

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

**BASIC FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
REQUIRED SUPPLEMENTAL INFORMATION**

JUNE 30, 2011

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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

2010-2011

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

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MARIA C. PEREZ-ABREU, C.P.A.
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OCTAVIO F. VERDEJA, C.P.A.
TAB VERDEJA, C.P.A.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the School's 2010 financial statements and in our report dated September 7, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities and the general fund.

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 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, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 10 and the Schedules of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual on page 23 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 9, 2011

Management's Discussion and Analysis
River Cities Community Charter School
June 30, 2011

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, 2011.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2011 by \$63,163 (net assets).
2. At year-end, the School had current assets on hand of \$76,842.
3. The School's revenues exceeded its expenditures by \$16,818 on a governmental basis.

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, 2011 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 supplemental 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 11-12 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.

Review Step		A	U
3.	Is there an existence of significant non-compliance with law, rule or contract, either explicitly identified by the auditor or evident in the notes to the financial statements? a. governing board member being compensated as employee or vendor b. undisclosed related party transactions c. fraudulent activity d. other		
4.	Does the Report on Internal Control and Compliance or the Management Letter reveal: a. material weakness (for which the review team concurs with the auditor that the magnitude of the weakness is material) b. one or more significant deficiencies repeated and uncorrected from the prior year	✓ ✓	

No unacceptable items. Therefore findings do not require further review.

School's audit should be referred to review team to determine appropriate District action(s).

Note: review team comprised of staff of Management and Compliance Audits, Controller's Office, and Charter School Operations

Reviewer Signature: Chris Mojca

Date of Review: 9/27/11

Comments - any unacceptable(U) item(s) must have explanation

1. Clarification: What are the charges for services and other grants - page 15.

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. There were no amounts held in agency funds for the year ended June 30, 2011.

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 \$63,163 at the close of its fiscal year. A summary of the School's net assets as of June 30, 2011 follows:

Assets	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 12,124	\$ 8,624
Due from governmental agencies & accounts receivable	39,525	32,245
Prepaid expenses and other assets	5,193	1,693
Deposit receivable	20,000	15,000
Capital assets, net	68,614	69,333
Total Assets	<u>\$ 145,456</u>	<u>\$ 126,895</u>
 Liabilities and Net Assets		
Accounts and wages payable and accrued liabilities	\$ 4,788	\$ 10,641
Note payable	77,505	69,909
Total Liabilities	<u>82,293</u>	<u>80,550</u>
Invested in capital assets, net of related debt	(8,891)	(576)
Unrestricted	72,054	46,921
Total Net Assets	<u>63,163</u>	<u>46,345</u>
Total Liabilities and Net Assets	<u>\$ 145,456</u>	<u>\$ 126,895</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 years ended June 30, 2011 and 2010 are as follows:

REVENUES	<u>2011</u>	<u>2010</u>
Program Revenues		
Operating grants & contributions	\$ -	\$ 101,880
General Revenues		
State passed through local	455,923	341,520
Fundraising & other revenue	15,887	22,654
Total Revenues	<u>\$ 471,810</u>	<u>\$ 466,054</u>
EXPENSES		
Instructional services	\$ 244,887	\$ 183,132
Instructional and curriculum development services	2,580	16,665
Instructional staff training services	195	1,396
Board	6,000	6,195
School administration	45,830	46,679
Facilities acquisition & construction	450	61,015
Fiscal services	1,106	1,906
Food services	24,846	7,196
Central services	25,753	30,901
Pupil transportation services	300	2,400
Operation of plant	85,331	76,402
Maintenance of plant	5,510	2,624
Interest expense	3,193	2,732
Unallocated depreciation	9,011	13,090
Total Expenses	<u>454,992</u>	<u>452,333</u>
Change in Net Assets	16,818	13,721
Net Assets at Beginning of Year	<u>46,345</u>	<u>32,624</u>
Net Assets at End of Year	<u>\$ 63,163</u>	<u>\$ 46,345</u>

