\$ -</u>	 <u>\$ 136,543</u>

Depreciation expense was charged to functions/programs of the School as follows:

	<u>2010</u>	<u>2009</u>
Governmental activities:		
Operation of plant	<u>\$ 73,408</u>	<u>\$ 61,232</u>

4. COMMITMENTS AND CONTINGENCIES

***Lease Agreement with the Downtown Development Authority of Miami***

On April 22, 2002, the School entered into a lease agreement (the "Lease") with the Downtown Development Authority of Miami (DDA) for property (Leased Land) to be used for the sole purpose of the operation and construction of a charter school; subject to a Ground Lease Agreement with the Developer for the construction of the charter school. DDA had previously obtained the land from the City of Miami through an interlocal agreement (the "Interlocal Agreement") pursuant to Resolution No. 02-382 adopted on April 11, 2002. The Lease is subject to all provisions of the Interlocal Agreement and to the extent the Lease and the Interlocal Agreement conflicts the terms of the Interlocal Agreement will govern. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$1.00 per year as long as the land is used for charter school purpose.

***Ground Lease Agreement Downtown Miami Charter School***

On April 22, 2002, the School entered into a lease agreement (the "Ground Lease") with DDA Charter School Developers, Inc. ("CSD") for the Leased Land mentioned in the Lease above. The Ground Lease was entered into with the understanding and agreement that CSD, at its sole cost and expense, would construct and equip the School on the Leased Land and rent the facilities back to the School. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$12 per year. Pursuant to the terms of the Interlocal Agreement, the School and the City authorize CSD as lessee under this Lease to pledge, mortgage or encumber its leasehold interest to a leasehold mortgagee in order to obtain financing for the construction of the charter school.

#### 4. COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### ***Premises Lease Agreement***

On April 22, 2002, the School entered into a lease agreement (the "Premises Lease") with CSD for the charter school premises. The term of the Premises Lease commences on July 1, 2002 and continues for thirty (30) years. The agreement specifies the lease payments for the first five years of the lease with an adjustment on the sixth year and every lease year thereafter during the term of the lease. The rental adjustment will be adjusted upwards or downwards on the sixth year and every year thereafter based on the percentage increase or decrease of the per student full-time equivalent (FTE) credit from the preceding year.

The total non-cancelable minimum lease payments under the School's operating leases is approximately \$750,000 annually during the term of the lease.

The School's rent expenditures totaled approximately \$759,000 and \$779,000 for the fiscal years ended June 30, 2010 and 2009, respectively.

##### ***Grants***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. If through these audits, any of these agencies determines that the School has incurred expenditures disallowed under the terms and conditions of the appropriate agency, such audits could result in: (1) the denial of outstanding claims (pertaining to grants under the reimbursement method agreement by which the School uses its own funds and then files a reimbursement claim), or (2) the request for refund of monies given in advance (pertaining to those grants where grant funds are given to the School in advance).

##### ***Management Operating Agreement***

The School entered into a seven year management agreement with a professional charter management company (Charter School USA) to provide management and administrative services to the School. The agreement expires on July 31, 2012. As defined under article V financial arrangements section C, Fee, the School will pay, as compensation to CSUSA, a management fee of 11%. For the first year of the agreement any revenues in excess of the 11% (fee cap) would be retained by CSUSA up to a maximum amount of \$350,000. Beginning in the second year of the management agreement, any excess revenues beyond the fee cap, shall be divided equally between CSUSA and the School. The School's management fee expenses were approximately \$614,000 and \$671,000, including additional management fees as a result of the excess revenue provisions of the management agreement, of \$93,166 and \$142,231, for the fiscal years ended June 30, 2010 and 2009, respectively.

##### **Management Company Information:**

###### **Name and Address:**

Charter Schools USA  
6245 N. Federal Highway, 5<sup>th</sup> Floor  
Ft. Lauderdale, FL 33308

###### **List of Principal Officers:**

Chairman and CEO-Jonathan K. Hage

##### ***Risk Management***

The School is exposed to various risks of loss related torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries property and liability insurance. Settlement amounts have not exceeded insurance coverage in the past (3) years. In addition, there have been no reductions in insurance coverage during those years.