The School's total revenues totaled \$471,810. Revenues increased slightly during the year mainly to the increase in enrollment. Additionally, the school was able to continue keeping its administrative costs low because the School's principal performed both administrative and instructional functions while several parent volunteers continuously donate many hours to assist in the operation of the school. The major increase in expenses was due to the food service program. The School was approved for the National School Lunch Program and hired a part-time food service manager to maintain records and assist the principal in administering the program. The School was able to keep other expenses in line with the prior year. The School's changes in net assets were \$16,818 for the year. If the School computed its Change in Net Assets before Unallocated Depreciation, (a non-cash expense) its Change in Net Assets would be an increase in Net Assets of \$25,829.

Accomplishments

The 2010-2011 school year was one of maturation for our school. There were challenges during the year, but they did not deter from the many accomplishments. The most impactful accomplishment for the School was the fact that active recruitment for the 2011-2012 year began in February and was very successful, resulting in enrollment growth to approximately 110 students for the upcoming school year.

While the school received a letter grade of C, we do not believe that the letter grade accurately tells the story. More than half of the school enrollment for 2010-2011 were incoming sixth graders, 90% of which came in with very low FCAT scores (1 or 2) in both reading and math. Because the formula used to calculate the school grade compares one year's students with the next year's students, this influx of low scoring students weighed on our calculations. A more telling statistic is the percentage of students, currently scoring at 25% or below, who showed learning gains. In this category, 70% of students showed learning gains in reading and 60% showed learning gains in math. In addition, data disaggregated by grade level shows that students in grade 7 and grade 8 continue to make significant learning gains.

The administration, in conjunction with the staff, Board of Directors and the SAC, will continue its emphasis on collecting data and gathering evidence of learning for the 2011-2012 school year. The School will use funds for continued 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. Research-based science materials, as well as science supplies such as microscopes, chemistry sets, generators, etc., have been purchased to enhance student 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 Plus, Voyager Passports in Reading 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 tutoring meetings with the students' advisors.

This year, in addition to test results, most of the students in our graduating eighth grade class were our first sixth graders who inaugurated our school. These students went on to a variety of magnet and charter high schools, including Miami Arts Charter, the Law Enforcement Academy and the Hospitality and Travel Magnet at Miami Springs High. Approximately 45% of the eighth grade students took Algebra and passed the DOE's End-of-Course exam.

Another significant highlight was a successful project in collaboration with Lovewell Institute for the Creative Arts. With the assistance of Lovewell Institute for the Creative Arts' staff, students in the Intensive Reading Class, together with students from the music class, wrote and produced a musical which they performed for the School and the community. As the budget allows, the School will continue to utilize these unique learning opportunities to improve reading and writing skills, while promoting creativity and self confidence in the School's students.

School Location

The School operates at its leased facility located at 3405 NW 27th Ave. Miami, 33142.

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 \$72,054.

Capital Assets

The School's investment in capital assets as of June 30, 2011 amounts to \$68,614 (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, 2011 was \$77,505.

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		General Fund
	Original Budget	Final Budget	Actual
REVENUES			
State government grants	\$ 450,000	\$ 450,000	\$ 455,923
Fundraising and other income	25,000	25,000	15,887
TOTAL REVENUE	\$ 475,000	\$ 475,000	\$ 471,810
EXPENDITURES			
Instructional services	\$ 237,000	\$ 237,000	\$ 244,887
Instructional and curriculum development services	3,000	3,000	2,580
Instructional staff training services	1,000	1,000	195
Board	6,200	6,200	6,000
School administration	50,000	50,000	45,830
Facilities acquisition & other capital outlay	6,000	6,000	8,742
Fiscal services	1,000	1,000	1,106
Food services	18,000	18,000	24,846
Central services	22,500	22,500	25,753
Pupil transportation services	1,000	1,000	300
Operation of plant	85,000	85,000	85,331
Maintenance of plant	5,000	5,000	5,510
Debt services	25,000	25,000	10,597
TOTAL EXPENDITURES	460,700	460,700	461,677
Change in fund balance before other financing sources/(loss on disposal)	14,300	14,300	10,133
Other financing sources	-	15,000	15,000
Net change in fund balance	\$ 14,300	\$ 29,300	\$ 25,133

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, 2011

	Governmental Activities	
	2011	2010
		(Summarized Comparative Information)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,124	\$ 8,624
Due from governmental or other agencies	39,525	32,245
Deposit receivable	20,000	15,000
Prepaid expenses and other assets	5,193	1,693
TOTAL CURRENT ASSETS	<u>76,842</u>	<u>57,562</u>
CAPITAL ASSETS		
Building and improvements	31,353	28,553
Less accumulated depreciation	(2,232)	(676)
Furniture, fixtures and computer equipment	62,013	56,521
Less accumulated depreciation	(22,520)	(15,065)
Total capital assets, net	<u>68,614</u>	<u>69,333</u>
TOTAL ASSETS	<u>\$ 145,456</u>	<u>\$ 126,895</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,788	\$ 10,641
Note payable - current portion	37,690	15,813
TOTAL CURRENT LIABILITIES	<u>42,478</u>	<u>26,454</u>
Note payable - long term portion	39,815	54,096
TOTAL LIABILITIES	<u>82,293</u>	<u>80,550</u>
NET ASSETS		
Invested in capital assets, net of related debt	(8,891)	(576)
Unreserved	72,054	46,921
TOTAL NET ASSETS	<u>63,163</u>	<u>46,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 145,456</u>	<u>\$ 126,895</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, 2011

FUNCTIONS	2011				2010	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	(Summarized Comparative Information)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:						
Instructional services	\$ 244,887	\$ -	\$ -	\$ -	\$ (244,887)	\$ (134,931)
Instructional and curriculum development services	2,580	-	-	-	(2,580)	(2,800)
Instructional staff training services	195	-	-	-	(195)	(1,396)
Board	6,000	-	-	-	(6,000)	-
School administration	45,830	-	-	-	(45,830)	(46,179)
Facilities acquisition & construction	450	-	-	-	(450)	(50,760)
Fiscal services	1,106	-	-	-	(1,106)	(906)
Food services	24,846	-	-	-	(24,846)	(7,196)
Central services	25,753	-	-	-	(25,753)	(20,117)
Pupil transportation services	300	-	-	-	(300)	(2,400)
Operation of plant	85,331	-	-	-	(85,331)	(65,322)
Maintenance of plant	5,510	-	-	-	(5,510)	(2,624)
Interest on long-term debt	3,193	-	-	-	(3,193)	(2,732)
Unallocated depreciation expense	9,011	-	-	-	(9,011)	(13,090)
Total Governmental Activities	\$ 454,992	\$ -	\$ -	\$ -	\$ (454,992)	\$ (350,453)
GENERAL REVENUES:						
Government grants not restricted to specific programs					\$ 455,923	\$ 341,520
Fundraising and other revenue					15,887	22,654
Total general revenues					471,810	364,174
Change in Net Assets					16,818	13,721
NET ASSETS - BEGINNING					46,345	32,624
NET ASSETS - ENDING					\$ 63,163	\$ 46,345

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

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
BALANCE SHEET- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	2010 (Summarized Comparative Information)
ASSETS		
Cash and cash equivalents	\$ 12,124	\$ 8,624
Due from governmental or other agencies	39,525	32,245
Deposit receivable	20,000	15,000
Prepaid expenses and other assets	5,193	1,693
TOTAL ASSETS	<u>\$ 76,842</u>	<u>\$ 57,562</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,788	\$ 10,641
TOTAL LIABILITIES	<u>4,788</u>	<u>10,641</u>
 FUND BALANCE		
Unreserved	72,054	46,921
TOTAL FUND BALANCE	<u>72,054</u>	<u>46,921</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 76,842</u>	 <u>\$ 57,562</u>