**5. RELATED PARTY TRANSACTIONS**

***School Board***

Pursuant to the Charter School Agreement with the School Board, the School Board is paid an administrative fee of five percent (5%) of the qualifying revenues of the School. During the years ended June 30, 2010 and 2009 approximately \$203,000 and \$200,000, was paid respectively to the School Board for administrative fees. Pursuant to the Charter School Agreement with the School Board, the School receives from the School Board an FTE for each full-time equivalent student enrolled. There were 632 and 631 full time students enrolled during the fiscal years ended June 30, 2010 and 2009, respectively. The School also receives other allowances based upon students enrolled.

**6. CURRENT VULNERABILITY DUE TO CONCENTRATION**

The School has adopted SOP 949 which requires disclosure of vulnerable concentration of exposed risk. For the fiscal year 2010 and 2009, the School received approximately 74% and 73%, respectively, of its support from the Miami-Dade School Board. It is reasonably possible that in the near term these programs could decrease due to budget cuts at the School Board, which could affect the School and its ability to continue operations.

**7. DESIGNATED FUND BALANCE**

During the year, The Downtown Miami Charter School's Board of Directors designated \$270,315 of the governmental fund balance to offset fiscal year 2011 potential deficit

**SUPPLEMENTARY SCHEDULE**

THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.  
(a component unit of the School Board of Miami-Dade County)  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State and federal	\$ 4,669,304	\$ 4,669,304	\$ 4,781,230	\$ 111,926
Local grants and other	<u>215,713</u>	<u>215,713</u>	<u>192,394</u>	<u>(23,319)</u>
	<u>4,885,017</u>	<u>4,885,017</u>	<u>4,973,624</u>	<u>88,607</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction services	1,962,770	1,962,770	1,899,464	63,306
Pupil guidance	48,881	48,881	45,453	3,428
Pupil personnel services	173,994	173,994	150,001	23,993
Instruction media services	500	500	-	500
Instruction and curriculum development services	7,205	7,205	8,350	(1,145)
Board	13,000	13,000	12,500	500
School administration	335,394	335,394	331,237	4,157
Fiscal services	502,946	596,062	616,236	(20,174)
Food services	334,080	334,080	325,883	8,197
Central services	197,227	197,227	674	196,553
Operation of plant	1,107,220	1,107,220	1,092,095	15,125
Maintenance of plant	98,644	98,644	134,465	(35,821)
Community services	53,413	53,413	56,989	(3,576)
Capital outlay	45,833	133,201	108,098	25,103
Total expenditures	<u>4,881,107</u>	<u>5,061,591</u>	<u>4,781,445</u>	<u>280,146</u>
Excess of revenues over expenditures	3,910	(176,574)	192,179	368,753
Fund balances at beginning of year	<u>626,958</u>	<u>626,958</u>	<u>626,958</u>	<u>-</u>
Fund balances at end of year	<u>\$ 630,868</u>	<u>\$ 450,384</u>	<u>\$ 819,137</u>	<u>\$ 368,753</u>

See notes to budgetary comparison schedule

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC.**  
**(A COMPONENT UNIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY)**  
**NOTE TO BUDGETARY COMPARISON SCHEDULE**  
**JUNE 30, 2010**

**1. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year end.

The original budget and any subsequent amendments are approved by the Board of Directors. For the fiscal year ended June 30, 2010, there was one amendment to the original budget.



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

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

We have audited the financial statements of the governmental activities, major fund and the internal fund of The Downtown Miami Charter School, Inc. (the "School") (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2010 and 2009, and have issued our report dated August 16, 2010. 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

Compliance and Other Matters

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

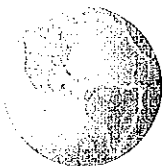
This report is intended solely for the information and use of the Board of Directors, management, the Auditor General of the State of Florida and the Miami-Dade County School Board and is not intended to be and should not be used by anyone other than those specified parties.

GLSC & Company, PLLC

August 16, 2010







**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)  
Miami, Florida

**Compliance**

We have audited the compliance of The Downtown Miami Charter School, Inc (the "School"), (a component unit of the School Board of Miami-Dade County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

**Internal Control over Compliance**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to material weakness.

This report is intended solely for the information and use of management, the Board of Directors and Officers of The Downtown Miami Charter School, Inc, others within the entity, 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.

GLSC & Company, PLLC

August 16, 2010



**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC**  
**(a component unit of the School Board of Miami-Dade County)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>FEDERAL GRANTOR</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
<u>Major Program</u>		
U.S. Department of Agriculture National School Lunch Program	10.555	\$ 285,228
U.S. Department of Education Title I Grants to Local Educational Agencies	84.010	<u>222,716</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 507,944</u></b>

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") represents the federal awards of The Downtown Miami Charter School, Inc. (the "School") recognized under the basis of accounting described in note 2 to the Schedule during the year ended June 30, 2010.