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, 2011

Total Fund Balance - Governmental Funds \$ 72,054

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

Capital assets of \$93,366, net of accumulated depreciation of \$24,752 used in governmental activities are not financial resources and therefore are not reported in the fund. 68,614

Long-term liabilities of \$77,505 are not due and payable in the current period and therefore, are not reported in the funds. (77,505)

Total Net Assets - Governmental Activities \$ 63,163

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, 2011

	2011		2010	
	General Fund	Capital Projects Fund	Total Governmental Funds	(Summarized Comparative Information)
REVENUES				
State passed through local	\$ 455,923	\$ -	\$ 455,923	\$ 341,520
Charges for services and other grants	-	-	-	101,880
Fundraising and other income	15,887	-	15,887	22,654
TOTAL REVENUES	\$ 471,810	\$ -	\$ 471,810	\$ 466,054
EXPENDITURES				
Current:				
Instructional services	\$ 244,887	\$ -	\$ 244,887	\$ 210,137
Instructional and curriculum development services	2,580	-	2,580	16,665
Instructional staff training services	195	-	195	1,396
Board	6,000	-	6,000	6,195
School administration	45,830	-	45,830	46,679
Facilities acquisition & construction	450	-	450	48,447
Fiscal services	1,106	-	1,106	1,906
Food services	24,846	-	24,846	7,196
Central services	25,753	-	25,753	30,901
Pupil transportation services	300	-	300	2,400
Operation of plant	85,331	-	85,331	76,402
Maintenance of plant	5,510	-	5,510	2,624
Capital Outlay:				
Facilities acquisition and renovation	-	-	-	-
Other capital outlay	8,292	-	8,292	8,280
Debt Service:				
Redemption of principal	7,404	-	7,404	15,091
Interest	3,193	-	3,193	2,732
TOTAL EXPENDITURES	\$ 461,677	\$ -	\$ 461,677	\$ 477,051
Deficiency of revenues over expenditures	\$ 10,133	\$ -	\$ 10,133	\$ (10,997)
OTHER FINANCING SOURCES				
Proceeds from long-term financing	15,000	-	15,000	55,000
Total other financing sources	15,000	-	15,000	55,000
Net change in fund balance	25,133	-	25,133	44,003
Fund balance at beginning of year	46,921	-	46,921	2,918
Fund balance at end of year	\$ 72,054	\$ -	\$ 72,054	\$ 46,921

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, 2010

Net Change in Fund Balance - Governmental Funds \$ 25,133

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 depreciation of \$9,011 exceeded capital outlays of \$8,292. (719)

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 \$15,000 exceeded repayments of \$7,404 in the current period. (7,596)

Change in Net Assets of Governmental Activities \$ 16,818

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

NOTE 1 – ORGANIZATION AND OPERATIONS

Reporting Entity

River Cities Community Charter School, (the “School”) a component unit of the School Board of Miami-Dade County, Florida is sponsored by its charter-holder, River Cities Community School, Inc., 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, 2011, when 74 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.

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.

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.

Subsequent Events

The School has evaluated subsequent events and transactions for potential recognition or disclosure through September 9, 2011, which is the date the financial statements were available to be issued.

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, 2011:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Capital Assets				
Building & improvements	\$ 28,553	\$ 2,800	\$ -	\$ 31,353
Furniture & equipment	56,521	5,492	-	62,013
Total Capital Assets	<u>85,074</u>	<u>8,292</u>	-	<u>93,366</u>
Less Accumulated Depreciation				
Building & improvements	(676)	(1,556)	-	(2,232)
Furniture & equipment	(15,065)	(7,455)	-	(22,520)
Total Accumulated Depreciation	<u>(15,741)</u>	<u>(9,011)</u>	-	<u>(24,752)</u>
Capital Assets, net	<u>\$ 69,333</u>	<u>\$ (719)</u>	<u>\$ -</u>	<u>\$ 68,614</u>

Unallocated depreciation expense for the year ended June 30, 2011 was \$9,011.

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, 2011, the amount drawn and outstanding was \$77,505.

NOTE 5 – NOTES PAYABLE (Continued)

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

	Balance 7/1/2010	Additions	Retirements	Balance 6/30/2011
Note Payable, issued on April 16, 2009, with monthly payments of principal and interest totaling \$3,003, bearing interest of 5.5%. The note matures on April 15, 2013.	\$ 69,909	\$ 15,000	\$ (7,404)	\$ 77,505

Maturities of long-term debt are as follows:

<u>Year Ended June 30</u>	
2012	\$ 37,690
2013	39,815
Total	<u>\$ 77,505</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, 2011, the carrying amount of the School’s cash deposit accounts was \$12,124 (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- COMMITMENTS AND CONTINGENCIES

The School leases its facilities under an operating lease that began on July 1, 2010 and ended on June 30, 2011. Total rent expense for the year ended June 30, 2011 was \$71,758. Payments are due on the first day of each calendar month. The agreement shall automatically renew at the expiration of the initial term up to four years unless terminated by either party. The agreement was renewed subsequent to June 30, 2011. The future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30</u>	
2012	\$ 75,338
2013	79,105
2014	83,060
2015	<u>87,213</u>
Total	<u>\$ 324,716</u>

REQUIRED SUPPLEMENTAL 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, 2011

	General Fund Budget		General Fund
	Original Budget	Final Budget	Actual
REVENUES			
State government grants	\$ 450,000	\$ 450,000	\$ 455,923
Fundraising and other income	25,000	25,000	15,887
TOTAL REVENUE	\$ 475,000	\$ 475,000	\$ 471,810
EXPENDITURES			
Instructional services	\$ 237,000	\$ 237,000	\$ 244,887
Instructional and curriculum development services	3,000	3,000	2,580
Instructional staff training services	1,000	1,000	195
Board	6,200	6,200	6,000
School administration	50,000	50,000	45,830
Facilities acquisition & other capital outlay	6,000	6,000	8,742
Fiscal services	1,000	1,000	1,106
Food services	18,000	18,000	24,846
Central services	22,500	22,500	25,753
Pupil transportation services	1,000	1,000	300
Operation of plant	85,000	85,000	85,331
Maintenance of plant	5,000	5,000	5,510
Debt services	25,000	25,000	10,597
TOTAL EXPENDITURES	460,700	460,700	461,677
Change in fund balance before other financing sources/(loss on disposal)	14,300	14,300	10,133
Other financing sources	-	15,000	15,000
Net change in fund balance	\$ 14,300	\$ 29,300	\$ 25,133

See accompanying note to required supplemental information.

RIVER CITIES COMMUNITY CHARTER SCHOOL, INC.
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2011

NOTE A – BUDGETARY INFORMATION

Budgetary basis of accounting

The School's annual budget is adopted for the entire operations at the combined governmental level and may be amended by the Board. The budget presented for the year ended June 30, 2011 has been amended according to Board procedures. During the fiscal year, expenditures were controlled at the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund for which a legally adopted budget exists.

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).

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*

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

We have audited the 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, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 9, 2011. 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 the 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 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 the School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, federal and state awarding agencies, the State of Florida Office of the Auditor General and other pass-through entities, 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 9, 2011

MANAGEMENT LETTER

PEDRO M. DE ARMAS, C.P.A.
OCTAVIO A. VERDEJA, C.P.A.
YESIE CASTRO, C.P.A.
MARIA C. PEREZ-ABREU, C.P.A.
RICHARD F. PUERTO, C.P.A.
ALEJANDRO M. TRUJILLO, C.P.A.
OCTAVIO F. VERDEJA, C.P.A.
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 non-major component unit of the District School Board of Miami-Dade County, as of and for the year ended June 30, 2011, and have issued our report dated September 9, 2011.

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 9, 2011, 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 provisions contracts or grant agreements, or abuse 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 have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. 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 the School 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 the School'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 management.

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 the School's management, Board of Directors, others within the entity, the District School Board of Miami-Dade County, the State of Florida Office of the Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Verdiz & De Armas, CPAs
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 9, 2011