The grant awards administered by the School are operated on a reimbursement basis. Various reimbursement procedures are used for such funds. Consequently, timing differences between expenditures and program reimbursements may exist.

**2. BASIS OF ACCOUNTING**

The expenditures in the accompanying Schedule of Expenditures of Federal Awards are presented using the accrual basis of accounting. The accrual basis of accounting recognizes expenses when they are incurred. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the School's fund financial statements.

**3. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133**

All Federal grant operations of the School are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit. The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March 2010, the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. The Organization did not qualify as a low risk auditee since there were no single audits performed in the previous two years in accordance with provision of OMB Circular A-133. Actual coverage is approximately 56 percent of total cash and non-cash Federal award program expenditures.

<u>Major Federal Award Program Description</u>	<u>CFDA #</u>	<u>2010 Expenditures</u>
Department of Agriculture, <i>Florida Department of Education</i> - National Lunch Program	10.555	\$ 285,228

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC**  
**(a component unit of the School Board of Miami-Dade County)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

**4. FINDINGS OF NONCOMPLIANCE**

There were no findings or noncompliance identified in connection with the June 30, 2010 Single Audit.

**5. AUDITS PERFORMED BY OTHER ORGANIZATIONS**

During the year ended June 30, 2010, an audit of federal lunch program was performed by the Florida Department of Education (the "FDOE"). As a result of the audit there were various findings related mainly to the procedural requirements of the programs. The School provided the audit agency with a corrective action plan addressing all the issues noted during the audit and such corrective action plan was accepted by the FDOE.

**6. CONTINGENCIES**

Grants monies received and disbursed by the School are for specific purposes and are subject to review by the grantor agencies. Such audit may result in request for reimbursements due to disallowed expenditures. Based upon prior experience, the School does not believe that such disallowance, if any, would have a material effect on the financial position of the School.

**THE DOWNTOWN MIAMI CHARTER SCHOOL, INC**  
**(a component unit of the School Board of Miami-Dade County)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of The Downtown Miami Charter School, Inc (the "School")
2. No control deficiencies or material weaknesses were disclosed as a result of the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the School were disclosed as result of the audit.
4. No control deficiencies or material weaknesses were disclosed as a result of the audit of the major federal award programs.
5. The auditors' report on compliance with the major federal award program for the School expresses an unqualified opinion.
6. No findings were disclosed as result of the audit relative to the major federal award program.

7. The program tested as major federal awards programs included:

<u>Agency</u>	<u>Programs</u>	<u>Amount</u>
U.S. Department of Agriculture – Florida Department of Education CFDA #10.555	National Lunch Program	\$ 285,228

8. For the June 30, 2010 Single Audit, the threshold used to distinguish between Type A and Type B programs was \$300,000. There was no type A Programs during fiscal year 2010.
9. The Organization was determined not to be a low-risk auditee. There were no single audits performed in prior fiscal years because federal funds received were below the Single Audit dollar threshold as provided by OMB Circular A-133.

**SECTION II – FINANCIAL STATEMENT FINDINGS**

NONE



**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES  
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors and Officers of  
The Downtown Miami Charter School, Inc.  
(A component unit of the School Board of Miami-Dade County)

We have audited the financial statements of the governmental activities, major fund, and the internal fund of The Downtown Miami Charter School, Inc. (the "School"), (a component unit of the School Board of Miami-Dade County), as of and for the fiscal years ended June 30, 2010 and 2009, and have issued our report thereon dated August 16, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our report on compliance and on internal control over financial reporting, which is dated August 16, 2010, and should be considered in conjunction with this management letter.

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

1. There were no recommendations made in the preceding audit report.
2. The School has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
3. There were no recommendation to improve the school's financial management, accounting procedures, and internal controls.
4. There were no violations of contracts or grant agreements or abuse that has an effect on the financial statements that is less than material but more than inconsequential.
5. Based on our professional judgment, we may report on the following matters that are inconsequential on the financial statement, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, (b) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. The name of the charter school is Downtown Miami Charter School, a component unit of the School Board of Miami-Dade County.
7. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(10). There were no deteriorating financial or financial emergency conditions noted.

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

*GLSC & Company, PLLC*

August 16, 2010